Q2

2021 Interim Report

Pembina Pipeline Corporation

REPORT TO SHAREHOLDERS

Second Quarter 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Basis of Presentation

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 August 5, 2021, and is supplementary to, and should be read in conjunction with, Pembina's unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 ("Interim Financial Statements") as well as Pembina's audited consolidated annual financial statements ("Consolidated Financial Statements") and MD&A for the year ended December 31, 2020. All financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting* and is expressed in Canadian dollars, unless otherwise noted. A description of Pembina's operating segments and additional information about Pembina is filed with Canadian and U.S. securities commissions, including quarterly and annual reports, annual information forms (filed with the U.S. Securities and Exchange Commission under Form 40-F) and management information circulars, which can be found online at www.sedar.com, www.sec.gov and through Pembina's website at www.pembina.com. Information contained in or otherwise accessible through Pembina's website does not form part of this MD&A and is not incorporated into this document by reference.

Abbreviations

For a list of abbreviations that may be used in this MD&A, refer to the "Abbreviations" section of this MD&A.

Non-GAAP Financial Measures

Pembina has identified certain financial measures that management believes provide meaningful information in assessing Pembina's underlying performance. Readers are cautioned that such financial measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable to similar measures presented by other entities. Refer to the "Non-GAAP Measures" section of this MD&A for a list and description, including reconciliations to the most directly comparable GAAP measures, of such non-GAAP measures.

Risk Factors and Forward-Looking Information

Management has identified the primary risk factors that could have a material impact on the financial results and operations of Pembina. Such risk factors are presented in Pembina's MD&A and Annual Information Form ("AIF") for the year ended December 31, 2020 and have been updated in the "Risk Factors" section of this MD&A, as necessary. The Company's financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described within the "Forward-Looking Statements & Information" section of this MD&A. This MD&A contains forward-looking statements based on Pembina's current expectations, estimates, projections and assumptions. This information is provided to assist readers in understanding the Company's future plans and expectations and may not be appropriate for other purposes.

1. ABOUT PEMBINA

Pembina is a leading transportation and midstream service provider that has been serving North America's energy industry for more than 65 years. Pembina owns an integrated system of pipelines that transport various hydrocarbon liquids and natural gas products produced primarily in western Canada. The Company also owns gas gathering and processing facilities; an oil and natural gas liquids infrastructure and logistics business; and is growing an export terminals business. Pembina's integrated assets and commercial operations along the majority of the hydrocarbon value chain allow it to offer a full spectrum of midstream and marketing services to the energy sector. Pembina is committed to identifying additional opportunities to connect hydrocarbon production to new demand locations through the development of infrastructure that would extend Pembina's service offering even further along the hydrocarbon value chain. These new developments will contribute to ensuring that hydrocarbons produced in the Western Canadian Sedimentary Basin and the other basins where Pembina operates can reach the highest value markets throughout the world.

Purpose of Pembina:

To be the leader in delivering integrated infrastructure solutions connecting global markets;

- ***Customers** choose us first for reliable and value-added services;*
- ***Investors** receive sustainable industry-leading total returns;*
- ***Employees** say we are the 'employer of choice' and value our safe, respectful, collaborative and fair work culture; and*
- ***Communities** welcome us and recognize the net positive impact of our social and environmental commitment.*

Inter Pipeline Acquisition

On June 1, 2021, Pembina announced that it had entered into an arrangement agreement with Inter Pipeline Ltd. ("Inter Pipeline"), pursuant to which Pembina proposed to acquire all of the issued and outstanding shares of Inter Pipeline by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Inter Pipeline Acquisition"). Pursuant to the Inter Pipeline Acquisition, holders of Inter Pipeline common shares (other than dissenting holders of Inter Pipeline common shares) would have received 0.5 of a common share of Pembina for each common share of Inter Pipeline that they owned. On July 25, 2021, the arrangement agreement was terminated and Pembina received the termination fee of $350 million.

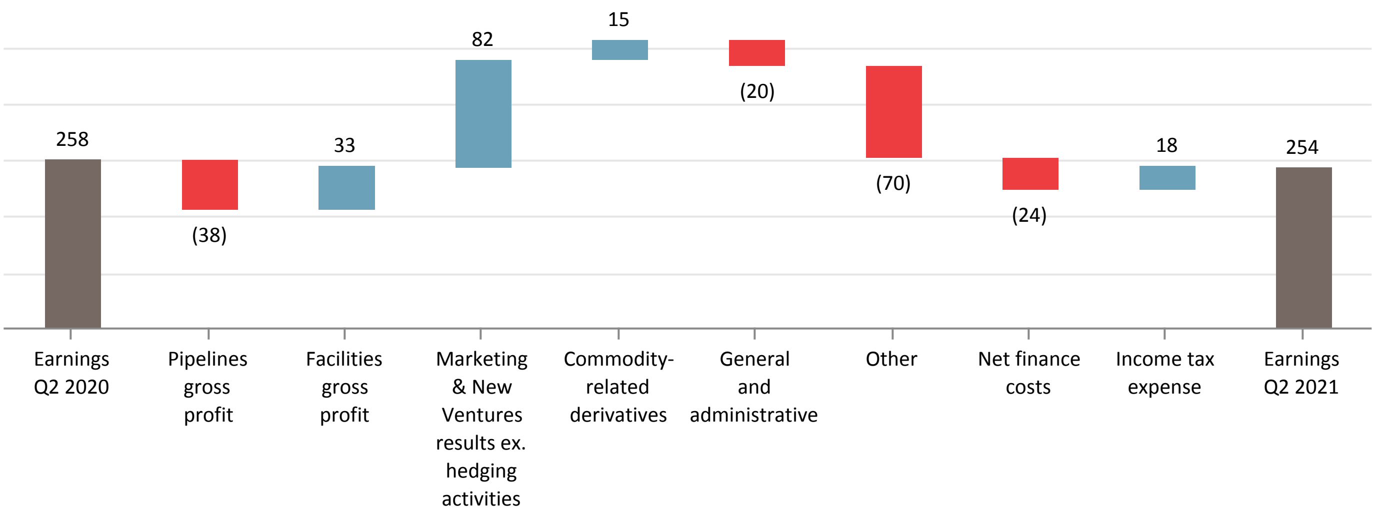
2. FINANCIAL & OPERATING OVERVIEW

Consolidated Financial Overview for the Three Months Ended June 30

Results of Operations

($ millions, except where noted)	**2021**	2020[3]	Change	% Change
Infrastructure and other services revenue	**739**	707	32	5
Product sales revenue	**1,215**	561	654	117
Total revenue	**1,954**	1,268	686	54
Net revenue[1]	**894**	776	118	15
Gross profit	**550**	460	90	20
Earnings	**254**	258	(4)	(2)
Earnings per common share – basic and diluted *(dollars)*	**0.39**	0.40	(0.01)	(3)
Cash flow from operating activities	**584**	642	(58)	(9)
Cash flow from operating activities per common share – basic *(dollars)*[1]	**1.06**	1.17	(0.11)	(9)
Adjusted cash flow from operating activities[1]	**538**	586	(48)	(8)
Adjusted cash flow from operating activities per common share – basic *(dollars)*[1]	**0.98**	1.07	(0.09)	(8)
Capital investments	**146**	211	(65)	(31)
Adjusted EBITDA[1]	**778**	789	(11)	(1)
Total volumes *(mboe/d)*[2]	**3,500**	3,427	73	2

Change in Earnings *($ millions)*[3][4][5]



Results Overview

Results in the second quarter of 2021 were positively impacted by higher gross profit in Marketing & New Ventures due to higher margins on NGL and crude oil sales, combined with higher marketed NGL volumes and lower losses on commodity related derivatives. Facilities gross profit increased due to strong performance from existing assets and Prince Rupert Terminal, Empress Infrastructure and Duvernay III being placed into service. Pipelines gross profit was impacted by revenues associated with higher interruptible volumes on the Peace Pipeline system, offset by a lower share of profit from Ruby combined with the impact of non-recurring leasing adjustments made in the second quarter of 2020 and the impact of a lower U.S. dollar exchange rate. General and administrative and other expenses increased due to lower income received from the Canadian Emergency Wage Subsidy ("CEWS") program, combined with higher long-term incentives and acquisition related costs. Net finance costs increased during the second quarter of 2021 due to losses on non-commodity related derivative financial instruments compared to gains recognized in the second quarter of 2020. Current tax expense decreased as a result of lower taxable income, combined with the reduction of the Alberta corporate tax rate from 10 to 8 percent effective July 2020.

Changes in Results for the Three Months Ended June 30		
Infrastructure and other services revenue	▲	$32 million increase, due to assets placed into service in Facilities, higher interruptible volumes in Pipelines, combined with increased operating expense recoveries, partially offset by fully recovered capital fees at the Edmonton South Rail Terminal during the second quarter of 2020 and the impact of lower U.S. dollar exchange rates.
Product sales revenue	▲	$654 million increase ($69 million increase net of cost of goods sold), largely due to higher NGL and crude oil market prices, combined with higher marketed NGL volumes as sales have returned to pre-pandemic levels, partially offset by strong storage performance during the second quarter of 2020, compared to 2021 where storage is performing more consistently throughout the year.
Cost of goods sold	▼	$568 million increase, largely due to higher NGL and crude oil market prices, combined with higher marketed NGL volumes, as discussed above.
Operating expenses	▼	$32 million increase, largely due to additional assets being placed into service in Facilities, combined with a $27 million increase in power costs, of which $18 million were recovered in revenue, as a result of the higher power pool price during the second quarter of 2021.
Depreciation and amortization included in operations	▼	$15 million increase, primarily due to additional assets being placed into service during the second quarter of 2021.
Share of profit from equity accounted investees	▼	$14 million decrease, largely due to a lower contribution from Ruby, combined with the impact of lower U.S. dollar exchange rates, partially offset by increased share of profit from Aux Sable as a result of higher NGL margins and a wider AECO-Chicago natural gas price differential.
Realized loss (gain) on commodity-related derivatives	▼	$69 million negative variance, due to higher NGL and crude oil market prices during the second quarter of 2021, which also drove higher margins on NGL and crude sales, resulting in a realized loss on crude- and NGL-based derivative financial instruments for the period, compared to realized gains recognized during the second quarter of 2020. Pembina utilizes derivative instruments to stabilize the results of its marketing business.
Unrealized (gain) loss on commodity-related derivatives	▲	$102 million positive variance, primarily due to fewer contracts maturing in the period and an unrealized gain on an embedded derivative in Facilities partially offset by the increase in the forward prices for NGL and crude oil during the second quarter of 2021.
General & administrative	▼	$20 million increase largely due to higher long-term incentives driven by Pembina's increasing share price in the second quarter of 2021 compared to a decreasing share price in the second quarter of 2020, partially offset by a reduction in salaries and wages.
Other expense	▼	$45 million increase primarily due to lower income received in connection with the CEWS program during the second quarter of 2021 and an increase in acquisition related costs.
Net finance costs	▼	$24 million increase, primarily driven by losses on non-commodity-related derivative financial instruments compared to gains in the second quarter of 2020, combined with higher interest expense associated with higher average debt levels, partially offset by higher foreign exchange gains.
Cash flow from operating activities	▼	$58 million decrease, primarily driven by a $55 million increase in taxes paid as the tax installments for 2020 were deferred until the third quarter of 2020 as a result of the COVID-19 pandemic, $14 million increase in net interest paid, and a decrease in operating results after adjusting for non-cash items, partially offset by a $40 million change in non-cash working capital.
Adjusted cash flow from operating activities[1]	▼	$48 million decrease largely due to the same items impacting cash flow from operating activities, discussed above, net of the increase in taxes paid and change in non-cash working capital and an increase in accrued share based payment expense.
Adjusted EBITDA[1]	▼	$11 million decrease, largely due to an increase in realized loss on commodity-related derivatives, lower revenue at the Edmonton South Rail Terminal, the impact of lower U.S. dollar exchange rates, strong storage performance during the second quarter of 2020, combined with higher general and administrative expenses and higher power costs not recoverable in revenue, partially offset by higher margins on NGL and crude oil sales, the contributions from assets placed into service in Facilities, combined with higher interruptible volumes on the Peace Pipeline system. Included in adjusted EBITDA is $174 million (2020: $168 million) related to equity accounted investees.
Total volumes *(mboe/d)*[2]	▲	73 mboe/d increase, largely driven by higher interruptible volumes in Pipelines due to increased upstream activities. Revenue volumes include 321 mboe/d (2020: 323 mboe/d) related to equity accounted investees.

