PEMBINA

PEMBINA PIPELINE CORPORATION

2011 INTERIM REPORT Q3

Pembina Pipeline Corporation 2011 Third Quarter Results
Strong quarterly performance; future growth fueled by Gas Services

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 25 for more information. This report also refers to financial measures that are not defined by International Financial Reporting Standards ("IFRS"). For more information about the measures which are not part of Generally Accepted Accounting Principles ("Non-GAAP Measures") please see page 23.

Pembina Pipeline Corporation ("Pembina" or the "Company") achieved strong results during the third quarter of 2011 due to continued solid performance in each of its four business units. The Company's earnings were $30.1 million ($0.18 per share) during the third quarter of 2011 compared to $30.8 million ($0.19 per share) during the third quarter of 2010. Earnings totaled $120.7 million ($0.72 per share) for the first nine months of 2011 compared to $120.6 million ($0.74 per share) during the first nine months of 2010.

Adjusted earnings were $47.4 million ($0.28 per share) during the third quarter of 2011 compared to $34.4 million ($0.21 per share) during the third quarter of 2010 (adjusted earnings is a non-GAAP measure, see "Non-GAAP Measures" on page 23). Adjusted earnings were $165.1 million ($0.99 per share) for the first nine months of 2011 compared to $128.7 million ($0.79 per share) during the first nine months of 2010.

Cash flow from operating activities was $88 million ($0.53 per share) during the third quarter of 2011 compared to $66.6 million ($0.41 per share) during the third quarter of 2010. Pembina generated cash flow from operating activities of $212.8 million ($1.27 per share) during the first nine months of 2011 compared to $202.6 million ($1.24 per share) during the first nine months of 2010.

Adjusted cash flow from operating activities was $84.8 million ($0.51 per share) during the third quarter of 2011, an increase of 57 percent, compared to $54 million ($0.33 per share) during the third quarter of 2010 (adjusted cash flow from operating activities is a non-GAAP measure, see "Non-GAAP Measures" on page 23). Adjusted cash flow from operating activities was $239.6 million ($1.43 per share) during the first nine months of 2011, an increase of 28 percent, compared to $187.7 million ($1.15 per share) during the first nine months of 2010.

Pembina generated earnings before interest, taxes, depreciation and amortization ("EBITDA") of $86.8 million during the third quarter of 2011 compared to $68.1 million during the third quarter of 2010 (EBITDA is a non-GAAP measure, see "Non-GAAP Measures" on page 23). Pembina generated strong EBITDA of $277.3 million during the first nine months of 2011, an increase of 20 percent, compared to $231.7 million during the first nine months of 2010.

The increases in adjusted earnings, cash flow from operating activities, adjusted cash flow from operating activities and EBITDA were primarily due to improved results from Pembina's Conventional Pipelines and Midstream & Marketing businesses during the third quarter and first nine months of 2011 compared to the third quarter and first nine months of 2010.

"We expect that Pembina's current suite of growth projects, coupled with strong performance in our existing operations, will continue to drive shareholder value in the coming years," said Bob Michaleski, Pembina's President and Chief Executive Officer. "This year, we've completed a $57 million midstream terminal acquisition, brought our $400 million heavy oil and diluent Nipisi and Mitsue Pipeline projects on-stream, extended the capture area of our conventional pipelines and are nearing completion of our Musreau Deep Cut Facility. With a large number of projects now on the books, including new and expanded gas processing projects, the future expansion of our truck terminal network, and the capacity increases we expect to complete on our pipeline assets, we believe Pembina is well-poised to take advantage of the substantial development we are seeing by producers in our operating areas."

Revenue, net of product purchases, during the third quarter of 2011 increased to $156.3 million, compared to $118.2 million during the same period in 2010. Year-to-date revenue, net of product purchases, in 2011 was $444.9 million, compared to $368.5 million during the first nine months of 2010. The increase in revenue was driven by strong performance in each of Pembina's four business units, particularly Conventional Pipelines which realized a $14.3 million year-over-year quarterly gain in revenue primarily as a result of higher throughput, as well as results from Midstream & Marketing which realized a $12.8 million year-over-year quarterly increase in revenue, net of product purchases due to higher volumes and positive market conditions. Operating expenses were $55.9 million during the third quarter and $136.8 million during the first nine months of 2011, compared to $40 million and $113.5 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, power and operating costs associated with Pembina's growth over the past year. Operating margin totaled $100.4 million during the third quarter of 2011, compared to $78.2 million during the third quarter of 2010. Year-to-date operating margin in 2011 was $308.1 million, compared to $255 million during the first nine months of 2010 (operating margin is a non-GAAP measure, see "Non-GAAP Measures" on page 23).

Dividends were $65.4 million during the third quarter of 2011, representing $0.39 per share ($0.13 per share monthly), compared to $64 million in the third quarter of 2010 (no change in per share dividend payments).

Growth Strategy Update

Gas Services Business Undertakes Numerous Expansions

Pembina continues to see significant growth opportunities resulting from the trend towards liquids-rich resource play gas drilling and the extraction of valuable natural gas liquids ("NGL") from gas in the Western Canadian Sedimentary Basin ("WCSB"). Over the past year, Pembina's Gas Services team has focused on expanding this line of business, capitalizing on its experience and expertise, and building out its capacity to extract these liquids from the gas stream and transport them to market using Pembina's existing conventional pipeline network. This has resulted in four expansion projects and demonstrates the strength of the Company's integrated approach. Two of these projects are expansions of Pembina's existing assets at its Musreau gas plant, one of the three plants that make up the Company's Cutbank Complex. The other two projects, as outlined below, diversify Pembina's Gas Services operations and provide access into new regions that are seeing similar increases in development and gas processing requirements by producers.

These expansions are expected to bring Pembina's net enhanced NGL extraction capacity to approximately 600 million cubic feet per day ("mmcf/d"), which would be processed largely on a contracted, fee-for-service basis and result in approximately 40,000 barrels per day ("bpd") of incremental NGL to be transported for additional toll revenue on Pembina's conventional pipelines by the end of 2013. Pembina expects these expansions could contribute $75 million to $90 million of EBITDA annually.

Expansion at the Cutbank Complex's Musreau Gas Plant

At Pembina's Musreau gas plant, the Company is completing work on an enhanced NGL extraction facility (the "Musreau Deep Cut Facility") as well as expanding its existing shallow cut gas processing capability.

Construction of Pembina's Musreau Deep Cut Facility, a new 205 mmcf/d ethane extraction facility and the related 10 kilometre pipeline, is complete and commissioning is well underway with start-up expected in December 2011. This new $75 million plant will deliver an ethane mix stream to Pembina's Peace Pipeline. Pembina has contracted approximately 80 percent of the planned capacity at the Musreau Deep Cut 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 Musreau Deep Cut Facility is expected to provide Pembina with approximately $12 to $15 million of additional EBITDA annually, as well as up to 13,000 bpd of liquids which Pembina will transport on its conventional pipelines and for which it will receive additional toll revenue.

Pembina also plans to expand Musreau's shallow cut gas processing capability by 50 mmcf/d due to high plant utilization and strong customer demand. Once the expansion is complete, the Cutbank Complex is expected to have an aggregate raw gas processing capacity of 410 mmcf/d (355 mmcf/d net to Pembina), an increase of 16 percent net to Pembina. The Company 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.

Expansion into new region: Resthaven

Pembina announced on October 13, 2011 that it plans to further expand its gas handling assets in the Deep Basin in west central Alberta, an area which is becoming known for its prolific liquids-rich gas supply. Pembina has entered into agreements to develop a combined shallow cut and deep cut NGL extraction facility (the "Resthaven Facility") by modifying and expanding an existing gas plant. Once operational, the initial phase of the Resthaven Facility will have a gross capacity of 200 mmcf/d and 13,000 bpd of liquids extraction capability, with ultimate processing capacity of 300 mmcf/d and 18,000 bpd of liquids extraction capability. Pembina plans to construct a 44 kilometre, 6 inch diameter NGL pipeline to transport the extracted NGL from the Resthaven Facility to Pembina's Peace Pipeline, which delivers product into Edmonton, Alberta. Once completed, Pembina will own approximately 65 percent of the Resthaven Facility and will own 100 percent of the NGL pipeline.

Pembina estimates that the Resthaven Facility, associated NGL pipeline, and storage facilities will cost approximately $230 million (net to Pembina) and will contribute annual EBITDA of $30 to $40 million (including pipeline tolls). Subject to regulatory approval, Pembina expects these new facilities to be in-service in late 2013. Pembina's investment in the Resthaven Facility is supported by long-term firm service agreements with two of the major area producers while the NGL pipeline is underpinned by long-term service agreements with the Resthaven Facility owners.

Expansion into new region: Berland

Pembina announced on October 28, 2011 that it plans to construct, own and operate a 200 mmcf/d enhanced NGL extraction facility (the "Saturn Facility") and associated NGL and gas gathering pipelines in the Berland area of west central Alberta.

The Saturn Facility will be connected to Talisman Energy Inc.'s ("Talisman") Wild River and Bigstone gas plants through existing and newly constructed gas gathering lines. Once operational, Pembina expects the Saturn Facility will be able to extract up to 13,500 bpd of liquids. Pembina plans to construct an 83 kilometre, 8 inch NGL pipeline to transport the extracted NGL from the Saturn Facility to Pembina's Peace Pipeline.

Pembina expects the Saturn Facility, associated NGL and gas gathering pipelines and storage to cost approximately $200 million and contribute annual EBITDA of approximately $30 million (including pipeline tolls). Subject to regulatory and environmental approval, Pembina expects the Saturn Facility and associated pipelines to be in-service in the fourth quarter of 2013 and has entered into a long-term, firm service agreement with Talisman.

"The Saturn Facility is an exciting gas services and infrastructure project located in an area of strong liquids rich natural gas supply growth," said Bob Michaleski, Pembina's President and Chief Executive Officer. "This project is consistent with our strategy to optimize our existing asset base and, as is the goal with all of our projects, we will generate additional value through integration with our conventional pipelines and midstream and marketing services."

Conventional Pipelines Development

Drayton Valley Area

To continue meeting the needs of shippers and accommodate increasing production in the Cardium formation located in west central Alberta, 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 8 inch 42 kilometre section of pipeline that transports crude oil between Willesden Green and Buck Creek, Alberta. As of the end of the third quarter of 2011, Pembina has spent $18 million to progress construction on this expansion, which is expected to increase the capacity of the line from 12,000 bpd to approximately 37,000 bpd. Pembina expects the project to be completed in the fourth quarter of 2011.

During the third quarter of 2011, Pembina completed a $5 million extension to segments of its 10 inch Drayton Valley mainline. Some additional capital is expected to be spent on tie-ins, new extensions and mainline pump station reactivations.

Additional capital is also being invested to complete the Baptiste Truck Terminal, which is scheduled to be operational during the first quarter of 2012. To date, Pembina has spent $3.1 million with a projected cost of approximately $6 million.

The Company also expects to deploy capital to debottleneck certain existing pipeline systems and on various new receipt points in the Drayton Valley area.