▲ Increase; ▼ Decrease; or ● No impact; to earnings, adjusted EBITDA, cash flow from operations, adjusted cash flow from operating activities or total volumes.

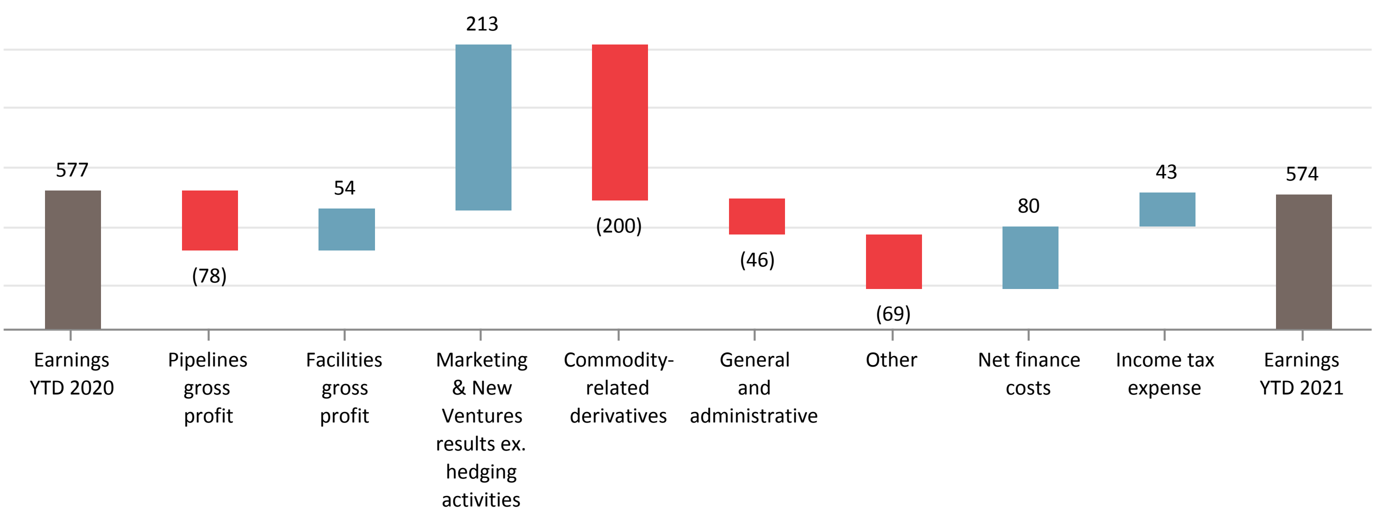
(1) Refer to the "Non-GAAP Measures" section.
(2) Total revenue volumes. See the "Abbreviations" section for definition. Marketed NGL volumes are excluded from volumes to avoid double counting. Refer to the "Marketing & New Ventures" section for further information.
(3) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.
(4) Marketing & New Ventures results ex. hedging activities includes gross profit for Marketing & New Ventures less realized and unrealized losses on commodity related derivative financial instruments.
(5) Other includes other expenses, impairments and corporate.

Consolidated Financial Overview for the Six Months Ended June 30

Results of Operations

($ millions, except where noted)	**2021**	2020[3]	Change	% Change
Infrastructure and other services revenue	**1,484**	1,455	29	2
Product sales revenue	**2,515**	1,484	1,031	69
Revenue	**3,999**	2,939	1,060	36
Net revenue[1]	**1,893**	1,641	252	15
Gross profit	**1,180**	1,193	(13)	(1)
Earnings	**574**	577	(3)	(1)
Earnings per common share – basic and diluted *(dollars)*	**0.91**	0.91	—	—
Cash flow from operating activities	**1,040**	1,052	(12)	(1)
Cash flow from operating activities per common share – basic *(dollars)*[1]	**1.89**	1.91	(0.02)	(1)
Adjusted cash flow from operating activities[1]	**1,120**	1,162	(42)	(4)
Adjusted cash flow from operating activities per common share – basic *(dollars)*[1]	**2.04**	2.11	(0.07)	(3)
Capital investments	**273**	694	(421)	(61)
Adjusted EBITDA[1]	**1,613**	1,619	(6)	—
Total volumes *(mboe/d)*[2]	**3,491**	3,468	23	1

Change in Earnings *($ millions)*[3][4][5]



Results Overview

Results for the six months ended June 30, 2021 were positively impacted by higher gross profit in Facilities due to new assets placed into service, as well as higher supply volumes at the Redwater Complex. In Marketing & New Ventures, higher margins on NGL and crude sales, combined with higher marketed NGL volumes, were offset by losses on commodity-related derivative financial instruments. In Pipelines, higher interruptible volumes were offset by the impact of lower U.S. dollar exchange rates and lower share of profit from Ruby. Net finance costs decreased during the first six months of 2021 due to foreign exchange gains compared to foreign exchange losses recognized during the first six months of 2020, as a result of hedge accounting adopted in the second quarter of 2020, combined with lower unrealized losses on U.S. dollar instruments and non-commodity related derivative financial instruments. General & administrative and other expenses increased due to higher long-term incentive costs, lower income received from the CEWS program, and higher transformation and restructuring related costs. Income tax expense decreased largely as a result of lower taxable income, combined with the reduction of the Alberta corporate tax rate from 10 to 8 percent which became effective in July 2020.

Changes in Results for the Six Months Ended June 30		
Infrastructure and other services revenue	▲	$29 million increase in revenue due to assets placed into service in Facilities and higher interruptible volumes and cost recoveries in Pipelines, combined with higher supply volumes and operating expense recoveries at the Redwater Complex, partially offset by fully recovered capital fees at the Edmonton South Rail Terminal and the impact of lower U.S. dollar exchange rates.
Product sales revenue	▲	$1.0 billion increase ($203 million increase net of cost of goods sold), largely due to higher NGL and crude oil market prices, resulting in higher margins, combined with higher marketed NGL volumes as Pembina monetized a portion of its previously built up storage positions.
Cost of goods sold	▼	$808 million increase, largely due to higher NGL and crude oil market prices, combined with higher marketed NGL volumes as Pembina monetized a portion of previously built up storage positions.
Operating expenses	▼	$35 million increase, largely due to operating expenses associated with the additional assets being placed into service in Facilities, combined with a $40 million increase in power costs, of which $34 million were recovered in revenue, as a result of the higher power pool price during the first six months of 2021.
Depreciation and amortization included in operations	▼	$17 million increase, primarily due to additional assets being placed into service during the first six months of 2021.
Share of profit from equity accounted investees	▼	$27 million decrease, largely due to a lower contribution from Ruby, combined with the impact of lower U.S. dollar exchange rates, partially offset by higher NGL margins and a wider AECO-Chicago natural gas price differential at Aux Sable.
Realized loss (gain) on commodity-related derivatives	▼	$174 million negative variance, due to higher NGL and crude oil market prices during the period, which also drove higher margins on NGL and crude sales, resulting in a realized loss on NGL- and crude oil-based derivative instruments for the period, compared to realized gains recognized during the first six months of 2020. Pembina utilizes derivative instruments to stabilize the results of its marketing business.
Unrealized loss (gain) on commodity-related derivatives	▼	$12 million negative variance, primarily due to the recovery in the forward prices for NGL and crude oil during the first six months of 2021, partially offset by contracts maturing in the period and the increase in the the AECO price during the period resulting in gains for certain gas processing fees tied to AECO prices.
General & administrative	▼	$46 million increase largely due to higher long-term incentives driven by Pembina's increasing share price in the first six months of 2021, partially offset by a reduction in salaries and wages.
Other expense	▼	$32 million increase in part due to lower income associated with CEWS and transformation and restructuring related costs during the first six months of 2021.
Net finance costs	▲	$80 million decrease, primarily driven by foreign exchange gains in the period compared to foreign exchange losses in the first six months of 2020 as a result of hedge accounting adopted in the second quarter of 2020, combined with lower unrealized losses on U.S. dollar instruments and non-commodity related derivative financial instruments, partially offset by higher interest expense associated with higher average debt levels.
Current tax expense	▲	$29 million decrease, primarily due to lower taxable income in the first six months of 2021, combined with the reduction of the Alberta corporate tax rate from 10 to 8 percent effective July 2020.
Deferred tax expense	▲	$14 million decrease, largely due to the release of final U.S. tax regulations in 2020, combined with the recovery on the impairment expense.
Cash flow from operating activities	▼	$12 million decrease, primarily driven by a $24 million increase in net interest paid, combined with a $23 million decrease in payments collected through contract liabilities, and a $12 million decrease in distributions from equity accounted investees, partially offset by the increase in operating results after adjusting for non-cash items.
Adjusted cash flow from operating activities[(1)]	▼	$42 million decrease, largely due to the same factors impacting cash flow from operating activities, discussed above, combined with $45 million higher accrued share-based payments, partially offset by $29 million lower current tax expense.
Adjusted EBITDA[(1)]	●	Consistent with the prior period. Higher margins on NGL and crude oil sales, combined with new assets placed into service in Facilities and higher interruptible volumes on the Peace Pipeline system, were largely offset by an increase in realized loss on commodity-related derivatives, higher general and administrative expenses, discussed above, lower revenue at the Edmonton South Rail Terminal and the impact of lower U.S. dollar exchange rates. Included in adjusted EBITDA is $358 million (2020: $347 million) related to equity accounted investees.
Total volumes *(mboe/d)*[(2)]	▲	23 mboe/d increase, largely driven by higher interruptible volumes in Pipelines due to increased upstream activities and higher seasonal volumes on the Alliance Pipeline, combined with higher supply volumes at the Redwater Complex, partially offset by lower interruptible volumes on the Drayton Valley Pipeline. Revenue volumes include 328 mboe/d (2020: 311 mboe/d) related to equity accounted investees.

▲ Increase; ▼ Decrease; or ● No impact; to earnings, adjusted EBITDA, cash flow from operations, adjusted cash flow from operating activities or total volumes.

(1) Refer to the "Non-GAAP Measures" section.
(2) Total revenue volumes. See the "Abbreviations" section for definition. Marketed NGL volumes are excluded from volumes to avoid double counting. Refer to the "Marketing & New Ventures" section for further information.
(3) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.
(4) Marketing & New Ventures results ex. hedging activities includes gross profit for Marketing & New Ventures less realized and unrealized losses on commodity related derivative financial instruments.
(5) Other includes other expenses, impairments and corporate.

3. SEGMENT RESULTS

Business Overview

The Pipelines Division provides customers with pipeline transportation, terminalling, storage and rail services in key market hubs in Canada and the United States for crude oil, condensate, natural gas liquids and natural gas. The division includes pipeline transportation capacity of approximately 3.1 mmboe/d[(1)] and above ground storage capacity of approximately 11 mmbbls[(1)] within its conventional, oil sands and heavy oil, and transmission assets. The conventional assets include strategically located pipelines and terminalling hubs that gather and transport light and medium crude oils, condensate and natural gas liquids from western Alberta and northeast British Columbia to the Edmonton, Alberta area for further processing or transportation on downstream pipelines. The oil sands and heavy oil assets transport heavy and synthetic crude oil produced within Alberta to the Edmonton area and offer associated storage, terminalling and rail services. The transmission assets transport natural gas, ethane and condensate throughout Canada and the United States on long haul pipelines linking various key market hubs. In addition, the Pipelines Division assets provide linkages between Pembina's upstream and downstream assets across North America, enabling integrated customer service offerings. Together, these assets supply product from hydrocarbon producing regions to refineries, fractionators and market hubs in Alberta, British Columbia, Illinois and California, as well as other regions throughout North America.