Edson Area

Pembina announced in the first quarter of 2011 that it would extend the reach of its conventional pipeline network to provide liquids transportation solutions to producers in the greater Edson, Alberta area.

The reactivation and re-certification of an existing 6 inch line from Windfall Junction on Pembina's Peace Pipeline system to Edson has been completed at an estimated capital cost of $15 million and began deliveries on October 15, 2011. This pipeline will provide transportation options for producers exploring for liquids rich gas opportunities in Deep Basin Cretaceous plays, including Cardium oil opportunities south of Edson. The re-commissioned pipeline is underpinned by a long-term transportation agreement with an area producer for approximately 5,000 bpd and has an initial capacity of approximately 12,500 bpd with an ultimate capacity of approximately 17,500 bpd. Due to high levels of industry activity in the greater Edson area, Pembina expects additional capacity and tie-in opportunities on the new line segment.

Liquids Rich Natural Gas

Pembina's Peace Pipeline and Northern Pipeline systems are located in prolific areas of the WCSB 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, extracted from the natural gas, being transported on the Company's pipelines. Pembina is currently undertaking a detailed review and assessment of its pipeline systems' capacity to proactively prepare for additional volume increases.

Midstream & Marketing: Development of the Pembina Nexus Terminal and Truck Terminal Expansion Plans

In early 2011, Pembina acquired terminalling and storage facilities located near Edmonton, Alberta. The $57 million acquisition included more than 300,000 barrels of existing storage capacity and sufficient bare land to develop and significantly expand storage capacity as customer demand grows. The assets are interconnected via pipelines to other Pembina infrastructure, as well as refineries and downstream terminals and will allow Pembina to create tailored products and services for Pembina's customers and facilitate growth for its other business units. In addition, the assets will form a cornerstone 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 as, among other things, 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 third quarter of 2011, Pembina completed initial work to increase the interconnectivity of the terminal, aimed at providing value to both upstream and downstream customers. In the future, Pembina anticipates undertaking additional activities aimed at further increasing access to the terminal. These expansion activities are expected to occur over time and will be predicated on market demand.

On September 13, 2011 Pembina announced plans to expand services at a number of existing truck terminals and also construct new full service terminals that focus on emulsion treating (separating oil from impurities to meet shipping quality requirements), produced water handling and water disposal. In addition to earning fees for these additional services, the Company's truck terminals will secure volumes for its pipeline systems, which is expected to generate additional pipeline toll revenue.

Pembina's current truck terminal assets include twelve clean oil facilities and an interest in the LaGlace Full Service Terminal and the Rimbey Truck Terminal - all of which are connected to Pembina's conventional pipeline systems. In addition, Pembina is nearing completion of its Baptiste Truck Terminal, which will serve Cardium producers in the Willesden Green area, as discussed above.

Pembina entered the full service truck terminal business in 2008 through a joint venture with an industry partner to construct the LaGlace Full Service Terminal. Increasing the Company's truck terminal network is part of an overall strategy focused on securing volumes for Pembina's conventional pipeline network, and extending its suite of value added services to existing and potential customers. This initiative is another example of the Company's vertical integration strategy.

Pembina has numerous opportunities across its conventional pipeline network to service constrained and developing areas and its initial capital expenditures, which are subject to regulatory approval, will be directed towards truck terminals that service Cardium, Montney, Deep Basin and Peace River oil producers as well as PNT.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial and operating results of Pembina Pipeline Corporation ("Pembina" or the "Company") is dated November 9, 2011 and is supplementary to, and should be read in conjunction with, Pembina's condensed consolidated interim financial statements for the period ended September 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 (see "Forward-Looking Statements & Information" on page 25) and refers to financial measures that are not defined by International Financial Reporting Standards ("IFRS"). For more information about the measures which are not part of Generally Accepted Accounting Principles ("Non-GAAP Measures") please see page 23.

About Pembina

Pembina 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.

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.

History

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 nine months ending September 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.

For ease of reference, the terms "shares", "shareholders" and "dividends" as used in this MD&A shall include "units", "unitholders" and "distributions" which were previously used in the comparative periods when the trust structure was in place.

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, 2010 ("Transition Date"). Accordingly, Pembina's Interim Consolidated Financial Statements for the quarter ending September 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 quarters ending March 31, 2011, June 30, 2011 and September 30, 2011.

Financial & Operating Overview

(unaudited)

($ millions, except where noted)	**3 Months Ended Sept 30, 2011**	3 Months Ended Sept 30, 2010	**9 Months Ended Sept 30, 2011**	9 Months Ended Sept 30, 2010
Revenue	**302.9**	266.6	**1,208.7**	942.0
Operations	**55.9**	40.0	**136.8**	113.5
Product purchases	**146.6**	148.4	**763.8**	573.5
Operating margin[1]	**100.4**	78.2	**308.1**	255.0
Depreciation and amortization included in operations	**17.8**	15.3	**48.5**	46.1
Gross profit	**82.6**	62.9	**259.6**	208.9
Deduct/(add)				
General and administrative expenses	**13.8**	15.2	**41.2**	37.7
Other	**1.2**	(0.6)	**0.6**	(0.2)
Net finance costs	**26.6**	24.4	**62.3**	61.9
Share of profit of investments in equity accounted investee, net of tax	**0.6**	(2.2)	**(4.3)**	(6.5)
Income tax expense (reduction)	**10.3**	(4.7)	**39.1**	(4.6)
Earnings for the period	**30.1**	30.8	**120.7**	120.6
Earnings per share – basic (dollars)	**0.18**	0.19	**0.72**	0.74
EBITDA[1]	**86.8**	68.1	**277.3**	231.7
Cash flow from operating activities	**88.0**	66.6	**212.8**	202.6
Adjusted cash flow from operating activities [1]	**84.8**	54.0	**239.6**	187.7
Dividends	**65.4**	64.0	**195.8**	190.6
Dividends per common share (dollars)	**0.39**	0.39	**1.17**	1.17
Capital expenditures	**78.1**	32.5	**378.7**	73.3
Total enterprise value[1]	**5,861.0**	4,500.2	**5,861.0**	4,500.2
Total assets	**3,172.5**	2,521.0	**3,172.5**	2,521.0
Average throughput – conventional (thousands of bpd)	**430.4**	361.4	**410.8**	373.6
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)	**247.6**	215.8	**237.9**	218.0

[1] Refer to "Non-GAAP Measures" on page 23.

Revenue, net of product purchases, during the third quarter of 2011 increased to $156.3 million, compared to $118.2 million during the same period in 2010. Year-to-date revenue, net of product purchases, in 2011 was $444.9 million, compared to $368.5 million during the first nine months of 2010. Increased revenue was driven by strong performance in each of Pembina's four business units, particularly Conventional Pipelines which realized a $14.3 million year-over-year quarterly gain in revenue primarily as a result of strong throughput, and Midstream & Marketing which realized a $12.8 million year-over-year quarterly increase in revenue, net of product purchases.

Operating expenses were $55.9 million during the third quarter and $136.8 million during the first nine months of 2011, compared to $40 million and $113.5 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, power and operating costs associated with Pembina's growth over the past year.

Operating margin totaled $100.4 million during the third quarter of 2011, compared to $78.2 million during the third quarter of 2010. Year-to-date operating margin in 2011 was $308.1 million, compared to $255 million during the first nine months of 2010 (operating margin is a non-GAAP measure, see "Non-GAAP Measures" on page 23).

Depreciation and amortization (operations) was roughly unchanged at $17.8 million during the third quarter and $48.5 million during the first nine months of 2011, compared to $15.3 million and $46.1 million during the same periods in 2010.

The increases in revenue and operating margin contributed to gross profit of $82.6 million during the third quarter of 2011, compared to $62.9 million during the third quarter of 2010 and $259.6 million and $208.9 million during the nine months ended September 30 of 2011 and 2010, respectively.

General and administrative expenses ("G&A") of $13.8 million were incurred during the third quarter of 2011 compared to $15.2 million during the third quarter of 2010. This decrease was primarily due to higher legal and consulting expenses in 2010 related to the Conversion and the transition to IFRS (see pages 6 and 7). Year-to-date G&A totaled $41.2 million, compared to $37.7 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. These expenses also reflect higher salary and benefits paid as a result of an increase in Pembina's overall number of employees.

The Company's earnings were $30.1 million ($0.18 per share) during the third quarter of 2011 compared to $30.8 million ($0.19 per share) during the third quarter of 2010. Adjusted earnings were $47.4 million ($0.28 per share) during the third quarter of 2011 compared to $34.4 million ($0.21 per share) during the third quarter of 2010 (adjusted earnings is a non-GAAP measure, see "Non-GAAP Measures" on page 23). Earnings totaled $120.7 million ($0.72 per share) for the first nine months of 2011 compared to $120.6 million ($0.74 per share) during the first nine months of 2010. Adjusted earnings were $165.1 million ($0.99 per share) for the first nine months of 2011 compared to $128.7 million ($0.79 per share) during the first nine months of 2010.

Pembina generated earnings before interest, taxes, depreciation and amortization ("EBITDA") of $86.8 million during the third quarter of 2011 compared to $68.1 million during the third quarter of 2010 (EBITDA is a non-GAAP measure, see "Non-GAAP Measures" on page 23). Pembina generated strong EBITDA of $277.3 million during the first nine months of 2011, an increase of 20 percent, compared to $231.7 million during the first nine months of 2010. The increase in quarterly and year-to-date EBITDA was due to strong results from operating activities during these periods in 2011 compared to the same periods in 2010.

Cash flow from operating activities was $88 million ($0.53 per share) during the third quarter of 2011 compared to $66.6 million ($0.41 per share) during the third quarter of 2010. Pembina generated cash flow from operating activities of $212.8 million ($1.27 per share) during the first nine months of 2011 compared to $202.6 million ($1.24 per share) during the first nine months of 2010.

Adjusted cash flow from operating activities was $84.8 million ($0.51 per share) during the third quarter of 2011, an increase of 57 percent, compared to $54 million ($0.33 per share) during the third quarter of 2010 (adjusted cash flow from operating activities is a non-GAAP measure, see "Non-GAAP Measures" on page 23). Adjusted cash flow from operating activities was $239.6 million ($1.43 per share) during the first nine months of 2011, an increase of 28 percent, compared to $187.7 million ($1.15 per share) during the first nine months of 2010.

The increase in cash flow from operating activities and adjusted cash flow from operating activities was primarily due to overall higher results from operations during the three and nine months ended September 30, 2011 compared to the respective periods of 2010.

Operating Results

(unaudited)

	3 Months Ended Sept. 30, 2011		3 Months Ended Sept. 30, 2010		**9 Months Ended Sept. 30, 2011**		9 Months Ended Sept. 30, 2010	
($ millions)	**Net Revenue(1)**	**Operating Margin(2)**	Net Revenue(1)	Operating Margin(2)	**Net Revenue(1)**	**Operating Margin(2)**	Net Revenue(1)	Operating Margin(2)
Conventional Pipelines	**78.7**	**43.8**	64.4	40.3	**220.4**	**136.7**	193.1	126.6
Oil Sands & Heavy Oil	**37.0**	**24.3**	29.3	19.8	**95.2**	**63.6**	87.6	58.3
Midstream & Marketing (1)	**21.8**	**19.3**	9.0	7.9	**76.9**	**69.8**	42.0	38.4
Gas Services	**18.8**	**12.4**	15.5	10.2	**52.4**	**36.1**	45.8	31.7
Corporate recovery for leased vehicles		**0.6**				**1.9**		
Total	**156.3**	**100.4**	118.2	78.2	**444.9**	**308.1**	368.5	255.0

(1) Midstream & Marketing revenue is net of $146.6 million and $763.8 million in product purchase expense for three and nine months ended September 30, 2011, respectively ($148.4 million and $573.5 million for the three and nine months ended September 30, 2010, respectively).

(2) Refer to "Non-GAAP Measures" on page 23.

Conventional Pipelines

($ millions, except where noted)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Revenue	**78.7**	64.4	**220.4**	193.1
Operations	**34.9**	24.1	**83.7**	66.5
Operating margin[(1)]	**43.8**	40.3	**136.7**	126.6
Depreciation and amortization included in operations	**10.4**	7.1	**30.5**	21.4
Gross profit	**33.4**	33.2	**106.2**	105.2
Capital expenditures	**20.2**	7.1	**47.0**	15.7
Average throughput (thousands bpd)	**430.4**	361.4	**410.8**	373.6
Operating expenses ($/bbl)	**0.74**	0.63	**0.66**	0.61
Average revenue ($/bbl)	**1.87**	1.81	**1.85**	1.76

(1) Refer to "Non-GAAP Measures" on page 23.

Business Overview

Pembina's Conventional Pipelines business comprises a well-maintained and strategically located 7,500 kilometre ("km") pipeline network that extends across much of Alberta and British Columbia, and transports approximately half of Alberta's conventional crude oil production and approximately twenty 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.

Q3 Operational Performance: Throughput

During the third quarter of 2011, Conventional Pipelines throughput averaged 430,400 barrels per day ("bpd"), consisting of an average of 275,400 bpd of crude oil, 46,400 bpd of condensate and 108,600 bpd of NGL, largely as a result of higher production in the Cardium and Deep Basin Cretaceous formations. The majority of this throughput was on Pembina's Alberta-based systems, which transported an average of 410,800 bpd during the quarter. Throughput during the third quarter of 2011 was approximately 19 percent higher than the same period in 2010 when average throughput was 361,400 bpd with 343,200 bpd being transported on Alberta-based pipelines. Year-to-date throughput in 2011 averaged 410,800 bpd, compared to 373,600 bpd during the same period in 2010.

Third quarter 2011 average daily throughput on the Drayton Valley Pipeline system was approximately 110,600 bpd and 202,800 bpd on the Peace Pipeline system compared to approximately 91,800 bpd and 163,100 bpd, respectively, during the same period in 2010.

During the third quarter, Pembina substantially completed its clean-up efforts following its pipeline spill near Swan Hills, Alberta on July 19, 2011. Activities related to the incident are now focused on monitoring and finalizing soil remediation. Pembina plans to replace a 10 km segment of 8 inch pipeline and expects the pipeline should be back in service in the first quarter of 2012.

Q3 Financial Performance

Conventional Pipelines generated revenue of $78.7 million during the third quarter of 2011, compared to $64.4 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 nine months of 2011, revenue was $220.4 million, compared to $193.1 million during the same period in 2010, with the increase over this period also being driven by higher volumes.

During the third quarter, operating expenses were $34.9 million, compared to the third quarter of 2010 when operating expenses totaled $24.1 million. This increase is the result of higher power costs associated with increased throughput, higher labour costs and regular course integrity work conducted on segments of Pembina's Conventional Pipelines to help ensure ongoing pipeline integrity, safety and reliability, and to help minimize the potential for future operational disruptions. Pembina also incurred one-time, non-recurring operating expenses of $2.5 million related to the Swan Hills incident discussed above. Operating expenses for the first nine months of 2011 were $83.7 million compared to $66.5 million over the same period last year. This increase is attributable to the same factors that impacted third quarter operating expenses.

Operating margin during the third quarter of 2011 was $43.8 million and $136.7 million for the first nine months of 2011, compared to $40.3 million and $126.6 million, respectively, during the same periods of 2010.

For the three months ended September 30, 2011, gross profit was $33.4 million, compared to $33.2 million during the same period in 2010. Year-to-date gross profit was $106.2 million, compared to $105.2 million during the same period in 2010.

As of the end of the third quarter of 2011, capital expenditures within the Conventional Pipelines business totaled $47 million, compared to $15.7 million during the same period in 2010. The majority of this spending relates to the expansion of certain pipeline assets. For more information, see the section entitled "New Developments & Outlook" starting on page 14.

Oil Sands & Heavy Oil

($ millions, except where noted)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Revenue	**37.0**	29.3	**95.2**	87.6
Operations	**12.7**	9.5	**31.6**	29.3
Operating margin[1]	**24.3**	19.8	**63.6**	58.3
Depreciation and amortization included in operations	**3.9**	5.6	**7.9**	16.8
Gross profit	**20.4**	14.2	**55.7**	41.5
Capital expenditures	**14.0**	18.4	**143.9**	38.2
Capacity under contract (thousands of bpd) [2]	**775.0**	775.0	**775.0**	775.0

(1) Refer to "Non-GAAP Measures" on page 23.
(2) Not including Nipisi and Mitsue Pipelines capacity.

Business Overview

With five oil sands pipelines, Pembina plays an important role in supporting Alberta's oil sands and heavy oil 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 by bringing its Nipisi and Mitsue Pipeline projects on-stream, which now provide transportation for producers operating in the Pelican Lake and Peace River heavy oil regions of Alberta and were completed in June and July of 2011. In total, this business has approximately 1,450 km of pipeline 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.

Q3 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 third quarter and first nine months of 2011 was $5.9 million and $18.7 million respectively, compared to $6.6 million and $19.4 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 an agreement that expires in 2032. Operating margin generated by the Cheecham Lateral during the third quarter and first nine months of 2011 was $1.1 million and $3.4 million respectively, compared to $1.2 million and $3.4 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 third quarter and first nine months of 2011 was $12.1 million and $35.6 million respectively, compared to $11.7 million and $34.7 million during the same periods in 2010.

Nipisi & Mitsue Pipelines

In June and July of 2011 Pembina completed construction of its Nipisi and Mitsue Pipelines. Commissioning was completed for the Mitsue Pipeline on July 1, 2011 and for the Nipisi Pipeline on October 1, 2011, respectively, and both pipelines are now fully operational.

Q3 Financial Performance

Operating expenses in Pembina's Oil Sands & Heavy Oil business were $12.7 million during the third quarter of 2011, compared to $9.5 million during the third quarter of 2010. Year-to-date operating expenses in 2011 were $31.6 million, compared to $29.3 million in the first nine months of 2010. The increase in quarterly and year-to-date operating expenses is primarily due to the addition of the Nipisi and Mitsue Pipelines and an increase in power costs on the Syncrude Pipeline.

For the three months ended September 30, 2011, gross profit was $20.4 million, compared to $14.2 million during the same period in 2010. Year-to-date gross profit was $55.7 million, compared to $41.5 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.

As of September 30, 2011, capital expenditures within Oil Sands & Heavy Oil totaled $143.9 million, compared to $38.2 million during the same time period in 2010. The majority of the 2011 investment constitutes spending to complete the Nipisi and Mitsue Pipeline projects.

Midstream & Marketing

($ millions)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Revenue	**168.4**	157.4	**840.7**	615.4
Operations	**2.5**	1.1	**7.1**	3.5
Product purchases	**146.6**	148.4	**763.8**	573.5
Operating margin[1]	**19.3**	7.9	**69.8**	38.4
Depreciation and amortization included in operations	**1.0**	0.5	**2.7**	1.5
Gross profit	**18.3**	7.4	**67.1**	36.9
Capital expenditures	**6.0**	5.2	**107.0**	8.1

(1) Refer to "Non-GAAP Measures" on page 23.

Business Overview

Pembina's Midstream & Marketing business consists of a network of terminals, pipeline-connected storage and hub locations situated at key sites across the Company's conventional pipeline 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 added throughput within the Conventional Pipelines business. The value potential associated with terminal, storage and hub assets is dependent on Pembina's ability to: provide connections to both downstream pipelines and end-use markets; understand the value of the commodities transported and terminalled; and provide flexibility and a variety of storage options - all in an environment of a liquid, dynamic, forward commodity market. Pembina actively monitors market conditions and stream values to target revenue opportunities.

Q3 Performance

Midstream & Marketing recorded significantly higher revenue net of product purchases of $21.8 million during the third quarter of 2011, compared to $9 million during the third quarter of 2010. The increase in revenue was primarily due to higher volumes and activity on the Peace Pipeline and Drayton Valley Pipeline systems, stronger commodity prices and wider margins. Year-to date revenue, net of product purchases, was $76.9 million which is approximately 83.5 percent higher than the $41.9 million realized in the first nine months of 2010.

Operating expenses for the period were $2.5 million, compared to $1.1 million in the third quarter of 2010 due to increased expenses to bring the Edmonton, Alberta area assets on-stream and integrate them with Pembina's pipeline assets, as well as various work at truck terminals. Year-to-date operating expenses in 2011 were $7.1 million, compared to $3.5 million in the same period of 2010.

Operating margin was $19.3 million during the third quarter of 2011 compared to $7.9 million during the third 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 $69.8 million, compared to $38.4 million during the first nine months of 2010.

For the three months ended September 30, 2011, gross profit increased to $18.3 million, compared to $7.4 million during the same period in 2010, as a result of the higher operating margin realized in the quarter. For the nine months ended September 30, 2011, gross profit was $67.1 million, compared to $36.9 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. Cash flow from operating activities of $12.9 million year-to-date in 2011 from this investment was similar to prior periods.

As of September 30, 2011, capital expenditures within Midstream & Marketing totaled $107 million, compared to $8.1 million during the first nine months of 2010. The bulk of the spending relates to the acquisition of the terminalling and storage facility near Edmonton, Alberta and the acquisition of linefill for the Peace Pipeline system, all in the first quarter of 2011.

Gas Services

($ millions, except where noted)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Revenue	**18.8**	15.5	**52.4**	45.8
Operations	**6.4**	5.3	**16.3**	14.1
Operating margin(1)	**12.4**	10.2	**36.1**	31.7
Depreciation and amortization included in operations	**2.5**	2.1	**7.3**	6.3
Gross profit	**9.9**	8.1	**28.8**	25.4
Capital expenditures	**29.0**	1.3	**70.1**	10.3
Average processing volume (mmcf/d net to Pembina)	**247.6**	215.8	**237.9**	218.0

(1) Refer to "Non-GAAP Measures" on page 23.

Business Overview

Pembina's operations also include a growing natural gas gathering and processing business. Located approximately 100 km south of Grande Prairie, Alberta, Pembina's key revenue-generating Gas Services assets - the Cutbank Complex - include 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"). Pembina is also expanding this business to meet the growing needs of producers throughout west central Alberta who are looking to capture the higher prices associated with NGL. See page 14 for more details.