The Facilities Division includes infrastructure that provides Pembina's customers with natural gas, condensate and NGL services. Pembina's natural gas gathering and processing assets are strategically positioned in active, liquids-rich areas of the WCSB and Williston Basin and are integrated with the Company's other businesses. Pembina provides sweet and sour gas gathering, compression, condensate stabilization, and both shallow cut and deep cut gas processing services with a total capacity of approximately 6.1 bcf/d[(2)] for its customers. Condensate and NGL extracted at virtually all Canadian-based facilities have access to transportation on Pembina's pipelines. In addition, all NGL transported along the Alliance Pipeline are extracted through the Pembina-operated Channahon Facility at the terminus. The Facilities Division includes approximately 354 mbpd[(2)] of NGL fractionation capacity, 21 mmbbls[(1)] of cavern storage capacity, associated pipeline and rail terminalling facilities, and a liquefied propane export facility on Canada's West Coast. These facilities are fully integrated with the Company's other divisions, providing customers with the ability to access a comprehensive suite of services to enhance the value of their hydrocarbons. In addition, Pembina owns a bulk marine export terminal in Vancouver, British Columbia.

The Marketing & New Ventures Division strives to maximize the value of hydrocarbon liquids and natural gas originating in the basins where the Company operates. Pembina seeks to further enhance existing markets and create new markets, to support both the Company's and its customers' overall business interests. In particular, Pembina seeks to identify opportunities to connect hydrocarbon production to new demand locations through the development of infrastructure. Pembina strives to increase producer netbacks and product demand to improve the overall competitiveness of the basins where the Company operates. Within the Marketing & New Ventures Division, Pembina undertakes value-added commodity marketing activities including buying and selling products (natural gas, ethane, propane, butane, condensate and crude oil), commodity arbitrage, and optimizing storage opportunities. The marketing business enters into contracts for capacity on both Pembina's and third-party infrastructure, handles proprietary and customer volumes and aggregates production for onward sale.

(1) Net capacity; excludes projects under development.
(2) Net capacity. Includes Aux Sable capacity. The financial and operational results for Aux Sable are included in the Marketing & New Ventures Division; excludes projects under development.

Financial and Operational Overview by Division

	3 Months Ended June 30						6 Months Ended June 30					
	2021			2020			**2021**			2020		
($ millions, except where noted)	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit[4]	Adjusted EBITDA[2]	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit[4]	Adjusted EBITDA[2]
Pipelines	**2,627**	**341**	**522**	2,555	379	540	**2,607**	**700**	**1,051**	2,592	778	1,090
Facilities	**873**	**198**	**270**	872	165	250	**884**	**395**	**539**	876	341	506
Marketing & New Ventures[3]	**—**	**12**	**38**	—	(85)	29	**—**	**85**	**128**	—	72	84
Corporate	**—**	**(1)**	**(52)**	—	1	(30)	**—**	**—**	**(105)**	—	2	(61)
Total	**3,500**	**550**	**778**	3,427	460	789	**3,491**	**1,180**	**1,613**	3,468	1,193	1,619

(1) Volumes for Pipelines and Facilities are revenue volumes, which are physical volumes plus volumes recognized from take-or-pay commitments. Volumes are stated in mboe/d, with natural gas volumes converted to mboe/d from MMcf/d at a 6:1 ratio.
(2) Refer to the "Non-GAAP Measures" section.
(3) Marketed NGL volumes are excluded from volumes to avoid double counting. Refer to the "Marketing & New Ventures" section for further information.
(4) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

Pipelines

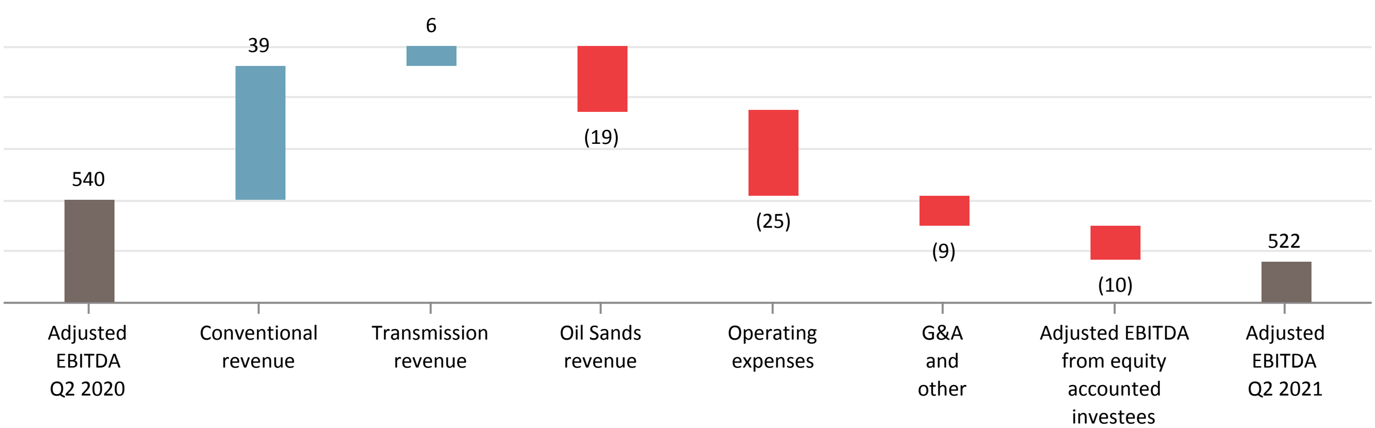
Financial Overview for the Three Months Ended June 30

Results of Operations

($ millions, except where noted)	**2021**	2020[4]	Change	% Change
Conventional revenue[1]	**342**	303	39	13
Transmission revenue[1]	**110**	104	6	6
Oil Sands revenue[1]	**102**	121	(19)	(16)
Pipelines revenue[1]	**554**	528	26	5
Operating expenses[1]	**132**	107	25	23
Share of profit from equity accounted investees	**27**	58	(31)	(53)
Depreciation and amortization included in operations	**108**	100	8	8
Gross profit	**341**	379	(38)	(10)
Adjusted EBITDA[2]	**522**	540	(18)	(3)
Volumes *(mboe/d)*[3]	**2,627**	2,555	72	3
Distributions from equity accounted investees	**60**	87	(27)	(31)

Change in Results		
Conventional revenue[1]	▲	Increase largely due to higher interruptible volumes on the Peace Pipeline system as higher crude oil and NGL market prices have resulted in increased upstream activities, combined with higher recoverable costs.
Transmission revenue[1]	●	Consistent with the prior period. Increased interruptible volumes on the Cochin Pipeline, were offset by lower interruptible volumes on the Vantage Pipeline as market conditions exist for end users to source their supply from the Redwater Complex, combined with the impact of lower U.S. dollar exchange rates.
Oil Sands revenue[1]	▼	Decrease largely due to a $11 million adjustment associated with the Edmonton South Rail Terminal during the second quarter of 2020 as Pembina continued to finalize the identification of lessor leases acquired as part of the Kinder Acquisition, combined with lower capital recoveries.
Operating expenses[1]	▼	Increase largely due to a $17 million increase in power costs, of which $9 million was recovered in revenue, as a result of the higher power pool price during the second quarter of 2021, combined with increased integrity spending.
Share of profit from equity accounted investees	▼	Decrease largely due to lower contribution from Ruby as the owners have agreed to defer distributions for the second quarter of 2021, combined with the impact of lower U.S. dollar exchange rates.
Distributions from equity accounted investees	▼	$60 million (2020: $57 million) from Alliance and no distributions (2020: $30 million) from Ruby. The reduction in distributions from Ruby is due to the same factors impacting share of profit from equity accounted investees discussed above.
Volumes *(mboe/d)*[3]	▲	Increase largely driven by higher interruptible volumes, discussed above, and higher seasonal volumes on the Alliance Pipeline, partially offset by lower volumes on the Ruby Pipeline due to contract expirations. Revenue volumes include 136 mboe/d (2020: 126 mboe/d) related to Alliance and 99 mboe/d (2020: 116 mboe/d) related to Ruby.
Adjusted EBITDA[2]	▼	Decrease largely due to lower revenue at the Edmonton South Rail Terminal, discussed above, combined with the impact of lower U.S. dollar exchange rates and increased operating expenses due to higher integrity spending and higher power costs not recoverable in revenue, partially offset by higher interruptible volumes on the Peace Pipeline system. Included in adjusted EBITDA is $65 million (2020: $69 million) related to Alliance and $40 million (2020: $49 million) related to Ruby.

Change in Adjusted EBITDA *($ millions)*[2]



(1) Includes inter-segment transactions. See Note 11 of the Interim Financial Statements.
(2) Refer to the "Non-GAAP Measures" section.
(3) Revenue volumes. See the "Abbreviations" section for definition.
(4) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

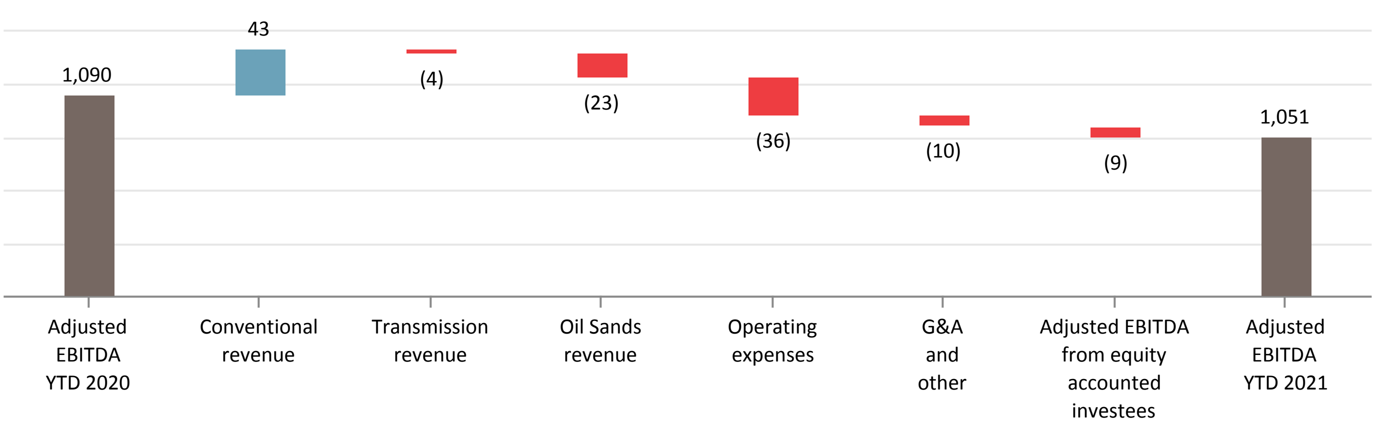
Financial Overview for the Six Months Ended June 30

Results of Operations

($ millions, except where noted)	**2021**	2020[4]	Change	% Change
Conventional revenue[1]	**671**	628	43	7
Transmission revenue[1]	**218**	222	(4)	(2)
Oil Sands revenue[1]	**218**	241	(23)	(10)
Total revenue[1]	**1,107**	1,091	16	1
Operating expenses[1]	**269**	233	36	15
Share of profit from equity accounted investees	**74**	117	(43)	(37)
Depreciation and amortization included in operations	**212**	197	15	8
Gross profit	**700**	778	(78)	(10)
Adjusted EBITDA[2]	**1,051**	1,090	(39)	(4)
Volumes *(mboe/d)*[3]	**2,607**	2,592	15	1
Distributions from equity accounted investees	**128**	175	(47)	(27)

Change in Results		
Conventional revenue[1]	▲	Increase largely due to higher interruptible volumes on the Peace Pipeline system as higher crude and NGL market prices have resulted in increased upstream activities during the first six months of 2021, combined with higher recoverable costs, partially offset by lower interruptible volumes on the Drayton Valley Pipeline.
Transmission revenue[1]	●	Consistent with the prior period, as lower interruptible volumes on the Vantage Pipeline due to market conditions existing for end users to source their supply from the Redwater Complex, combined with the impact of lower U.S. dollar exchange rates, were largely offset by higher interruptible volumes on the Cochin Pipeline.
Oil Sands revenue[1]	▼	Decrease largely due to fully recovered capital fees at the Edmonton South Rail Terminal, combined with uncontracted capacity at Alberta Crude Terminal in 2021.
Operating expenses[1]	▼	Increase largely due to a $20 million increase in power costs, of which $14 million was recovered in revenue, as a result of the higher power pool price during 2021, combined with increased integrity spending.
Share of profit from equity accounted investees	▼	Decrease largely due to lower contribution from Ruby as the owners agreed to defer distributions for the second quarter of 2021, combined with the impact of lower U.S. dollar exchange rates, partially offset by an increased share of profit from Alliance due to higher seasonal volumes.
Distributions from equity accounted investees	▼	$115 million (2020: $113 million) from Alliance and $13 million (2020: $62 million) from Ruby. The reduction in distributions from Ruby is due to the same factors impacting share of profit from equity accounted investees discussed above.
Volumes *(mboe/d)*[3]	▲	Increase largely driven by higher interruptible volumes, discussed above, and higher seasonal volumes on the Alliance Pipeline, partially offset by lower interruptible volumes on the Drayton Valley Pipeline. Revenue volumes include 142 mboe/d (2020: 127 mboe/d) related to Alliance and 102 mboe/d (2020: 101 mboe/d) related to Ruby.
Adjusted EBITDA[2]	▼	Decrease primarily due to the impact of lower U.S. dollar exchange rates, lower oil sands revenue and lower contribution from Ruby, discussed above, combined with lower interruptible volumes on the Vantage Pipeline, and increased operating expenses due to higher integrity spending and higher power costs not recoverable in revenue, partially offset by higher interruptible volumes on the Peace Pipeline system. Included in adjusted EBITDA is $140 million (2020: $140 million) related to Alliance and $87 million (2020: $98 million) related to Ruby.

Change in Adjusted EBITDA *($ millions)*[2]



(1) Includes inter-segment transactions. See Note 11 of the Interim Financial Statements.
(2) Refer to the "Non-GAAP Measures" section.
(3) Revenue volumes. See the "Abbreviations" section for definition.
(4) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

Financial and Operational Overview

	3 Months Ended June 30						6 Months Ended June 30					
	2021			2020			**2021**			2020		
($ millions, except where noted)	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit[3]	Adjusted EBITDA[2]	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit[3]	Adjusted EBITDA[2]
Pipelines												
Conventional	**892**	**222**	**269**	834	210	249	**877**	**433**	**521**	868	426	507
Transmission	**685**	**78**	**185**	668	108	198	**680**	**177**	**388**	668	233	413
Oil Sands	**1,050**	**41**	**68**	1,053	61	93	**1,050**	**90**	**142**	1,056	119	170
Total	**2,627**	**341**	**522**	2,555	379	540	**2,607**	**700**	**1,051**	2,592	778	1,090

(1) Revenue volumes in mboe/d. See the "Abbreviations" section for definition.
(2) Refer to the "Non-GAAP Measures" section.
(3) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

Projects & New Developments[1]

Pipelines continues to focus on the execution of various system expansions. The projects in the following table were recently placed into service.

Significant Projects	**In-service Date**
NEBC Montney Infrastructure	February 2021
Phase VI Expansion	June 2020
Wapiti Condensate Lateral	March 2020

During the second quarter of 2021, Pembina reactivated Phase IX Peace Pipeline Expansion, which will add capacity in the northwest Alberta-to-Gordondale, Alberta corridor to accommodate increased activity in the northeast British Columbia Montney play. The project has a revised estimated cost of approximately $120 million, which reflects the addition of a Wapiti-to-Kakwa corridor pump station offset by cost savings identified through value engineering.

In support of Phase IX Peace Pipeline Expansion and the potential reactivation of Phase VIII Peace Pipeline Expansion ("Phase VIII"), Pembina has entered into an exclusivity agreement with, and concurrently provided an irrevocable offer for, midstream services to a premiere NEBC Montney producer. The exclusivity agreement provides a bridge to negotiation of definitive agreements for transportation and fractionation ("T&F") of a material volume of liquids and NGL mix from certain NEBC Montney lands. Pembina and the producer will work together over the next few months to develop and execute definitive agreements by the end of 2021. All new firm T&F services provided under the proposed arrangement would be supported by long-term, take-or-pay agreements.

The following outlines the projects and new developments within Pipelines:

Phase VII Peace Pipeline Expansion		
Capital Budget: $775 million	**In-service Date:** First half of 2023	**Status:** On time, trending on budget
This expansion includes a new 20-inch, approximately 220 km pipeline and two new pump stations or terminal upgrades. Phase VII will add approximately 160 mbpd of incremental capacity upstream of Fox Creek, accessing capacity available on the mainlines downstream of Fox Creek. All major procurement activities were completed by end of the second quarter. Construction is underway and progressing according to schedule.		

Phase IX Peace Pipeline Expansion		
Capital Budget: $120 million	**In-service Date:** Second half of 2022	**Status:** On time, trending on budget
This expansion will include new 6-inch and 16-inch pipelines debottlenecking the corridor north of Gordondale, Alberta as well as upgrades at one pump station. In addition, this expansion will see existing pipelines, which are currently batching, converted to single product lines. Phase IX also includes a pump station in the Wapiti-to-Kakwa corridor that is partially complete and was previously part of the Phase VII project scope.		

The previously announced Phase VIII Peace Pipeline Expansion remains deferred. Initial contracts supporting the project remain intact and customers continue to signal plans which will necessitate the incremental capacity. Prior to deferral, Phase VIII had an associated capital cost of approximately $500 million but Pembina expects this level of investment to decrease given cost and scope improvements. Value engineering work is ongoing, and Pembina continues to evaluate this project in discussions with its producing customers with a reactivation decision expected in the fourth quarter of 2021.

Phase VIII Peace Pipeline Expansion	**Status: Deferred**
This expansion will include 10-inch and 16-inch pipelines in the Gordondale to La Glace corridor as well as six new pump stations or terminal upgrades located between Gordondale and Fox Creek.	

(1) For further details on Pembina's significant assets, including definitions for capitalized terms used herein that are not otherwise defined, refer to Pembina's AIF for the year ended December 31, 2020 filed at www.sedar.com (filed with the U.S. Securities and Exchange Commission at www.sec.gov under Form 40-F) and on Pembina's website at www.pembina.com.

Facilities

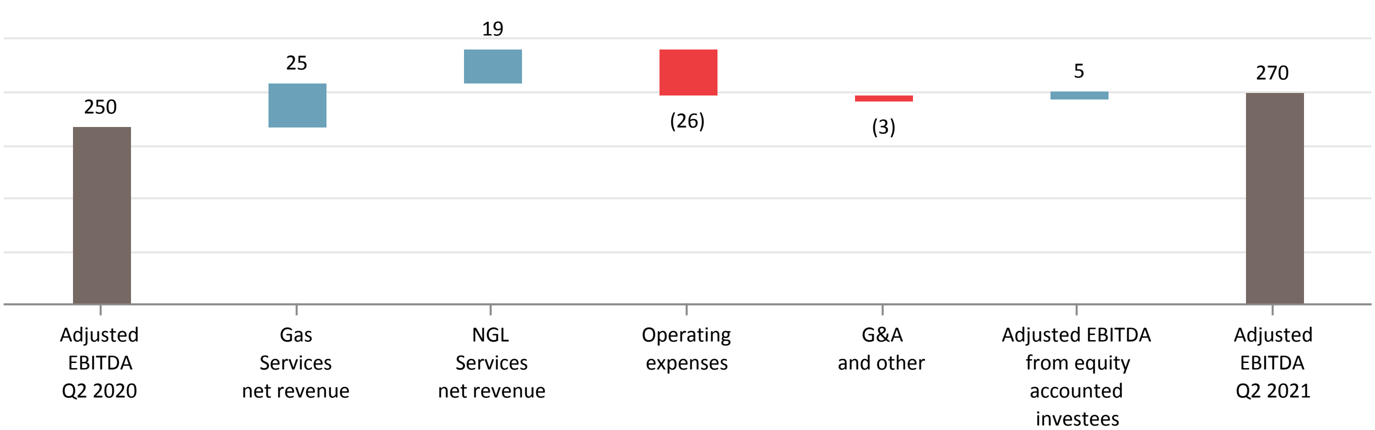
Financial Overview for the Three Months Ended June 30

Results of Operations

($ millions, except where noted)	**2021**	2020[4]	Change	% Change
Gas Services net revenue[1][2]	**161**	136	25	18
NGL Services net revenue[1][2]	**171**	152	19	13
Facilities net revenue[1][2]	**332**	288	44	15
Operating expenses[1]	**112**	86	26	30
Share of profit from equity accounted investees	**18**	14	4	29
Unrealized (gain) loss on commodity-related derivative financial instruments	**(16)**	2	(18)	(900)
Depreciation and amortization included in operations	**56**	49	7	14
Gross profit	**198**	165	33	20
Adjusted EBITDA[2]	**270**	250	20	8
Volumes *(mboe/d)*[3]	**873**	872	1	—
Distributions from equity accounted investees	**34**	27	7	26

Changes in Results		
Gas Services net revenue[1][2]	▲	Increase largely due to Empress Infrastructure and Duvernay III being placed into service in the fourth quarter of 2020 and increased operating expense recoveries as a result of higher power costs, combined with the Burstall Ethane Storage Facility being transferred from NGL Services to Gas Services in January 2021.
NGL Services net revenue[1][2]	▲	Increase primarily due to the Prince Rupert Terminal being placed into service in March 2021, higher operating expense recoveries at the Redwater Complex, partially offset by the transfer of the Burstall Ethane Storage Facility to Gas Services, discussed above.
Operating expenses[1]	▼	Increase largely due to operating expenses associated with the additional assets placed into service, discussed above, combined with higher power pool prices during the second quarter of 2021.
Share of profit from equity accounted investees	●	Consistent with the prior period.
Unrealized gain on commodity-related derivatives	▲	Certain gas processing fees are tied to AECO prices and the increase in the AECO price has resulted in an unrealized gain for the second quarter of 2021.
Distributions from equity accounted investees	●	Consistent with the prior period. $33 million (2020: $26 million) from Veresen Midstream and $1 million (2020: $1 million) from Fort Corp.
Volumes *(mboe/d)*[3]	●	Consistent with prior period. Increased revenue volumes associated with Duvernay III being placed into service in the fourth quarter of 2020 was largely offset by lower supply volumes on the East NGL System, which are now being processed by the Empress Infrastructure. Revenue volumes include 86 mboe/d (2020: 81 mboe/d) related to Veresen Midstream.
Adjusted EBITDA[2]	▲	Increase primarily due to the contribution from Empress Infrastructure, Duvernay III and the Prince Rupert Terminal, being placed into service, discussed above, combined with the contribution from the Veresen Midstream Hythe Developments going into service in March of 2021. Included in adjusted EBITDA is $50 million (2020: $45 million) related to Veresen Midstream.