Q3 Performance

Gas Services recorded revenue of $18.8 million during the third quarter of 2011 compared to $15.5 million during the same time period in 2010. During the first nine months of 2011, revenue was $52.4 million, compared to $45.8 million during the first nine months of 2010. This increase in third quarter and year-to-date revenue in 2011 primarily reflects higher processing volume at the Cutbank Complex. Average processing volume, net to Pembina, was 247.6 mmcf/d during the third quarter of 2011, compared to 215.8 mmcf/d during the third quarter of 2010.

During the third quarter of 2011, operating expenses were $6.4 million, an increase from the $5.3 million spent in the third quarter of 2010 primarily due to handling more volumes at the Cutbank Complex. Gas Services realized operating margin of $12.4 million during the third quarter of 2011, compared to $10.2 million in the third quarter of 2010.

For the three months ended September 30, 2011, gross profit was $9.9 million compared to $8.1 million during the same period in 2010.

As of September 30, 2011, capital expenditures within Gas Services totaled $70.1 million compared to $10.3 million during the first nine months of 2010 as a result of spending to progress the enhanced NGL extraction facility and shallow cut facility at the Cutbank Complex. For more information, see below.

Business Environment

The third quarter of 2011 saw increased volatility in both the commodity and equity markets. Contributing to the volatility was concern over the economic health and solvency of several countries within the European Union and perceptions of negative economic developments in the United States. The S&P TSX Composite Index declined by 5.6 percent over the quarter, representing the second consecutive quarter of over a 5 percent decline. The benchmark West Texas Intermediate ("WTI") price decreased from its July high of approximately $94 per barrel to approximately $82 per barrel by the end of the third quarter 2011. Furthermore, relatively low natural gas prices continue to reflect the impact of strong natural gas supply across North America.

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 continue to benefit Pembina by encouraging oil and gas producers to continue to extract the liquids value from natural gas production. Major exploration and production companies within western Canada have stated their intentions to capture this liquids value. The Conventional Pipelines and Gas Services business units are well positioned to benefit from this market dynamic, with both divisions experiencing increased activity levels. 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

Gas Services Business Undertakes Numerous Expansions

Pembina continues to see significant growth opportunities resulting from the trend towards liquids-rich resource play gas drilling and the extraction of valuable NGL from gas in the WCSB. Over the past year, Pembina's Gas Services team has focused on expanding this line of business, capitalizing on its experience and expertise, and building out its capacity to extract these liquids from the gas stream and transport them to market using Pembina's existing conventional pipeline network. This has resulted in four expansion projects and demonstrates the strength of the Company's integrated approach. Two of these projects are expansions of Pembina's existing assets at its Musreau gas plant, one of the three plants that make up the Company's Cutbank Complex. The other two projects, as outlined below, diversify Pembina's Gas Services operations and provide access into new regions that are seeing similar increases in development and gas processing requirements by producers.

These expansions are expected to bring Pembina's net enhanced NGL extraction capacity to approximately 600 mmcf/d, which would be processed largely on a contracted, fee-for-service basis and result in approximately 40,000 bpd of incremental NGL to be transported for additional toll revenue on Pembina's conventional pipelines by the end of 2013. Pembina expects these expansions could contribute $75 million to $90 million of EBITDA annually.

Expansion at the Cutbank Complex's Musreau Gas Plant

At Pembina's Musreau gas plant, the Company is completing work on an enhanced NGL extraction facility (the "Musreau Deep Cut Facility") as well as expanding its existing shallow cut gas processing capability.

Construction of Pembina's Musreau Deep Cut Facility, a new 205 mmcf/d ethane extraction facility and the related 10 km pipeline, is complete and commissioning is well underway with start-up expected in December 2011. This new $75 million plant will deliver an ethane mix stream to Pembina's Peace Pipeline. Pembina has contracted approximately 80 percent of the planned capacity at the Musreau Deep Cut 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 Musreau Deep Cut Facility is expected to provide Pembina with approximately $12 to $15 million of additional EBITDA annually, as well as up to 13,000 bpd of liquids which Pembina will transport on its conventional pipelines and for which it will receive additional toll revenue.

Pembina also plans to expand Musreau's shallow cut gas processing capability by 50 mmcf/d due to high plant utilization and strong customer demand. Once the expansion is complete, the Cutbank Complex is expected to have an aggregate raw gas processing capacity of 410 mmcf/d (355 mmcf/d net to Pembina), an increase of 16 percent net to Pembina. The Company 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.

Expansion into new region: Resthaven

Pembina announced on October 13, 2011 that it plans to further expand its gas handling assets in the Deep Basin in west central Alberta, an area which is becoming known for its prolific liquids-rich gas supply. Pembina has entered into agreements to develop a combined shallow cut and deep cut NGL extraction facility (the "Resthaven Facility") by modifying and expanding an existing gas plant. Once operational, the initial phase of the Resthaven Facility will have a gross capacity of 200 mmcf/d and 13,000 bpd of liquids extraction capability, with ultimate processing capacity of 300 mmcf/d and 18,000 bpd of liquids extraction capability. Pembina plans to construct a 44 km, 6 inch diameter NGL pipeline to transport the extracted NGL from the Resthaven Facility to Pembina's Peace Pipeline, which delivers product into Edmonton, Alberta. Once completed, Pembina will own approximately 65 percent of the Resthaven Facility and will own 100 percent of the NGL pipeline.

Pembina estimates that the Resthaven Facility, associated NGL pipeline, and storage facilities will cost approximately $230 million (net to Pembina) and will contribute annual EBITDA of $30 to $40 million (including pipeline tolls). Subject to regulatory approval, Pembina expects these new facilities to be in-service in late 2013. Pembina's investment in the Resthaven Facility is supported by long-term firm service agreements with two of the major area producers while the NGL pipeline is underpinned by long-term service agreements with the Resthaven Facility owners.

Expansion into new region: Berland

Pembina announced on October 28, 2011 that it plans to construct, own and operate a 200 mmcf/d enhanced NGL extraction facility (the "Saturn Facility") and associated NGL and gas gathering pipelines in the Berland area of west central Alberta.

The Saturn Facility will be connected to Talisman Energy Inc.'s ("Talisman") Wild River and Bigstone gas plants through existing and newly constructed gas gathering lines. Once operational, Pembina expects the Saturn Facility will be able to extract up to 13,500 bpd of liquids. Pembina plans to construct an 83 km, 8 inch NGL pipeline to transport the extracted NGL from the Saturn Facility to Pembina's Peace Pipeline.

Pembina expects the Saturn Facility, associated NGL and gas gathering pipelines and storage to cost approximately $200 million and contribute annual EBITDA of approximately $30 million (including pipeline tolls). Subject to regulatory and environmental approval, Pembina expects the Saturn Facility and associated pipelines to be in-service in the fourth quarter of 2013 and has entered into a long-term, firm service agreement with Talisman.

Conventional Pipelines Development

Drayton Valley Area

To continue meeting the needs of shippers and accommodate increasing production in the Cardium formation located in west central Alberta, 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 8 inch 42 km section of pipeline that transports crude oil between Willesden Green and Buck Creek, Alberta. As of the end of the third quarter of 2011, Pembina has spent $18 million to progress construction on this expansion, which is expected to increase the capacity of the line from 12,000 bpd to approximately 37,000 bpd. Pembina expects the project to be completed in the fourth quarter of 2011.

During the third quarter of 2011, Pembina completed a $5 million extension to segments of its 10 inch Drayton Valley mainline. Some additional capital is expected to be spent on tie-ins, new extensions and mainline pump station reactivations.

Additional capital is also being invested to complete the Baptiste Truck Terminal, which is scheduled to be operational during the first quarter of 2012. To date, Pembina has spent $3.1 million with a projected cost of approximately $6 million.

The Company also expects to deploy capital to debottleneck certain existing pipeline systems and on various new receipt points in the Drayton Valley area.

Edson Area

Pembina announced in the first quarter of 2011 that it would extend the reach of its conventional pipeline network to provide liquids transportation solutions to producers in the greater Edson, Alberta area.

The reactivation and re-certification of an existing 6 inch line from Windfall Junction on Pembina's Peace Pipeline system to Edson has been completed at an estimated capital cost of $15 million and began deliveries on October 15, 2011. This pipeline will provide transportation options for producers exploring for liquids rich gas opportunities in Deep Basin Cretaceous plays, including Cardium oil opportunities south of Edson. The re-commissioned pipeline is underpinned by a long-term transportation agreement with an area producer for approximately 5,000 bpd and has an initial capacity of approximately 12,500 bpd with an ultimate capacity of approximately 17,500 bpd. Due to high levels of industry activity in the greater Edson area, Pembina expects additional capacity and tie-in opportunities on the new line segment.

Liquids Rich Natural Gas

Pembina's Peace Pipeline and Northern Pipeline systems are located in prolific areas of the WCSB 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, extracted from the natural gas, being transported on the Company's pipelines. Pembina is currently undertaking a detailed review and assessment of its pipeline systems' capacity to proactively prepare for additional volume increases.

Midstream & Marketing: Development of the Pembina Nexus Terminal and Truck Terminal Expansion Plans

In early 2011, Pembina acquired terminalling and storage facilities located near Edmonton, Alberta. The $57 million acquisition included more than 300,000 barrels of existing storage capacity and sufficient bare land to develop and significantly expand storage capacity as customer demand grows. The assets are interconnected via pipelines to other Pembina infrastructure, as well as refineries and downstream terminals and will allow Pembina to create tailored products and services for Pembina's customers and facilitate growth for its other business units. In addition, the assets will form a cornerstone 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 as, among other things, 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 third quarter of 2011, Pembina completed initial work to increase the interconnectivity of the terminal, aimed at providing value to both upstream and downstream customers. In the future, Pembina anticipates undertaking additional activities aimed at further increasing access to the terminal. These expansion activities are expected to occur over time and will be predicated on market demand.

On September 13, 2011 Pembina announced plans to expand services at a number of existing truck terminals and also construct new full service terminals that focus on emulsion treating (separating oil from impurities to meet shipping quality requirements), produced water handling and water disposal. In addition to earning fees for these additional services, the Company's truck terminals will secure volumes for its pipeline systems, which is expected to generate additional pipeline toll revenue.

Pembina's current truck terminal assets include twelve clean oil facilities and an interest in the LaGlace Full Service Terminal and the Rimbey Truck Terminal - all of which are connected to Pembina's conventional pipeline systems. In addition, Pembina is nearing completion of its Baptiste Truck Terminal, which will serve Cardium producers in the Willesden Green area, as discussed above.

Pembina entered the full service truck terminal business in 2008 through a joint venture with an industry partner to construct the LaGlace Full Service Terminal. Increasing the Company's truck terminal network is part of an overall strategy focused on securing volumes for Pembina's conventional pipeline network, and extending its suite of value added services to existing and potential customers. This initiative is another example of the Company's vertical integration strategy.

Pembina has numerous opportunities across its conventional pipeline network to service constrained and developing areas and its initial capital expenditures, which are subject to regulatory approval, will be directed towards truck terminals that service Cardium, Montney, Deep Basin and Peace River oil producers as well as PNT.