Change in Adjusted EBITDA *($ millions)*[2]



(1) Includes inter-segment transactions. See Note 11 of the Interim Financial Statements.
(2) Refer to the "Non-GAAP Measures" section.
(3) Revenue volumes. See the "Abbreviations" section for definition.
(4) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

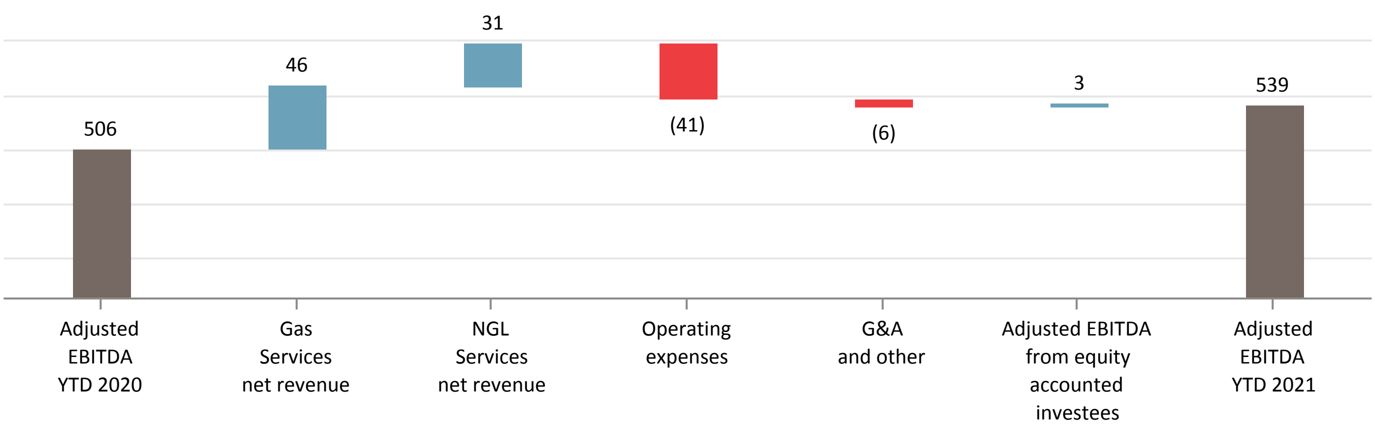
Financial Overview for the Six Months Ended June 30

Results of Operations

($ millions, except where noted)	2021	2020[4]	Change	% Change
Gas Services net revenue[1][2]	**325**	279	46	16
NGL Services net revenue[1][2]	**342**	311	31	10
Facilities net revenue[1][2]	**667**	590	77	13
Operating expenses[1]	**223**	182	41	23
Share of profit from equity accounted investees	**36**	30	6	20
Unrealized gain on commodity-related derivative financial instruments	**(17)**	(3)	(14)	467
Depreciation and amortization included in operations	**102**	100	2	2
Gross profit	**395**	341	54	16
Adjusted EBITDA[2]	**539**	506	33	7
Volumes (mboe/d)[3]	**884**	876	8	1
Distributions from equity accounted investees	**63**	51	12	24

Changes in Results		
Gas Services net revenue[1][2]	▲	Increase largely due to Empress Infrastructure and Duvernay III being placed into service in the fourth quarter of 2020 and increased operating expense recoveries as a result of higher power costs, combined with the Burstall Ethane Storage being transferred from NGL Services to Gas Services in January 2021.
NGL Services net revenue[1][2]	▲	Increase primarily due to higher supply volumes and higher operating expense recoveries at the Redwater Complex and the Prince Rupert Terminal being placed into service in March 2021, partially offset by the transfer of Burstall Ethane Storage Facility to Gas Services, discussed above.
Operating expenses[1]	▼	Increase largely due to operating expenses associated with the additional assets placed into service, discussed above, combined with higher power pool prices during the first six months of 2021.
Share of profit from equity accounted investees	●	Consistent with the prior period.
Unrealized gain on commodity-related derivatives	▲	Certain gas processing fees are tied to AECO prices and the increase in the AECO price has resulted in an unrealized gain for the first six months of 2021.
Distributions from equity accounted investees	▲	$61 million (2020: $49 million) from Veresen Midstream and $2 million (2020: $2 million) from Fort Corp. The increase in distributions is largely due to the Veresen Midstream Hythe Developments going into service in March of 2021.
Volumes *(mboe/d)*[3]	▲	Increase largely due to higher supply volumes at the Redwater Complex and higher revenue volumes associated with Duvernay III being placed into service in the fourth quarter of 2020, partially offset by lower supply volumes on the East NGL System, which are now being processed by the Empress Infrastructure. Revenue volumes include 84 mboe/d (2020: 83 mboe/d) related to Veresen Midstream.
Adjusted EBITDA[2]	▲	Increase primarily due to the contribution from the Prince Rupert Terminal, Empress Infrastructure and Duvernay III being placed into service, discussed above, combined with higher revenue at the Redwater Complex and partially offset by higher operating expenses and higher long-term incentive costs driven by Pembina's increasing share price in the first six months of 2021. Included in adjusted EBITDA is $96 million (2020: $91 million) related to Veresen Midstream.

Change in Adjusted EBITDA *($ millions)*[2]



(1) Includes inter-segment transactions. See Note 11 of the Interim Financial Statements.
(2) Refer to the "Non-GAAP Measures" section.
(3) Revenue volumes. See the "Abbreviations" section for definition.
(4) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

Financial and Operational Overview

	3 Months Ended June 30						6 Months Ended June 30					
	2021			2020			**2021**			2020		
($ millions, except where noted)	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit[3]	Adjusted EBITDA[2]	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit[3]	Adjusted EBITDA[2]
Facilities												
Gas Services	**662**	**114**	**155**	658	84	140	**669**	**213**	**308**	668	175	282
NGL Services	**211**	**84**	**115**	214	81	110	**215**	**182**	**231**	208	166	224
Total	**873**	**198**	**270**	872	165	250	**884**	**395**	**539**	876	341	506

(1) Revenue volumes in mboe/d, with natural gas volumes converted to mboe/d from MMcf/d at a 6:1 ratio. See the "Abbreviations" section for definition.
(2) Refer to the "Non-GAAP Measures" section.
(3) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

Projects & New Developments[1]

Facilities continues to build-out its natural gas and NGL processing and fractionation assets to service customer demand. The projects in the following table were recently placed into service.

Significant Projects	**In-service Date**
Vancouver Wharves Expansion	May 2021
Prince Rupert Terminal	March 2021
Duvernay III	November 2020
Empress Infrastructure	October 2020
Duvernay Sour Treatment Facilities	March 2020
***Veresen Midstream*[2]**	
Hythe Developments	March 2021

During the second quarter of 2021, Pembina placed Vancouver Wharves Expansion into service. The expansion added 200,000 barrels of additional refined product storage and enhancements to the railcar unloading capabilities. The expansion is supported by a 20-year, take-or-pay off-take agreement with an investment grade counterparty.

The following outlines the projects and new developments within Facilities:

Empress Co-generation Facility		
Capital Budget: $120 million	**In-service Date:** Fourth quarter of 2022	**Status:** Ahead of schedule, on budget
The Empress Co-generation Facility will use natural gas to generate up to 45 megawatts of electrical power, thereby reducing overall operating costs by providing power and heat to the existing Empress NGL Extraction Facility. All the power will be consumed on site, thereby supplying approximately 90 percent of the site's power requirements. Further, this project will contribute to annual greenhouse gas emission reductions at the Empress NGL Extraction Facility through the utilization of the co-generation waste heat and the low-emission power generated. Pembina anticipates a reduction of approximately 90,000 tonnes of carbon dioxide equivalent per year based on the current energy demand of the Empress NGL Extraction Facility. Construction commenced in May 2021.		

The Prince Rupert Terminal Expansion remains deferred. Engineering of the expansion is well advanced and Pembina expects to make a final investment decision in the first quarter of 2022.

Prince Rupert Terminal Expansion	**Status: Deferred**
The Prince Rupert Terminal Expansion will increase the export capacity of the Prince Rupert Terminal.	

(1) For further details on Pembina's significant assets, including definitions for capitalized terms used herein that are not otherwise defined, refer to Pembina's AIF for the year ended December 31, 2020 filed at www.sedar.com (filed with the U.S. Securities and Exchange Commission at www.sec.gov under Form 40-F) and on Pembina's website at www.pembina.com.
(2) Veresen MIdstream is an equity accounted investee, in which Pembina had a 45 percent interest in as of June 30, 2021. Results from Veresen Midstream impact share of profit from equity accounted investees and proportionally consolidated metrics. See Note 5 to the Interim Financial Statements.

Marketing & New Ventures

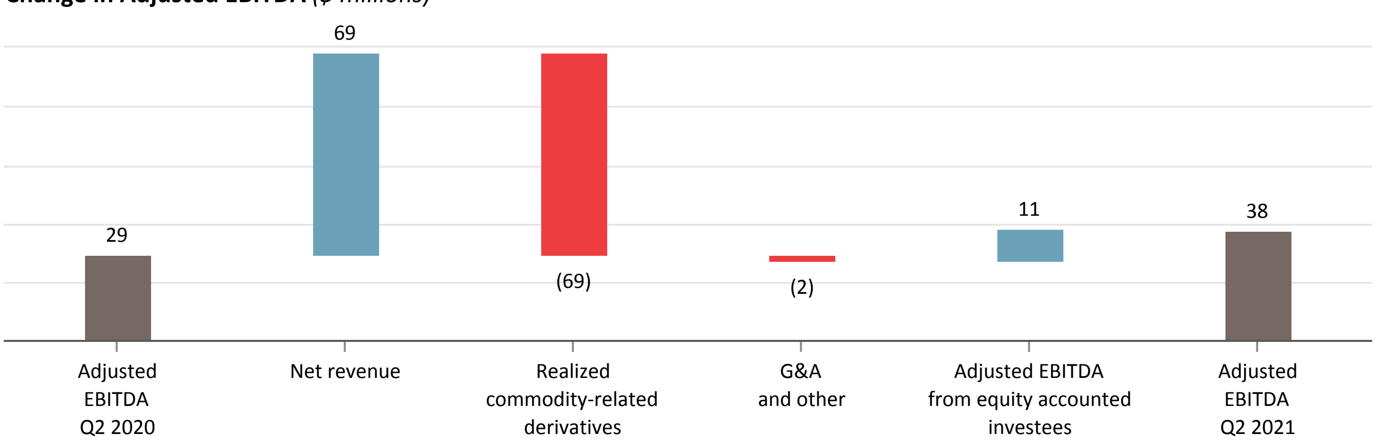
Financial Overview for the Three Months Ended June 30

Results of Operations

($ millions, except where noted)	**2021**	2020	Change	% Change
Marketing revenue[1]	**1,215**	561	654	117
Cost of goods sold[1]	**1,150**	565	585	104
Net revenue[1][2]	**65**	(4)	69	(1,725)
Share of profit from equity accounted investees	**7**	(6)	13	(217)
Realized loss (gain) on commodity-related derivative financial instruments	**33**	(36)	69	(192)
Unrealized loss on commodity-related derivative financial instruments	**15**	99	(84)	(85)
Depreciation and amortization included in operations	**12**	12	—	—
Gross profit	**12**	(85)	97	(114)
Adjusted EBITDA[2]	**38**	29	9	31
Volumes *(mboe/d)*[3]	**173**	156	17	11
Distributions from equity accounted investees	**18**	2	16	800

Change in Results		
Net revenue[1][2]	▲	Increase due to higher NGL and crude oil market prices, resulting in higher margins, combined with higher marketed NGL volumes, discussed below, partially offset by rail transportation costs to re-position propane to Corunna for sale in the fourth quarter of 2021 and first quarter of 2022, and charges related to the Prince Rupert Terminal and Empress Infrastructure. Additionally, the increase in net revenue was further offset by the timing of storage related margins, as the majority of 2020 storage margins were earned in the second quarter of 2020, compared to 2021 where storage margins are being realized evenly throughout the year.
Share of profit from equity accounted investees	▲	Increase largely due to higher revenues at Aux Sable as a result of higher NGL margins and a wider AECO-Chicago natural gas price differential.
Realized loss (gain) on commodity-related derivatives	▼	Realized loss due to higher NGL and crude oil market prices during the second quarter of 2021, which also drove higher margins on NGL and crude oil sales, resulting in a realized loss on NGL- and crude oil-based derivative instruments for the period, compared to realized gains recognized during the second quarter of 2020. Pembina utilizes derivative instruments to stabilize the results of its marketing business.
Unrealized loss on commodity-related derivatives	▲	Lower unrealized loss on commodity-related derivatives primarily due to fewer contracts maturing in the period, partially offset by the increase in the forward prices for NGL and crude oil during the second quarter of 2021.
Distributions from equity accounted investees	▲	$18 million (2020: $2 million) from Aux Sable. Increase largely due to the higher margins at Aux Sable, discussed above.
Volumes *(mboe/d)*[3]	▲	Marketed NGL volumes increased as sales have returned to pre-pandemic levels compared to the second quarter of 2020 when Pembina built up storage positions due to lower commodity prices, combined with increased volumes at Aux Sable. Revenue volumes includes 36 mboe/d (2020: 32 mboe/d) related to Aux Sable.
Adjusted EBITDA[2]	●	Consistent with the prior period. Higher margins on NGL and crude oil sales as a result of the higher NGL and crude oil prices during the second quarter of 2021 and higher marketed NGL volumes were largely offset by the timing of storage related margins in the second quarter of 2020, discussed above, and the realized loss on commodity-related derivatives due to higher NGL and crude oil market prices. Included in adjusted EBITDA is $14 million (2020: $4 million) related to Aux Sable.

Change in Adjusted EBITDA *($ millions)*[2]



(1) Includes inter-segment transactions. See Note 11 of the Interim Financial Statements.
(2) Refer to the "Non-GAAP Measures" section.
(3) Marketed NGL volumes. See the "Abbreviations" section for definition.

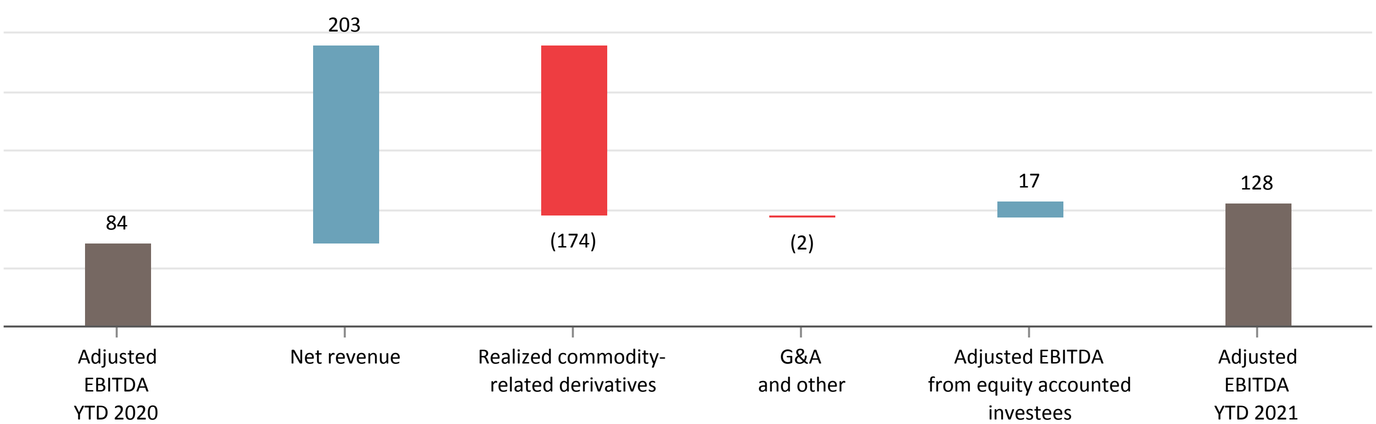
Financial Overview for the Six Months Ended June 30

Results of Operations

($ millions, except where noted)	2021	2020	Change	% Change
Marketing revenue[(1)]	**2,515**	1,484	1,031	69
Cost of goods sold[(1)]	**2,276**	1,448	828	57
Net revenue[(1)(2)]	**239**	36	203	564
Share of profit from equity accounted investees	**13**	3	10	333
Realized loss (gain) on commodity-related derivative financial instruments	**121**	(53)	174	(328)
Unrealized loss (gain) on commodity-related derivative financial instruments	**21**	(5)	26	(520)
Depreciation and amortization included in operations	**25**	25	—	—
Adjusted gross profit	**85**	72	13	18
Adjusted EBITDA[(2)]	**128**	84	44	52
Volumes (mboe/d)[(3)]	**197**	175	22	13
Distributions from equity accounted investees	**36**	13	23	177

Change in Results		
Net revenue[(1)(2)]	▲	Increase largely due to higher crude oil and NGL market prices, resulting in higher margins, combined with higher marketed NGL volumes, discussed below.
Share of profit from equity accounted investees	▲	Increase largely due to higher revenues at Aux Sable as a result of higher NGL margins and a wider AECO-Chicago natural gas price differential.
Realized loss (gain) on commodity-related derivatives	▼	Realized loss due to higher NGL and crude oil market prices during the period, which also drove higher margins on NGL and crude sales, resulting in a realized loss on NGL- and crude oil-based derivative instruments for the period, compared to realized gains recognized during the first six months of 2020. Pembina utilizes derivative instruments to stabilize the results of its marketing business.
Unrealized loss (gain) on commodity-related derivatives	▼	Unrealized loss on commodity-related derivatives primarily due to the recovery in the forward prices for NGL and crude oil during the first six months of 2021, partially offset by contracts maturing in the period.
Distributions from equity accounted investees	▲	$36 million (2020: $13 million) from Aux Sable. Increase largely due to the higher margins at Aux Sable, discussed above.
Volumes *(mboe/d)*[(3)]	▲	Marketed NGL volumes increased as Pembina monetized storage positions during the first six months of 2021, that were built up during the second and third quarters of 2020, when commodity prices were lower. Revenue volumes includes 36 mboe/d (2020: 37 mboe/d) related to Aux Sable.
Adjusted EBITDA[(2)]	▲	Increase largely due to higher margins on NGL and crude oil sales as a result of the higher NGL and crude oil prices during the first six months of 2021 and higher marketed NGL volumes, combined with a higher contribution from Aux Sable due to higher NGL margins and the wider AECO-Chicago natural gas price differential, partially offset by the realized loss on commodity-related derivatives due to higher NGL market prices. Included in adjusted EBITDA is $26 million (2020: $13 million) related to Aux Sable.

Change in Adjusted EBITDA *($ millions)*[(2)]



(1) Includes inter-segment transactions. See Note 11 of the Interim Financial Statements.
(2) Refer to the "Non-GAAP Measures" section.
(3) Marketed NGL volumes. See the "Abbreviations" section for definition.

Financial and Operational Overview

	3 Months Ended June 30						6 Months Ended June 30					
	2021			2020			**2021**			2020		
($ millions, except where noted)	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit	Adjusted EBITDA[2]	**Volumes[1]**	**Gross Profit**	**Adjusted EBITDA[2]**	Volumes[1]	Gross Profit	Adjusted EBITDA[2]
Marketing & New Ventures												
Marketing	**173**	**12**	**42**	156	(81)	30	**197**	**85**	**135**	175	71	91
New Ventures[3]	**—**	**—**	**(4)**	—	(4)	(1)	**—**	**—**	**(7)**	—	1	(7)
Total	**173**	**12**	**38**	156	(85)	29	**197**	**85**	**128**	175	72	84

(1) Marketed NGL volumes in mboe/d. See the "Abbreviations" section for definition.
(2) Refer to the "Non-GAAP Measures" section.
(3) All New Ventures projects have not yet commenced operations and therefore have no volumes.

Projects & New Developments[1]

Pembina's New Ventures group continues to advance business opportunities in petrochemicals, liquefied natural gas ("LNG") and low-carbon energy. New Ventures is focused on developing opportunities that integrate into Pembina's core businesses, while progressing projects that will extend Pembina's value-chain and benefit stakeholders. During the second quarter of 2021, Pembina announced a strategic partnership agreement with the Haisla First Nation to develop the proposed Cedar LNG Project, a floating LNG facility strategically positioned to leverage Canada's abundant natural gas supply and British Columbia's growing LNG infrastructure to produce industry-leading low-carbon, low-cost Canadian LNG for overseas markets. The Cedar LNG Project will be the largest First Nation-owned infrastructure project in Canada and will have one of the cleanest environmental profiles in the world. In addition, during the quarter Pembina and TC Energy Corporation announced their intention to jointly develop the Alberta Carbon Grid, a world-scale carbon transportation and sequestration system, which will enable Alberta-based industries to effectively manage their greenhouse gas emissions, contribute positively to Alberta's lower-carbon economy and create sustainable long-term value for Pembina and TC Energy stakeholders.

(1) For further details on Pembina's significant assets, including definitions for capitalized terms used herein that are not otherwise defined, refer to Pembina's AIF for the year ended December 31, 2020 filed at www.sedar.com (filed with the U.S. Securities and Exchange Commission at www.sec.gov under Form 40-F) and on Pembina's website at www.pembina.com.

4. LIQUIDITY & CAPITAL RESOURCES

Available Sources of Liquidity

($ millions)	**June 30, 2021**	December 31, 2020
Working capital[1]	**(500)**	(792)
Variable rate debt[2][3]		
Bank debt	**1,712**	1,534
Variable rate debt swapped to fixed	**(310)**	(318)
Total variable rate loans and borrowings outstanding (weighted average interest rate of 1.3% (2020: 1.6%))	**1,402**	1,216
Fixed rate debt[2]		
Senior unsecured medium-term notes	**9,050**	9,300
Variable rate debt swapped to fixed	**310**	318
Total fixed rate loans and borrowings outstanding (weighted average interest rate of 3.9% (2020: 3.9%))	**9,360**	9,618
Total loans and borrowings outstanding	**10,762**	10,834
Cash and unutilized debt facilities	**1,675**	2,685
Subordinated hybrid notes (weighted average interest rate of 4.8% (2020: nil))	**600**	—

(1) As at June 30, 2021, working capital included $399 million (December 31, 2020: $600 million) associated with the current portion of long-term debt.
(2) Face value.
(3) Includes U.S. $250 million variable rate debt outstanding at June 30, 2021 (December 31, 2020: $250 million).

Pembina currently anticipates its cash flow from operating activities, the majority of which is derived from fee-based contracts, will be more than sufficient to meet its operating obligations, to fund its dividend and to fund its capital investments in the short-term and long-term. Pembina expects to source funds required for debt maturities from cash, its credit facilities and by accessing the capital markets, as required. Based on its successful access to financing in the capital markets over the past several years, Pembina expects to continue to have access to additional funds as required. Refer to "Risk Factors – General Risk Factors – Additional Financing and Capital Resources" in Pembina's MD&A for the year ended December 31, 2020 and Note 27 to the Consolidated Financial Statements for more information. Management continues to monitor the situation and 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.

Management may adjust Pembina's capital structure as a result of changes in economic conditions or the risk characteristics of the underlying assets. To maintain or modify Pembina's capital structure in the future, Pembina may renegotiate debt terms, repay existing debt, seek new borrowings, issue additional equity or hybrid securities and/or repurchase common or preferred shares.

As at June 30, 2021, Pembina's credit facilities consisted of: an unsecured $2.5 billion (December 31, 2020: $2.5 billion) revolving credit facility, which includes a $750 million (December 31, 2020: $750 million) accordion feature and matures in June 2026; an unsecured $500 million (December 31, 2020: $500 million) non-revolving term loan, which matures in August 2022; an unsecured U.S. $250 million (December 31, 2020: U.S. $250 million) non-revolving term loan, which matures in May 2025; and an operating facility of $20 million (December 31, 2020: $20 million), which matures in May 2022 and is typically renewed on an annual basis (collectively, the "Credit Facilities"). There are no mandatory principal repayments due over the term of the Credit Facilities, with principal repayment not due until maturity. On March 25, 2021, Pembina cancelled its $800 million revolving credit facility, which was entered into in April 2020 to provide additional liquidity and flexibility in Pembina's capital structure given market conditions at the time. No balance was outstanding on the cancellation date. Pembina is required to meet certain specific and customary affirmative and negative financial covenants under the indenture governing its medium-term notes and the agreements governing its Credit Facilities, including a requirement to maintain certain financial ratios. See "Liquidity & Capital Resources – Covenants" below for more information. Pembina is also subject to customary restrictions on its operations and activities under the indenture governing its medium-term notes and the agreements governing its Credit Facilities, including restrictions on the granting of security, incurring indebtedness and the sale of its assets.