Fort Saskatchewan Ethylene Storage Facility

Three of the five ethylene storage caverns in Pembina's Storage Facility in Fort Saskatchewan 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 25). 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 of 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 $13.8 million were incurred during the third quarter of 2011 compared to $15.2 million during the third quarter of 2010. The decrease year-over-year for the three months period is due to greater legal and consulting expenses in 2010 due to the Conversion and the transition to IFRS (see pages 6 and 7). Year-to-date G&A totaled $41.2 million compared to $37.7 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 nine 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 $0.6 million.

Depreciation & Amortization

Depreciation and amortization was $18.7 million during the third quarter 2011, compared to $15.4 million during the same period of 2010. On a year-to-date basis, depreciation and amortization was $49.8 million in 2011, compared to $47.4 million over the first nine months of 2010. The increase in depreciation reflects the additional depreciation on new capital additions and depreciation on Nipisi and Mitsue Pipeline assets in the third quarter of 2011.

Net Finance Costs (Including Accretion)

Net finance costs in the third quarter of 2011 were $26.6 million, compared to $24.3 million in the third quarter of 2010. The net increase of $2.3 million relates to a $4.1 million increase in convertible debenture interest expense (convertible debentures were issued in the fourth quarter of 2010), a $1.8 million increase in long-term interest expense and $0.6 million increase in accretion expense primarily offset by a $4 million increase in realized and unrealized gain on the power derivatives. Year-to-date net finance costs were $62.3 million in 2011 compared to $61.9 million in 2010. The net increase of $0.4 million year-to-date relates to an increase in finance income of $4.1 million (mostly due to an increase in the realized gain on power derivatives) offset by an increase in finance costs of $4.5 million. The increase in finance costs is due to an increase in convertible debenture interest expense and accretion expense ($13 million) partially offset by a decline in long-term debt interest expense ($2 million) and a decline in mark to market unrealized loss on financial derivatives ($6.5 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 $10.3 million was recorded in the third quarter of 2011 compared to an income tax reduction of $4.7 million in the third quarter of 2010. On a year-to-date basis, income tax expense was $39.1 million in 2011, compared to an income tax reduction of $4.6 million over the first nine months of 2010. The increased income tax expense for the third quarter and first nine months of 2011 is primarily due to the Conversion of the Fund to corporate structure and the resultant loss of tax efficiencies. See page 6 for further information on the Conversion.

Liquidity & Capital Resources

($ millions)	**9 Months Ended Sept. 30, 2011**	December 31 2010
Working Capital[1]	**(192.8)**	125.0
Variable rate debt[2]		
Bank debt	**225.8**	246.2
Variable rate debt swapped to fixed	**(200.0)**	(200.0)
Total variable rate debt outstanding (average rate of 2.12%)	**25.8**	46.2
Fixed rate debt[2]		
Senior unsecured notes	**642.0**	642.0
Senior unsecured term debt	**75.0**	75.0
Senior secured notes	**60.0**	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 5.49%)	**1,227.0**	983.0
Convertible debentures[2]	**300.0**	300.0
Finance lease liability	**5.4**	4.5
Total debt and debentures outstanding	**1,558.2**	1,333.7
Cash and unutilized debt facilities	**323.7**	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 through 2013. In the medium-term, funds required for capital projects are expected to be sourced from unutilized debt facilities totaling $323.7 million as at September 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 September 30, 2011 consisted of an unsecured $500 million revolving credit facility due July, 2012 and an operating facility of $50 million due July, 2012. 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 0.35 percent to 2.35 percent or Bankers' Acceptances rates plus 1.35 percent to 3.35 percent. There are no repayments due over the term of these facilities. As at September 30, 2011, Pembina had $225.8 million drawn on bank debt (including $1.2 million in letters of credit) leaving $323.7 million of unutilized debt facilities (bank indebtedness as at September 30, 2011: $0.5 million) on the $550 million of established bank facilities. Other debt includes $60 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 September 30, 2011, Pembina had loans and borrowing (excluding amortization and excluding finance lease liabilities) of $1,253 million. Pembina's senior debt to total capital at September 30, 2011 was 49 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 18, 2011. 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 Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Development capital				
Conventional Pipelines	**20.2**	7.1	**47.0**	15.7
Oil Sands & Heavy Oil	**14.0**	18.4	**143.9**	38.2
Midstream & Marketing	**6.0**	5.2	**107.0**	8.1
Gas Services	**29.0**	1.3	**70.1**	10.3
Corporate/other projects	**8.9**	0.5	**10.7**	1.0
Total development capital	**78.1**	32.5	**378.7**	73.3

During the third quarter of 2011, capital expenditures were $78.1 million compared to $32.5 million during the same three month period in 2010. The increase primarily reflects investments made to expand several of Pembina's Conventional Pipelines and to progress construction of the Musreau Deep Cut Facility at the Cutbank Complex in Gas Services.

Pembina expects to spend approximately $455 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	66.1	9.7	14.8	8.5	33.1
Loans and borrowings(1)	1,251.7	233.1	279.3	22.3	717.0
Convertible debentures(1)	300.0				300.0
Construction commitments	295.7	230.5	65.2		
Provisions	397.2				397.2
Total contractual obligations	2,310.7	473.3	359.3	30.8	1,447.3

(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 the Musreau Deep Cut Facility at its Cutbank Complex, 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.

See "Forward-Looking Statements & Information" on page 25 of this report.

Changes in Accounting Principles and Practices

Future Changes in IFRS Accounting Policies

Pembina will adopt all IFRS accounting standards in effect on December 31, 2011.

The following standards and amendments from the International Accounting Standards Board ("IASB") have not been adopted by Pembina but may result in future changes to Pembina's accounting policies and disclosure. The Company is currently evaluating the impact that these standards will have on our results of operations and financial position.

IFRS 9 *Financial Instruments* – in November 2009 and revised in October 2010. This standard replaces the current multiple classification and measurement model for financial assets and liabilities with a proposed single model for only two classification categories: amortized cost and fair value. The standard is currently required to be adopted for periods beginning January 1, 2013 (expected to be extended to 2015).

IFRS 10 *Consolidated Financial Statements* – in May 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an entity should be included within the consolidated financial statements of Pembina. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013.

IFRS 11 *Joint Arrangements* – in May 2011, the IASB issued IFRS 11 which presents a new model for the financial reporting of joint arrangements. The new model determines whether an entity should account for joint arrangements using proportionate consolidation or the equity method with emphasis on the substance rather than legal form of a joint arrangement. The standard is required to be adopted for periods beginning January 1, 2013.

IFRS 12 *Disclosure of Interests in Other Entities* – in May 2011, the IASB issued IFRS 12 which provides guidance on the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013.

IFRS 13 *Fair Value Measurement* – in May 2011, the IASB issued IFRS 13 to provide specific guidance for all standards where IFRS requires or permits fair value measurement. The standard defines fair value and provides guidance on disclosures about fair value measurements. The standard is required to be adopted for periods beginning January 1, 2013.

IAS 1 *Presentation of Items of Other Comprehensive Income* – in June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to separate items of other comprehensive income that may be subsequently reclassed to income. The standard is required to be adopted for periods beginning on or after July 1, 2012.

IAS19 *Employee Future Benefits* – in June 2011, the IASB issued amendments to IAS 19 Employee Future Benefits. The standard is to prescribe the accounting and disclosure for employee benefits and requires an entity to recognize a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. The standard is required to be adopted for periods beginning January 1, 2013.

IAS 27 *Separate Financial Statements* has been amended to conform to the changes made in IFRS 10 but includes guidance for preparation of non-consolidated parent company financial statements.

IAS 28 *Investments in Associates and Joint Ventures* has been amended to conform to the changes made in IFRS 10 and IFRS 11. The standard provides guidance on the accounting treatment for investments and equity accounted investees.

Future Tax Changes

On October 3, 2011 the 2011 Federal Budget Notice of Ways and Means motion was tabled as a bill to implement new rules for corporations that carry on business in partnerships. The change could result in an increase in Canadian taxes paid over the next five years.

Under Canadian tax law, partners in a partnership report their shares of the partnership's income or loss each year. When the partnership uses a different tax year than the partner, the partner generally takes into account the income or loss allocated by the partnership in the year that ends within the partner's tax year. Under the bill, certain partners would be required to accrue their shares of the partnership's income through the end of the partners' tax years (even if the partnership's year has not yet ended). Changes to this system can result in the partner being required to report more than one year of the partnership's income for a single tax year.

Certain of Pembina's subsidiaries are partners in partnerships and will be required to report additional income and pay additional Canadian income taxes if the bill were to be passed in the House of Commons. Although we would be allowed to spread the accelerated income over a prospective five year period, the amount of Canadian income taxes paid by Pembina could increase and accelerate our expected taxable horizon.

Common Share Information [(1)]

($ millions, except where noted)	**Nov. 7, 2011**[(2)]	Sept. 30, 2011	Sept. 30, 2010
Trading volume and value			
Total volume (shares)	**5,617,049**	14,789,753	17,266,026
Average daily volume (shares)	**224,682**	234,758	278,484
Value traded	**146.1**	371.8	331.0
Shares outstanding (shares)	**167,760,754**	167,661,608	164,472,577
Closing share price (dollars)	**27.60**	25.65	20.55
Market value			
Shares	**4,630,204**	4,300,530	3,379,900
5.75% convertible debentures	**318.6**[(3)]	308.9[(4)]	
7.35% convertible debentures			45.3[(5)]
Market capitalization	**4,948.8**	4,609.4	3,425.2
Senior debt	**1,283.2**	1,251.7	1,075.0
Total enterprise value[(6)]	**6,232.0**	5,861.1	4,500.2

(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 25 trading days from October 3, 2011 to November 7, 2011 inclusive.
(3) $300 million principal amount of 5.75 percent convertible debentures outstanding at a market price of $106.21 at November 7, 2011.
(4) $300 million principal amount of 5.75 percent convertible debentures outstanding at a market price of $102.95 at September 30, 2011.
(5) $31.4 million principal amount of 7.35 percent convertible debentures outstanding at a market price of $163.43 at September 30, 2010.
(6) Refer to "Non-GAAP Measures" on page 23.