Financing Activity

On January 25, 2021, Pembina closed a $600 million offering of Fixed-to-Fixed Rate Subordinated Hybrid Notes (the "Series 1 Subordinated Notes"). The Series 1 Subordinated Notes have a fixed 4.80 percent interest rate, payable semi-annually, which resets on January 25, 2031, and on every fifth anniversary thereafter, based on the five-year Government of Canada yield plus: (i) 4.17 percent for the period from, and including, January 25, 2031 to, but excluding January 25, 2051; and (ii) 4.92 percent for the period from, and including, January 25, 2051 to, but excluding January 25, 2081. Pembina used the net proceeds of the offering of the Series 1 Subordinated Notes to fund the redemption of its outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 11, its outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 13, to repay outstanding debt, as well as for general corporate purposes.

On April 30, 2021, Pembina completed an extension on its $2.5 billion revolving credit facility, which now matures on June 1, 2026.

Covenants

Pembina's financial covenants under the note indenture governing its medium-term notes and the agreements governing the Credit Facilities include the following:

Debt Instrument	Financial Covenant[1]	Ratio	Ratio as at June 30, 2021
Senior unsecured medium-term notes	Funded Debt to Capitalization	Maximum 0.70	0.42
Credit Facilities	Debt to Capital	Maximum 0.70	0.43

(1) Terms as defined in relevant agreements.

Pembina was in compliance with all covenants under the note indenture governing its medium-term notes and the agreements governing its Credit Facilities as at June 30, 2021 (December 31, 2020: in compliance).

Credit Risk

Pembina continues to actively monitor and reassess the creditworthiness of its counterparties. While the global economic slowdown has eased, the outlook for the global economic recovery remains uncertain and the potential for volatility in demand for crude oil and other commodities as a result of the ongoing COVID-19 pandemic could increase Pembina's counterparty risk, as uncertainty and the potential for volatility in the demand for crude oil could negatively impact the financial position of Pembina's customers and related parties and their access to credit, capital markets and other sources of liquidity. The majority of Pembina's credit exposure is to investment grade or split-investment grade counterparties. Pembina assesses all counterparties during the on-boarding process and actively monitors credit limits and exposure across the business. Financial assurances to mitigate and reduce risk may include guarantees, letters of credit and cash. Letters of credit totaling $104 million (December 31, 2020: $130 million) were held as at June 30, 2021, primarily in respect of customer trade receivables.

Credit Ratings

The following information with respect to Pembina's credit ratings is provided as such information relates to Pembina's financing costs and liquidity. Specifically, credit ratings affect Pembina's ability to obtain short-term and long-term financing and the cost of such financing. A reduction in the current ratings on Pembina's debt by its rating agencies, particularly a downgrade below investment-grade ratings, could adversely affect Pembina's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings and the associated costs may affect Pembina's ability to enter into normal course derivative or hedging transactions. Credit ratings are intended to provide investors with an independent measure of credit quality of any issues of securities. The credit ratings assigned by the rating agencies are not recommendations to purchase, hold or sell the securities, nor do the credit ratings comment on the market price or suitability for a particular investor. Any credit rating may not remain in effect for a given period of time or may be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

On April 28, 2021, DBRS Limited ("DBRS") upgraded its ratings for Pembina's senior unsecured medium-term notes to 'BBB (high)', to 'BBB (low)' for the Series 1 Subordinated Notes and to 'Pfd-3 (high)' for each issued series of Pembina's Class A Preferred Shares, other than the Class A Preferred Shares, Series 2021-A (the "Series 2021-A Class A Preferred Shares"), which are deliverable to the holders of the Series 1 Subordinated Notes following the occurrence of certain bankruptcy or insolvency events in respect of Pembina.

The long-term corporate credit rating assigned by S&P Global Ratings ("S&P") on Pembina is 'BBB'. S&P has also assigned a debt rating of 'BBB' to Pembina's senior unsecured medium-term notes, a debt rating of 'BB+' to the Series 1 Subordinated Notes, and a rating of 'P-3 (High)' to each issued series of Pembina's Class A Preferred Shares, other than the Series 2021-A Class A Preferred Shares. S&P affirmed Pembina's credit rating during the second quarter of 2021.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

Pembina had the following contractual obligations outstanding at June 30, 2021:

Contractual Obligations[1]	**Payments Due By Period**				
($ millions)	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**After 5 years**
Leases[2]	1,032	121	188	157	566
Long-term debt[3]	16,906	887	2,895	2,284	10,840
Construction commitments[4]	1,092	503	77	33	479
Other	549	85	128	70	266
Total contractual obligations	19,579	1,596	3,288	2,544	12,151

(1) Pembina enters into product purchase agreements and power purchase agreements to secure supply for future operations. Purchase prices of both NGL and power are dependent on current market prices. Volumes and prices for NGL and power contracts cannot be reasonably determined, and therefore, an amount has not been included in the contractual obligations schedule. Product purchase agreements range from one to 9 years and involve the purchase of NGL products from producers. Assuming product is available, Pembina has secured between 12 and 138 mbpd of NGL each year up to and including 2029. Power purchase agreements range from one to 24 years and involve the purchase of power from electrical service providers. Pembina has secured up to 80 megawatts per day each year up to and including 2045.

(2) Includes terminals, rail, office space, land and vehicle leases.

(3) Includes loans and borrowings, subordinated hybrid notes and interest payments on Pembina's senior unsecured medium-term notes and subordinated hybrid notes. Excludes deferred financing costs.

(4) Excluding significant projects that are awaiting regulatory approval, projects which Pembina is not committed to construct, and projects that are executed by equity accounted investees.

Off-Balance Sheet Arrangements

As at June 30, 2021, Pembina does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on Pembina's financial condition, results of operations, liquidity or capital investments.

Letters of Credit

Pembina has provided letters of credit to various third parties in the normal course of conducting business. The letters of credit include financial guarantees to counterparties for product purchases and sales, transportation services, utilities, engineering and construction services. The letters of credit have not had and are not expected to have a material impact on Pembina's financial position, earnings, liquidity or capital resources. As at June 30, 2021, Pembina had $129 million (December 31, 2020: $91 million) in letters of credit issued.

5. SHARE CAPITAL

Common Shares

On February 25, 2021, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a normal course issuer bid ("NCIB") that allows the Company to repurchase, at its discretion, up to approximately 27.5 million common shares through the facilities of the TSX, the New York Stock Exchange and/or alternative Canadian trading systems or as otherwise permitted by applicable securities law, subject to certain restrictions on the number of common shares that may be purchased on a single day. Common shares purchased by the Company will be cancelled. The program commenced March 2, 2021 and will terminate on March 1, 2022 or on such earlier date as the Company completes its purchases pursuant to the notice of intention. No common shares were purchased by Pembina during the first six months of 2021.

Common Share Dividends

Common share dividends are payable if, as and when declared by Pembina's Board of Directors. The amount and frequency of dividends declared and payable is at the discretion of Pembina's Board of Directors, which considers earnings, cash flow, capital requirements, the financial condition of Pembina and other relevant factors when making its dividend determination.

Preferred Shares

On January 25, 2021 in conjunction with the offering of the Series 1 Subordinated Notes, Pembina issued 600,000 Series 2021-A Class A Preferred Shares, to Computershare Trust Company of Canada, to be held in trust as treasury shares to satisfy Pembina's obligations under the indenture governing the Series 1 Subordinated Notes.

On March 1, 2021, Pembina redeemed all of the 6.8 million issued and outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 11 (the "Series 11 Class A Preferred Shares") for a redemption price equal to $25.00 per Series 11 Class A Preferred Share, less taxes required to be deducted or withheld by the Company.

On June 1, 2021, Pembina redeemed all of the 10 million issued and outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 13 (the "Series 13 Class A Preferred Shares") for a redemption price equal to $25.00 per Series 13 Class A Preferred Shares, less taxes required to be deducted or withheld by the Company.

Preferred Share Dividends

Other than in respect of the Series 2021-A Class A Preferred Shares, the holders of Pembina's Class A Preferred Shares are entitled to receive fixed cumulative dividends. Dividends on the Series 1, 3, 5, 7, 9 and 21 Class A Preferred Shares are payable quarterly on the first day of March, June, September and December, if, as and when declared by the Board of Directors of Pembina. Dividends on the Series 15, 17 and 19 Class A Preferred Shares are payable on the last day of March, June, September and December in each year, if, as and when declared by the Board of Directors of Pembina. Dividends on the Series 23 and 25 Class A Preferred Shares are payable on the 15th day of February, May, August and November in each year, if, as and when declared by the Board of Directors of Pembina.

Dividends are not payable on the Series 2021-A Class A Preferred Shares, nor shall any dividends accumulate or accrue, prior to delivery to the holders of the Series 1 Subordinated Notes following the occurrence of certain bankruptcy or insolvency events in respect of Pembina. Thereafter, dividends on the Series 2021-A Class A Preferred Shares are payable on the 25th day of January and July in each year, if, as and when declared by the Board of Directors.

Outstanding Share Data

Issued and outstanding *(thousands)*[1]	**July 30, 2021**
Common shares	**550,057**
Stock options	**23,601**
Stock options exercisable	**12,803**
Series 1 Class A Preferred shares	**10,000**
Series 3 Class A Preferred Shares	**6,000**
Series 5 Class A Preferred Shares	**10,000**
Series 7 Class A Preferred Shares	**10,000**
Series 9 Class A Preferred Shares	**9,000**
Series 15 Class A Preferred Shares	**8,000**
Series 17 Class A Preferred Shares	**6,000**
Series 19 Class A Preferred Shares	**8,000**
Series 21 Class A Preferred Shares	**16,000**
Series 23 Class A Preferred Shares	**12,000**
Series 25 Class A Preferred Shares	**10,000**

(1) Pembina issued 600,000 Series 2021-A Class A Preferred shares to the Computershare Trust Company of Canada, to be held in trust to satisfy its obligations under the indenture governing the Series 1 Subordinated Notes, in connection with the issuance of the Series 1 Subordinated Notes.

6. CAPITAL INVESTMENTS

Capital Invested

	3 Months Ended June 30		**6 Months Ended June 30**	
($ millions)	**2021**	2020	**2021**	2020
Pipelines	**95**	129	**178**	457
Facilities	**36**	62	**76**	198
Marketing & New Ventures	**10**	10	**12**	25
Corporate and other projects	**5**	10	**7**	14
Total capital invested[1][2]	**146**	211	**273**	694

(1) Includes $17 million for the three months ended June 30, 2021 (2020: $24 million) related to non-recoverable sustainment activities.
(2) Includes $30 million for the six months ended June 30, 2021 (2020: $47 million) related to non-recoverable sustainment activities.

In both 2021 and 2020, Pipeline capital investments continued to be primarily related to Pembina's Peace Pipeline system expansion projects with increased spending on the NEBC Town Terminal Project in the current year. In 2021, Facilities capital investments were largely related to continued expansion at Empress, the Prince Rupert Terminal and Vancouver Wharves. In 2020, Facilities capital investments included construction on Duvernay III, Empress Expansion and the Prince Rupert Terminal. Marketing & New Ventures had 2021 capital investments primarily related to offshore LNG projects and the Jordan Cove LNG project in 2020.

Contributions to Equity Accounted Investees

	3 Months Ended June 30		**6 Months Ended June 30**	
($ millions)	**2021**	2020	**2021**	2020
Aux Sable	**—**	2	**1**	3
Veresen Midstream	**—**	—	**11**	41
CKPC	**—**	—	**—**	152
Total	**—**	2	**12**	196

Contributions made to Veresen Midstream during both 2021 and 2020 were largely related to the construction of the Hythe Developments. See the "Projects & New Developments" for Facilities for further details on the Hythe Developments.