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[1]	
($ millions, except where noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**302.9**	**511.5**	**394.3**	290.2	266.6	386.4	289.0	256.4	211.9
Operations	**55.9**	**37.8**	**43.2**	42.3	40.0	37.2	36.4	39.7	39.6
Product purchases	**146.6**	**363.4**	**253.7**	161.7	148.4	261.9	163.1	127.2	80.8
Operating margin	**100.4**	**110.3**	**97.4**	86.2	78.2	87.3	89.5	89.5	91.5
Depreciation and amortization Included in operations	**17.8**	**15.8**	**14.9**	15.6	15.3	15.3	15.5	12.6	15.9
Gross profit	**82.6**	**94.5**	**82.5**	70.6	62.9	72.0	74.0	76.9	75.6
EBITDA	**86.8**	**103.1**	**87.2**	79.1	68.1	78.0	85.6	75.9	77.8
Cash flow from operating activities	**88.0**	**50.4**	**74.5**	54.6	66.6	69.6	66.5	72.0	62.2
Cash flow from operating activities per common share ($ per share)	**0.53**	**0.30**	**0.45**	0.33	0.41	0.43	0.41	0.46	0.40
Adjusted cash flow from operating activities[2]	**84.8**	**86.8**	**68.0**	65.0	54.0	63.8	70.0	58.5	67.1
Adjusted cash flow from operating activities per common share[2] ($ per share)	**0.51**	**0.52**	**0.41**	0.39	0.33	0.39	0.43	0.37	0.43
Earnings for the period	**30.1**	**48.0**	**42.5**	55.1	28.6	37.7	52.2	52.9	44.7
Earnings per common share ($ per share):									
Basic	**0.18**	**0.29**	**0.25**	0.33	0.19	0.23	0.32	0.34	0.29
Diluted	**0.18**	**0.29**	**0.25**	0.33	0.19	0.23	0.32	0.33	0.29
Common shares outstanding (millions):									
Weighted average (basic)	**167.6**	**167.3**	**167.0**	165.0	164.0	163.2	161.8	157.5	154.4
Weighted average (diluted)	**168.2**	**168.0**	**167.6**	171.7	166.9	166.2	165.2	160.9	157.8
End of period	**167.7**	**167.5**	**167.1**	166.9	164.5	163.6	162.2	158.6	155.4
Dividends	**65.4**	**65.3**	**65.1**	64.6	64.0	63.8	62.8	61.4	60.2
Dividends per common share ($ per share):									
Basic	**0.3900**	**0.3900**	**0.3900**	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900
Diluted	**0.3853**	**0.3850**	**0.3849**	0.3859	0.3858	0.3861	0.3832	0.3848	0.3849

[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 23.

Selected Quarterly Operating Information

	2011			2010				2009	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Average throughput (thousands of barrels per day)									
Alberta	**410.8**	**391.6**	**372.2**	**355.6**	**343.2**	**352.3**	**370.2**	361.2	369.7
British Columbia	**19.6**	**19.8**	**18.1**	**19.4**	**18.2**	**18.1**	**19.1**	18.2	19.6
Total Conventional Throughput	**430.4**	**411.4**	**390.3**	**375.0**	**361.4**	**370.4**	**389.3**	379.4	389.3
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	**1,205.4**	**1,186.4**	**1,165.3**	**1,150.0**	**1,136.4**	**1,145.4**	**1,164.3**	1,154.4	1,164.3
Average daily Cutbank Complex (mmcf/d net to Pembina)	**247.6**	**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).

($ millions)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Results from operating activities	**67.6**	48.2	**217.8**	171.4
Add:				
Share of profit from equity accounted investees (before tax, depreciation and amortization)	**0.5**	4.4	**9.7**	12.9
Depreciation and amortization	**18.7**	15.5	**49.8**	47.4
EBITDA	**86.8**	68.1	**277.3**	231.7

Adjusted earnings

Adjusted earnings is commonly used by management for assessing and 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).

($ millions)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Earnings before income tax	**41.0**	23.9	**155.5**	109.5
Add (deduct):				
Change in fair value of derivatives	**6.8**	7.6	**4.0**	10.5
Share of profit of investments in equity accounted investees (after tax)	**(0.6)**	2.2	**4.3**	6.5
Tax on share of profit of investments in equity accounted investees	**0.2**	0.7	**1.4**	2.2
Adjusted earnings	**47.4**	34.4	**165.1**	128.7
Adjusted earnings per common share	**0.28**	0.21	**0.99**	0.79

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 employee future benefit contributions, change in non-cash working capital less employee future benefit expense, share based payments, and an adjustment to accrual basis for interest and financing fees.

($ millions)	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Cash flow from operating activities	**88.0**	66.6	**212.8**	202.6
Add (deduct):				
Employee future benefit contributions	**2.0**	2.0	**6.0**	6.0
Change in non-cash working capital	**2.8**	1.0	**35.7**	1.2
Employer future benefits expense	**(1.2)**	(1.1)	**(3.6)**	(3.5)
Share-based payments	**(3.1)**	(10.0)	**(10.9)**	(14.1)
Adjustment to accrual basis for interest expense and financing fees	**(3.7)**	(4.5)	**(0.4)**	(4.5)
Adjusted cash flow from operating activities	**84.8**	54.0	**239.6**	187.7
Adjusted cash flow from operating activities per common share	**0.51**	0.33	**1.43**	1.15

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. A reconciliation of operating margin to gross profit is included in Note 11 to the Interim Consolidated Financial Statements.

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", "envision", "aim" 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 or EBITDA, as applicable, contributions from the proposed expansions at the Cutbank Complex's Musreau Gas Plant and the development of the proposed Resthaven Facility and the proposed Saturn 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 expansions at the Cutbank Complex's Musreau Gas Plant, the proposed Resthaven Facility and the proposed Saturn Facility, 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 EBITDA contribution from Pembina's Musreau Deep Cut Facility at the Cutbank Complex and its estimated in-service date of December 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 facility; and that there are no unforeseen material costs relating to the facility which are not recoverable from customers;
- in respect of the estimated future EBITDA contribution from Pembina's proposed Resthaven Facility and the proposed Saturn Facility and their estimated in-service dates of late 2013 and the fourth quarter of 2013, respectively; that all required regulatory and environmental approvals can be obtained on the necessary terms in a timely manner, that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts or the completion of such facilities; that such facilities will be fully supported by long-term firm service agreements accounting for the entire designed throughput at such facilities at the time of such facilities' completion, that there are no unforeseen construction costs related to the facilities; and that there are no unforeseen material costs relating to the facilities 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; and
- 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 expansions at the Cutbank Complex's Musreau Gas Plant, the proposed Resthaven Facility and the proposed Saturn Facility 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	Sept. 30, 2011	December 31, 2010
Current assets			
Cash and cash equivalents			125,397
Trade and other receivables		132,285	105,474
Derivative financial instruments		3,168	5,199
Inventory		18,426	26,099
		153,879	262,169
Non-current assets			
Property, plant and equipment	5	2,596,157	2,159,097
Intangible assets		244,079	244,602
Employee benefits		2,202	
Investments in equity accounted investees		160,231	190,739
Derivative financial instruments		2,390	241
Other assets		13,554	
		3,018,613	2,594,679
		3,172,492	2,856,848
Current liabilities			
Bank indebtedness		477	
Trade payables and accrued liabilities		84,341	99,023
Dividends payable		21,795	21,694
Loans and borrowings	7	235,275	10,055
Derivative financial instruments		4,787	6,384
		346,675	137,156
Non-current liabilities			
Loans and borrowings	7	1,013,697	1,010,102
Convertible debenture		289,293	288,635
Derivative financial instruments		13,393	7,703
Employee benefits		5,803	6,012
Share-based payments		8,778	5,252
Deferred revenue		872	
Provisions	8	395,563	281,694
Deferred tax liabilities		110,154	69,686
		1,837,553	1,669,084
Equity			
Share capital	9	1,807,325	1,794,536
Deficit		(814,484)	(739,351)
Accumulated other comprehensive income		(4,577)	(4,577)
		988,264	1,050,608
		3,172,492	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 Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Revenues		302,900	266,605	1,208,689	941,986
Cost of sales		220,289	203,708	949,085	733,046
Gross profit	11	82,611	62,897	259,604	208,940
General and administrative		13,765	15,191	41,193	37,739
Other expense (income)		1,224	(533)	642	(207)
		14,989	14,658	41,835	37,532
Results from operating activities		67,622	48,239	217,769	171,408
Net finance costs	10	26,611	24,325	62,301	61,914
Earnings before income tax		41,011	23,914	155,468	109,494
Share of profit of investments in equity accounted investees (net of tax)		585	(2,172)	(4,257)	(6,498)
Income tax expense (recovery)	6	10,305	(4,692)	39,069	(4,654)
Earnings and total comprehensive income for the period		30,121	30,778	120,656	120,646
Earnings per share					
Basic earnings per share		0.18	0.19	0.72	0.74
Diluted earnings per share		0.18	0.19	0.72	0.73

See accompanying notes to consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(unaudited)

($ thousands)	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010	Year Ended December 31, 2010
Trust Units			
Balance, beginning of period		1,657,803	1,657,803
Exercise of trust unit options		31,091	31,091
Issue of trust units, debenture conversions		10,134	10,134
Issue of trust units, distribution reinvestment plan		55,898	55,898
Share issue costs		(104)	(104)
Exchange of trust units for common shares on conversion to Company			(1,754,822)
Balance, end of period		1,754,822	
Share Capital			
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	12,095		5,116
Share based payment transactions	672		194
Issue of common shares, debenture conversions			25,299
Other	22		178
Balance, end of period	1,807,325		1,794,536
Deficit			
Balance, beginning of period	(739,351)	(660,030)	(660,030)
Earnings for the period	120,656	120,646	175,830
Dividends declared	(195,789)	(190,559)	(255,151)
Balance, end of period	(814,484)	(729,943)	(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	988,264	1,024,879	1,050,608

See accompanying notes to consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Note	**3 Months Ended Sept. 30, 2011**	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Cash provided by (used in):					
Operating activities:					
Earnings for the period		30,121	30,778	120,656	120,646
Adjustments for:					
Depreciation and amortization		18,671	15,446	49,846	47,434
Net finance costs	10	26,611	24,325	62,301	61,914
Share of profit of investments in equity accounted investees (net of tax)		585	(2,172)	(4,257)	(6,498)
Income tax expense (reduction)	6	10,305	(4,692)	39,069	(4,654)
Share based payments		3,051	10,010	10,940	14,139
Employee future benefits expense		1,188	1,129	3,589	3,477
Increase in provisions		11,121		11,121	
Other		(39)	664	(498)	770
Changes in non-cash working capital		(2,836)	(976)	(35,735)	(1,151)
Distributions from investments in equity accounted investees		4,216	4,295	12,901	12,858
Decommissioning liability expenditures		(114)		(1,889)	
Employer future benefit contributions		(2,000)	(2,000)	(6,000)	(6,000)
Payments received and deferred		473		872	
Realized gain on power derivative		3,167		3,167	
Interest paid		(16,586)	(10,340)	(53,693)	(40,552)
Interest received	10	23	84	412	209
Cash flow from operating activities		87,957	66,551	212,802	202,592
Financing activities:					
Bank borrowings		24,627	31,198	64,627	40,143
Repayment of senior secured notes		(2,013)	(1,873)	(5,931)	(5,517)
Debt repayment				(80,000)	(100,000)
Repayment of finance leases		(751)	(417)	(1,933)	(1,258)
Issuance of debt				250,000	
Financing fees		(18)	(21)	(1,774)	(275)
Share issue costs		(7)	(104)	(17)	(104)
Exercise of stock options		2,999	8,654	12,095	25,253
Issue of shares under Distribution Reinvestment Plan					55,898
Dividends to shareholders - current year		(65,349)	(63,900)	(173,994)	(169,199)
Dividends to shareholders- prior year				(21,694)	(20,617)
Cash flow from financing activities		(40,512)	(26,463)	41,379	(175,676)
Investing activities:					
Capital expenditures		(82,519)	(33,789)	(380,714)	(78,821)
Proceeds from sale of assets				659	
Cash flow from investing activities		(82,519)	(33,789)	(380,055)	(78,821)
Change in cash		(35,074)	6,299	(125,874)	(51,905)
Cash (bank indebtedness), beginning of period		34,597	(4,277)	125,397	53,927
Cash, (bank indebtedness) end of period		(477)	2,022	(477)	2,022

See accompanying notes to consolidated interim financial statements

(Unaudited)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Quarter ended September 30, 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 nine months ending September 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 ("NGL"), 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 3800, 525 – 8th Avenue S.W., Calgary, Alberta Canada T2P 1G1 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 quarters ended March 31, 2011, June 30, 2011, September 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 third 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 November 9, 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	5,099	119,882	28,807	48,736	285,846	488,370
Transfers	104	302,699	13,374	33,614	(349,791)	
Disposals	(229)	(1,300)	(546)	(661)		(2,736)
Balance at September 30, 2011	62,222	2,418,548	525,400	230,806	196,874	3,433,850
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	33	33,261	12,427	3,603		49,324
Disposals		(24)	(184)	(542)		(750)
Balance at September 30, 2011	4,076	692,514	88,741	52,362		837,693
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 September 30, 2011	58,146	1,726,034	436,659	178,444	196,874	2,596,157

Property, plant and equipment under construction

During the quarter ended September 30, 2011, the Company commissioned the Nipisi and Mitsue Pipelines. Costs of assets under construction at September 30, 2011 totaled $196.9 million (as at December 31, 2010, totaled $260.8 million). Such amounts include capitalized borrowing costs.

For the nine months ended September 30, 2011, capitalized borrowing costs related to the construction of the new pipelines or facilities amounted to $8.3 million, with capitalization rates ranging from 1.79 percent to 1.80 percent (based on weighted average bankers' acceptances rates).

Commitments

At September 30, 2011, the Company has contractual commitments for the acquisition and or construction of property, plant and equipment of $295.7 million (December 31, 2010: $345.7 million).

(Unaudited)

6. INCOME TAX EXPENSE

The Company's consolidated effective tax rate for the nine months ending September 30, 2011 was 25.17 percent.

Reconciliation of effective tax rate

	9 Months Ended Sept. 30, 2011	9 Months Ended Sept. 30, 2010
Earnings before income tax	155,468	109,494
Statutory tax rate	26.5%	28%
Income tax at statutory rate	41,199	30,658
Tax rate changes on deferred income tax balances	(2,348)	(3,285)
Interest deductions of subsidiaries arising from intercorporate debt		(31,943)
Interest on convertible debentures		511
Other	218	(595)
Income tax expense (reduction)	39,069	(4,654)

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:

				Sept. 30, 2011	**December 31, 2010**
	Available facilities	**Nominal interest rate**	**Year of maturity**	**Carrying amount**	**Carrying amount**
Operating facility	50,000	prime + 0.75 or BA[1] + 1.75	2012		
Unsecured revolving credit facility	500,000	prime or BA[1] + 0.50	2012	224,600	239,949
Unsecured non-revolving term facility	75,000	6.16	2014	74,623	74,517
Senior unsecured notes – Series A	175,000	5.99	2014	174,408	174,247
Senior unsecured notes – Series C	200,000	5.58	2021	196,552	196,293
Senior unsecured notes – Series D	267,000	5.91	2019	265,352	265,201
Senior secured notes	60,028	7.38	2017	59,528	65,395
Senior unsecured medium term notes	250,000	4.89	2021	248,519	
Finance lease liabilities		6.02-9.73	2011-2015	5,390	4,555
Total interest-bearing liabilities				1,248,972	1,020,157
Less current portion				(235,275)	(10,055)
Total non-current				1,013,697	1,010,102

1 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 nine months ending September 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. In addition, at September 30, 2011, the Company re-measured the decommissioning provision based on a change in the discount rate from 3.54% to 2.77%, which increased property, plant and equipment and decommissioning liability by $85.3 million.

(Unaudited)

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

Shareholders' capital

	Number	Shareholders' Capital
Balance January 1, 2011	166,876,651	1,794,536
Exercise of stock options	784,957	12,095
Share based payment transactions		672
Other		22
Balance September 30, 2011	167,661,608	1,807,325

Dividends

The following dividends were declared and paid by the Company:

	9 Months Ended Sept. 30, 2011	9 Months Ended Sept. 30, 2010
$0.39 per qualifying common share (2010: $0.39)	195,789	190,559

After the respective reporting dates, the October 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 Sept. 30, 2011	3 Months Ended Sept. 30, 2010	**9 Months Ended Sept. 30, 2011**	9 Months Ended Sept. 30, 2010
Interest income on:				
Loans to related parties[1]	226		636	
Bank deposits	23	85	412	210
Foreign exchange gains	19		131	
Realized gain on power derivative	3,167		3,167	
Finance Income	3,435	85	4,346	210
Interest expense on financial liabilities measured at amortized cost:				
Loans and borrowings	15,909	14,145	41,041	43,017
Convertible debentures	4,657	536	13,825	1,811
Finance leases	105	82	298	254
Accretion	2,605	1,972	7,510	6,401
Change in fair value of derivatives	6,770	7,587	3,973	10,517
Foreign exchange losses		88		124
Finance cost	30,046	24,410	66,647	62,124
Net finance costs	26,611	24,325	62,301	61,914

[1] *The Company is funding its share of the construction of new assets for its equity accounted investment and has recorded a $16.4 million loan receivable as at September 30, 2011.*

(Unaudited)

11. OPERATING SEGMENTS

3 Months Ended September 30, 2011

	Conventional Pipelines[(1)]	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	78,690	36,983				115,673
Terminalling, storage and hub services			168,451			168,451
Gas Services				18,776		18,776
	78,690	36,983	168,451	18,776		302,900
Cost of sales:						
Operations	34,892	12,642	2,570	6,403	(659)	55,848
Product purchases			146,616			146,616
Operating margin	43,798	24,341	19,265	12,373	659	100,436
Depreciation and amortization included in operations	10,423	3,907	972	2,523		17,825
Gross profit	33,375	20,434	18,293	9,850	659	82,611
Depreciation and amortization included in general and administrative					847	847
Other general and administrative	1,511	870	1,267	892	8,378	12,918
Other	1,313	(10)	(2)		(77)	1,224
Reportable segment results from operating activities before tax	30,551	19,574	17,028	8,958	(8,489)	67,622
Property, plant and equipment	822,124	1,105,039	240,841	403,915	24,238	2,596,157
Investment in equity accounted investees			160,231			160,231

[1] *11.6 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

9 Months Ended September 30, 2011

	Conventional Pipelines[(1)]	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	220,353	95,236				315,589
Terminalling, storage and hub services			840,737			840,737
Gas Services				52,363		52,363
	220,353	95,236	840,737	52,363		1,208,689
Cost of sales:						
Operations	83,625	31,601	7,138	16,286	(1,841)	136,809
Product purchases			763,805			763,805
Operating margin	136,728	63,635	69,794	36,077	1,841	308,075
Depreciation and amortization included in operations	30,535	7,887	2,727	7,322		48,471
Gross profit	106,193	55,748	67,067	28,755	1,841	259,604
Depreciation and amortization included in general and administrative					1,375	1,375
Other general and administrative	4,208	2,020	3,552	2,971	27,067	39,818
Other	858	(118)	4	6	(108)	642
Reportable segment results from operating activities before tax	101,127	53,846	63,511	25,778	(26,493)	217,769

[1] *11.6 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

(Unaudited)

3 Months Ended September 30, 2010

	Conventional Pipelines[(1)]	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	64,381	29,291				93,672
Terminalling, storage and hub services			157,414			157,414
Gas Services				15,519		15,519
	64,381	29,291	157,414	15,519		266,605
Cost of sales:						
Operations	24,116	9,507	1,046	5,303		39,972
Product purchases			148,437			148,437
Operating margin	40,265	19,784	7,931	10,216		78,196
Depreciation and amortization included in operations	7,054	5,619	521	2,105		15,299
Gross profit	33,211	14,165	7,410	8,111		62,897
Depreciation and amortization included in general and administrative					147	147
Other general and administrative	733	835	932	767	11,777	15,044
Other					(533)	(533)
Reportable segment results from operating activity before tax	32,478	13,330	6,478	7,344	(11,391)	48,239
Property, plant and equipment	743,474	812,129	123,331	285,915	8,166	1,973,015
Investment in equity accounted investees			192,137			192,137

[1] *11.4 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

9 Months Ended September 30, 2010

	Conventional Pipelines[(1)]	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	193,072	87,614				280,686
Terminalling, storage and hub services			615,464			615,464
Gas Services				45,836		45,836
	193,072	87,614	615,464	45,836		941,986
Cost of sales:						
Operations	66,492	29,333	3,504	14,164		113,493
Product purchases			573,485			573,485
Operating margin	126,580	58,281	38,475	31,672		255,008
Depreciation and amortization included in operations	21,384	16,838	1,551	6,295		46,068
Gross profit	105,196	41,443	36,924	25,377		208,940
Depreciation and amortization included in general and administrative					1,367	1,367
Other general and administrative	2,787	2,164	2,775	2,151	26,495	36,372
Other					(207)	(207)
Reportable segment results from operating activity before tax	102,409	39,279	34,149	23,226	(27,655)	171,408

[1] *10.8 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 third condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 of our March 31, 2011 Interim Report have been applied in preparing the interim financial statements for the three and nine months ended September 30, 2011, the comparative information presented in these interim financial statements for the three and nine months ended September 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 September 30, 2010.

	Note	Previous Canadian GAAP	Effect of transition to IFRS	Reclass	IFRS
Current assets					
Cash and short term investments		2,022			2,022
Trade and other receivables		75,462			75,462
Derivative financial instruments				7,369	7,369
Inventories		25,651			25,651
		103,135		7,369	110,504
Non-current assets					
Property, plant and equipment	a,d,e	2,051,778	(78,763)		1,973,015
Intangible assets	a	357,906	(113,129)		244,777
Employee benefits	c	19,546	(19,198)		348
Investments in equity accounted investees	a		192,137		192,137
Derivative financial instruments				230	230
		2,429,230	(18,953)	230	2,410,507
		2,532,365	(18,953)	7,599	2,521,011
Current liabilities					
Trade payable and accrued liabilities	b,g	67,504	2,018	(1,165)	68,357
Dividends/distributions payable		21,361			21,361
Loans and borrowings	e	77,981	2,018		79,999
Derivative financial instruments				10,857	10,857
Convertible debentures		26,506			26,506
		193,352	4,036	9,692	207,080
Non-current liabilities					
Loans and borrowings	e	989,081	2,492		991,573
Derivative financial instruments	f	15,935	213	(3,258)	12,890
Employee benefits				1,165	1,165
Share-based payments	b		13,434		13,434
Provisions	d	81,565	114,016		195,581
Deferred tax liabilities	h	94,797	(20,388)		74,409
		1,374,730	113,803	7,599	1,496,132
Equity					
Share capital and reserves	b	1,752,298	2,524		1,754,822
Deficit	i	(582,450)	(147,493)		(729,943)
Accumulated other comprehensive income	f	(12,213)	12,213		
		1,157,635	(132,756)		1,024,879
		2,532,365	(18,953)	7,599	2,521,011

(Unaudited)

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

	Note	Canadian GAAP	Effect of transition to IFRS	Reclass	IFRS
Revenues:					
Conventional pipelines		64,381			64,381
Oil sands and heavy oil		29,291			29,291
Midstream & marketing	a	162,946	(5,532)		157,414
Gas services		15,519			15,519
		272,137	(5,532)		266,605
Cost of sales					
Operations	a,b,c,e	38,652	4,061	(2,741)	39,972
Product purchases		148,437			148,437
Depreciation and amortization	a,d,e	16,232	(685)	(248)	15,299
		203,321	3,376	(2,989)	203,708
Gross profit		68,816	(8,908)	2,989	62,897
G&A expenses	b,g,c	11,569	632	2,990	15,191
Other expense (income)		(188)		(345)	(533)
Accretion	d	1,784	187	(1,971)	
		13,165	819	674	14,658
Results from operating activities		55,651	(9,728)	2,316	48,239
Net finance costs		14,608	7,401	2,316	24,325
Earnings before income tax		41,043	(17,129)		23,914
Share of profit of investments in equity accounted investees, net of tax	a		(2,172)		(2,172)
Income tax expense (recovery)	a,b,c, d,e,f,h	(1,900)	(2,792)		(4,692)
Earnings for the period		42,943	(12,165)		30,778
Other comprehensive income, net of income tax					
Net change in fair value of cash flow hedges	f	(5,438)	5,438		
Total comprehensive income for the period		37,505	(6,727)		30,778
Earnings per share/unit					
Basic earnings per share/unit (dollars)		0.26			0.19
Diluted earnings per share/unit (dollars)		0.26			0.19

(Unaudited)

Reconciliation of comprehensive income for the nine months ended September 30, 2010.

	Note	Canadian GAAP	Effect of transition to IFRS	Reclass	IFRS
Revenues:					
Conventional pipelines		193,072			193,072
Oil sands and heavy oil		87,614			87,614
Midstream & marketing	a	632,053	(16,589)		615,464
Gas services		45,836			45,836
		958,575	(16,589)		941,986
Cost of sales					
Operations	a,b,c,e	116,005	332	(2,844)	113,493
Product purchases		573,485			573,485
Depreciation and amortization	a,d,e	50,412	(2,977)	(1,367)	46,068
		739,902	(2,645)	(4,211)	733,046
Gross profit		218,673	(13,944)	4,211	208,940
G&A expenses	b,g,c	33,213	315	4,211	37,739
Other expense (income)		(134)		(73)	(207)
Accretion	d	5,284	1,117	(6,401)	
		38,363	1,432	(2,263)	37,532
Results from operating activities		180,310	(15,376)	6,474	171,408
Net finance costs		44,618	10,822	6,474	61,914
Earnings before income tax		135,692	(26,198)		109,494
Share of profit of investments in equity accounted investees, net of tax	a		(6,498)		(6,498)
Income tax expense (recovery)	a,b,c, d,e,f,h	500	(5,154)		(4,654)
Earnings for the period		135,192	(14,546)		120,646
Other comprehensive income, net of income tax					
Net change in fair value of cash flow hedges	f	(7,872)	7,872		
Total comprehensive income for the period		127,320	(6,674)		120,646
Earnings per share/unit					
Basic earnings per share/unit (dollars)		0.83			0.74
Diluted earnings per share/unit (dollars)		0.82			0.73

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.

Consolidated Statement of Comprehensive Income	**Three Months Ended September 30, 2010**	**Nine Months Ended September 30, 2010**
Decrease in revenue	(5,532)	(16,590)
Decrease in cost of sales:		
Operating expense	1,238	3,732
Depreciation and amortization	1,502	4,466
	(2,792)	(8,392)
Increase in share of profit from equity accounted investees	2,172	6,498
Related effect on income tax expense	698	2,098
Increase in earnings	78	204

Consolidated Statement of Financial Position	**September 30, 2010**
Increase in Investment in equity accounted investees	192,137
Decrease in net property, plant and equipment	(83,058)
Decrease in net intangibles	(48,128)
Decrease in goodwill	(65,000)
Related tax effect	4,473
Decrease in deficit	424

(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 September 30, 2010**	**Nine Months Ended September 30, 2010**
Cost of sales (operating expense)	(5,810)	(5,890)
General and administrative expense	56	146
Decrease in earnings	(5,754)	(5,744)

Consolidated Statement of Financial Position	**September 30, 2010**
Share-based payment, non-current	(8,923)
Share capital	(4,266)
Contributed surplus	1,742
Increase in deficit	(11,447)

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 September 30, 2010**	**Nine Months Ended September 30, 2010**
Cost of sales (operating expense)	(138)	(132)
General and administrative expense	(780)	(745)
Related effect on income tax expense	229	219
Decrease in earnings	(689)	(658)

Consolidated Statement of Financial Position	**September 30, 2010**
Trade payables and other	(1,295)
Share-based payments, non-current	(4,506)
Related tax effect	1,450
Increase in deficit	(4,351)

(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 nine and three months ending September 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 September 30, 2010**	**Nine Months Ended September 30, 2010**
Cost of sales (operating expense)	150	445
General and administrative expense	93	285
Related effect on tax expense	(60)	(183)
Increase in earnings	183	547

Consolidated Statement of Financial Position	**September 30, 2010**
Employee benefits asset, non-current	(19,199)
Deferred tax liability	4,800
Increase in deficit	(14,399)

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 million 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 September 30, 2010**	**Nine Months Ended September 30, 2010**
Cost of sales (operating expense)	(434)	(286)
Finance costs (accretion expense)	(187)	(1,117)
Related effect on tax expense	156	351
Decrease to earnings	(465)	(1,052)

Consolidated Statement of Financial Position	**September 30, 2010**
Decrease in property, plant and equipment	(213)
Increase in provision	(114,016)
Related tax effect	28,557
Increase in deficit	(85,672)

(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 September 30, 2010	Nine Months Ended September 30, 2010
Finance costs	(81)	(254)
Cost of sales (operating expense)	499	1,513
Cost of sales (depreciation and amortization)	(384)	(1,203)
Related effect on tax expense	(8)	(14)
Increase in earnings	26	42

Consolidated Statement of Financial Position	September 30, 2010
Property, plant and equipment	4,510
Loans and borrowing, current	(2,018)
Loans and borrowing, non-current	(2,492)
Decrease in deficit	nil

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 September 30, 2010	Nine Months Ended September 30, 2010
Net finance costs	(7,251)	(10,503)
Related effect on tax expense	1,813	2,626
Decrease in earnings	(5,438)	(7,877)

Consolidated Statement of Financial Position	September 30, 2010
Other comprehensive income	(12,213)
Increase in deficit	(12,213)

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 September 30, 2010	Nine Months Ended September 30, 2010
Finance costs	(66)	(63)
Decrease in earnings	(66)	(63)

Consolidated Statement of Financial Position	September 30, 2010
Increase in derivative financial instrument liability	(213)
Increase in deficit	(213)

g. Employee benefit provision

A vacation accrual for the accumulated compensated absence has been recognized, increasing trade payables by $727 thousand ($547 thousand net of tax) as at September 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%:

	Note	September 30, 2010
Joint ventures	a	4,473
Share based payments	b	1,450
Defined benefit pension plans	c	4,800
Decommissioning provision	d	28,557
Employee benefit provision	g	182
Income tax	h	(19,075)
Decrease in deferred tax liability		20,387

i. Deficit

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

	Note	September 30, 2010
Joint ventures	a	424
Share based payments, stock options	b	(11,447)
Share based payments, RSU	b	(4,351)
Defined benefit pension plan	c	(14,399)
Decommissioning provision	d	(85,672)
Derivative financial instruments	f	(12,213)
Convertible debentures	f	(213)
Employee benefit provision	g	(547)
Deferred tax	h	(19,075)
Increase in deficit		(147,493)

(Unaudited)

13. Subsequent Event

Pembina announced on October 13, 2011 that it plans to further expand its gas handling assets in the Deep Basin in west central Alberta, an area which is becoming known for its prolific liquids-rich gas supply. Pembina has entered into agreements to develop combined shallow cut and deep cut NGL extraction facility (the "Resthaven Facility") by modifying and expanding an existing gas plant. Once operational, the initial phase of the Resthaven Facility will have a gross capacity of 200 million cubic feet per day ("mmcf/d") and 13,000 barrels per day ("bpd") of liquids extraction capability, with ultimate processing capacity of 300 mmcf/d and 18,000 bpd of liquids extraction capability. Pembina plans to construct a 44 kilometre, 6 inch diameter NGL pipeline to transport the extracted NGL from the Resthaven Facility to Pembina's Peace Pipeline, which delivers product into Edmonton, Alberta. Once completed, Pembina will own approximately 65 percent of the Resthaven Facility and will own 100 percent of the NGL pipeline.

Pembina estimates that the Resthaven Facility, associated NGL pipeline, and storage facilities will cost approximately $230 million (net to Pembina) and will contribute annual EBITDA of $30 to $40 million (including pipeline tolls). Subject to regulatory approval, Pembina expects these new facilities to be in-service in late 2013. Pembina's investment in the Resthaven Facility is supported by long-term firm service agreements with two of the major area producers while the NGL pipeline is underpinned by long-term service agreements with the Resthaven Facility owners.

Pembina announced on October 28, 2011 that it plans to construct, own and operate a 200 mmcf/d enhanced NGL extraction facility (the "Saturn Facility") and associated NGL and gas gathering pipelines in the Berland area of west central Alberta.

The Saturn Facility will be connected to Talisman Energy Inc.'s ("Talisman") Wild River and Bigstone gas plants through existing and newly constructed gas gathering lines. Once operational, Pembina expects the Saturn Facility will be able to extract up to 13,500 bpd of liquids. Pembina plans to construct an 83 kilometre, 8 inch NGL pipeline to transport the extracted NGL from the Saturn Facility to Pembina's Peace Pipeline, which delivers product into Edmonton, Alberta.

Pembina expects the Saturn Facility, associated NGL and gas gathering pipelines and storage to cost approximately $200 million and contribute annual EBITDA of approximately $30 million (including pipeline tolls). Subject to regulatory and environmental approval, Pembina expects the Saturn Facility and associated pipelines to be in-service in the fourth quarter of 2013 and has entered into a long-term, firm service agreement with Talisman.

The Saturn Facility, combined with Pembina's Musreau Deep Cut Facility and the Resthaven Facility, are expected to bring Pembina's total enhanced NGL extraction capacity to approximately 600 mmcf/d, which could add up to approximately 40,000 bpd of NGL for transportation on Pembina's conventional pipelines by the end of 2013 and contribute $75 million to $90 million of EBITDA annually.

CORPORATE INFORMATION

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