There were no contributions made to CKPC during 2021, following the indefinite suspension of the PDH/PP Facility announced in the fourth quarter of 2020.

7. SELECTED QUARTERLY INFORMATION

Selected Quarterly Operating Information

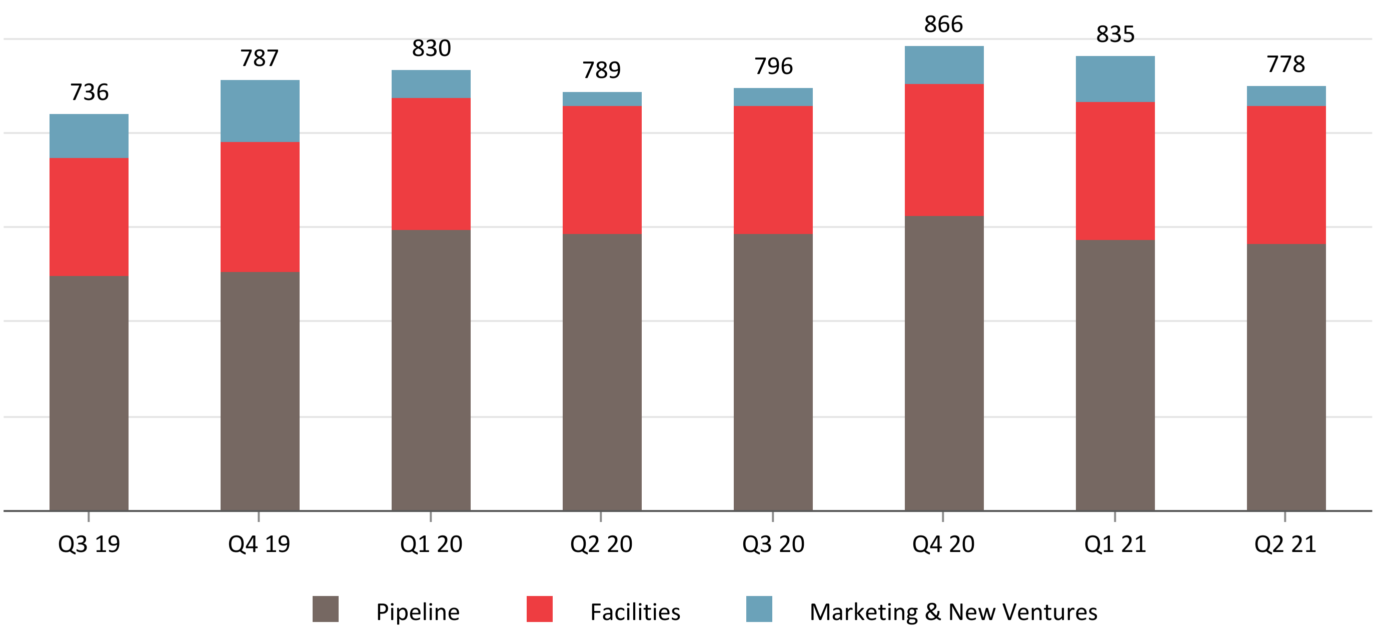
(mboe/d)	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Volumes(1)(2)								
Pipelines								
Conventional Pipelines	**892**	862	993	863	834	902	958	908
Transmission Pipelines	**685**	674	684	661	668	668	646	594
Oil Sands Pipelines	**1,050**	1,051	1,053	1,056	1,053	1,059	1,063	1,068
Facilities								
Gas Services	**662**	677	673	657	658	678	690	672
NGL Services	**211**	218	211	214	214	201	220	194
Total	**3,500**	3,482	3,614	3,451	3,427	3,508	3,577	3,436

(1) Revenue volumes. See the "Abbreviations" section for definition.
(2) Includes Pembina's proportionate share of volumes from equity accounted investees.

Deferred Take-or-pay Revenue

($ millions)	2021		2020				2019	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Pipelines								
Opening balance	**22**	3	42	45	22	8	17	23
Revenue deferred	**45**	42	52	66	53	40	31	27
Revenue recognized	**(35)**	(23)	(91)	(69)	(30)	(26)	(40)	(33)
Ending take-or-pay contract liability balance	**32**	22	3	42	45	22	8	17
Facilities								
Opening balance	**1**	—	—	2	1	—	—	—
Revenue deferred	**2**	1	—	1	1	1	—	—
Revenue recognized	**—**	—	—	(3)	—	—	—	—
Ending take-or-pay contract liability balance	**3**	1	—	—	2	1	—	—

Quarterly Segmented Adjusted EBITDA *($ millions)*(1)



(1) Refer to the "Non-GAAP Measures" section.

Quarterly Financial Information

($ millions, except where noted)	2021		2020[2]				2019[2]	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	**1,954**	2,045	1,694	1,569	1,268	1,671	1,754	1,700
Net revenue[1]	**894**	999	954	849	776	865	837	751
Operating expenses	**186**	182	201	178	154	179	177	151
Realized loss (gain) on commodity-related derivative financial instruments	**33**	88	6	(7)	(36)	(17)	(8)	(5)
Share of profit (loss) from equity accounted investees	**52**	71	(244)	62	66	84	89	90
Gross profit	**550**	630	247	568	460	733	605	615
Earnings (loss)	**254**	320	(1,216)	323	258	319	150	373
Earnings (loss) per common share – basic and diluted *(dollars)*	**0.39**	0.51	(2.28)	0.52	0.40	0.51	0.22	0.67
Cash flow from operating activities	**584**	456	766	434	642	410	728	535
Cash flow from operating activities per common share – basic *(dollars)*[1]	**1.06**	0.83	1.39	0.78	1.17	0.75	1.41	1.05
Adjusted cash flow from operating activities[1]	**538**	582	603	524	586	576	576	530
Adjusted cash flow from operating activities per common share – basic *(dollars)*[1]	**0.98**	1.06	1.10	0.95	1.07	1.05	1.11	1.04
Common shares outstanding *(millions)*:								
Weighted average – basic	**550**	550	550	550	550	549	518	512
Weighted average – diluted	**551**	550	550	550	550	549	519	513
End of period	**550**	550	550	550	550	550	548	512
Common share dividends declared	**347**	346	346	346	347	346	314	307
Dividends per common share	**0.63**	0.63	0.63	0.63	0.63	0.63	0.60	0.60
Preferred share dividends declared	**35**	36	38	38	37	38	34	31
Capital investments	**146**	127	161	174	211	483	429	421
Contributions to equity accounted investees	**—**	12	—	28	2	194	120	25
Distributions from equity accounted investees	**112**	115	109	111	116	123	123	142
Adjusted EBITDA[1]	**778**	835	866	796	789	830	787	736

(1) Refer to the "Non-GAAP Measures" section.
(2) Comparative 2020 and 2019 periods have been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

During the periods in the table above, Pembina's financial and operating results were impacted by the following factors and trends:

- Impairments recognized on Pembina's interests in Ruby, CKPC and the assets associated with Jordan Cove in the fourth quarter of 2020 and the partial impairment of Pembina's interest in Ruby in the fourth quarter of 2019;
- The Kinder Acquisition, which was completed on December 16, 2019;
- The COVID-19 pandemic and the resulting decrease in demand for commodities starting in the second quarter of 2020, which led to a significant decline in global energy prices and a reduction in capital spending budgets by Pembina and its customers in 2020, and the subsequent recovery in demand for commodities and global energy prices in 2021;
- Volatility in the AECO-Chicago natural gas price differential, power pool prices and foreign exchange rates impacting operating results;
- Increased production in key operating areas and resource plays within the WCSB, including the Deep Basin, Montney and Duvernay formations, prior to the onset of the COVID-19 pandemic;
- New large-scale growth projects across Pembina's business being placed into service;
- Volatility in commodity market prices impacting margins within the marketing business, partially mitigated through Pembina's risk management program;
- A decrease in the Alberta corporate tax rate from 12 to 8 percent;
- Higher net finance costs impacting earnings associated with debt related to financing acquisitions, growth projects, volatility in foreign exchange rates and volatility in Pembina's share price impacting incentive costs; and
- Increased common and preferred shares outstanding and corresponding dividends due to the Kinder Acquisition.

8. SELECTED EQUITY ACCOUNTED INVESTEE INFORMATION

Loans and Borrowings of Equity Accounted Investees

Under equity accounting, the assets and liabilities of an investment are net into a single line item in the Consolidated Statement of Financial Position, "Investments in Equity Accounted Investees". To assist readers' understanding and to evaluate the capitalization of Pembina's investments, loans and borrowings associated with investments in equity accounted investees are presented below based on Pembina's proportionate ownership in such investments, as at June 30, 2021. In addition, certain of the equity accounted investees have borrowing arrangements with an amortization structure, thereby necessitating periodic repayments of principal. These repayments occur prior to the distribution of residual cash flow to Pembina. The loans and borrowings and amortization schedules are presented below and classified by the division in which the results for the investment are reported. Please refer to the "Abbreviations" section for a summary of Pembina's investments in equity accounted investees and the division in which their results are reported.

($ millions)[1]	**June 30, 2021**	December 31, 2020
Pipelines	**854**	926
Facilities	**1,195**	1,200
Total	**2,049**	2,126

[1] Balances reflect Pembina's ownership percentage of the outstanding balance face value.

Amortization Schedule of Loans and Borrowings of Equity Accounted Investees

($ millions)[1]	**6 Months Ended June 30, 2021**	**Remainder of 2021**	**2022**	**2023**	**2024**	**2025+**
Pipelines	**80**	33	601	61	67	92
Facilities	**5**	12	36	36	1,111	—
Total	**85**	45	637	97	1,178	92

[1] Balances reflect Pembina's ownership percentage of the outstanding balance face value.

Financing Activities for Equity Accounted Investees

On April 19, 2021, Ruby fully repaid the $16 million outstanding on its term loan.

Commitments to Equity Accounted Investees

Pembina has commitments to provide contributions to certain equity accounted investees based on annual budgets approved by the joint venture partners and contractual agreements.

Credit Risk for Equity Accounted Investees

At June 30, 2021, Pembina's various equity accounted investees held letters of credit totaling $71 million (December 31, 2020: $105 million) primarily in respect of customer trade receivables.

Cedar LNG Acquisition

On June 4, 2021, Pembina acquired a 49.9 percent interest in a joint venture with the Haisla Nation to develop the Cedar LNG Project, a LNG facility located on the coast of British Columbia within the Douglas Channel on Haisla owned land. Pembina's investment of $129 million at June 30, 2021 included $76 million of accrued contingent consideration payable on achievement of certain conditions. Under the terms of the agreement, Pembina has commitments to make additional payments on a positive final investment decision as well as contributions to fund development costs and annual operating budgets.

9. OTHER

Related Party Transactions

Pembina enters into transactions with related parties in the normal course of business and on terms equivalent to those that prevail in arm's length transactions, unless otherwise noted. Pembina contracts capacity from Alliance and Veresen Midstream, its equity accounted investees, and advances funds to support operations and provides services, on a cost recovery basis, to equity accounted investees.

On January 6, 2021, Pembina advanced U.S. $8 million to Ruby Pipeline L.L.C., which was subsequently impaired.

For the three and six months ended June 30, 2021, Pembina had no other transactions with "related parties" (as defined in IAS 24 *Related Party Disclosures*) except those pertaining to contributions to Pembina's defined benefit pension plan and remuneration of key management personnel and the Board of Directors of Pembina, in the ordinary course of their employment or directorship agreements, respectively.

Risk Management

Pembina's risk management strategies, policies and limits, ensure risks and exposures are aligned to its business strategy and risk tolerance. Pembina's Board of Directors is responsible for providing risk management oversight at Pembina and oversees how management monitors compliance with Pembina's risk management policies and procedures and reviews the adequacy of this risk framework in relation to the risks faced by Pembina.

Pembina's financial risks are consistent with those discussed in Note 27 of the Consolidated Financial Statements. Pembina has exposure to counterparty credit risk, liquidity risk and market risk. As at June 30, 2021, the Company has entered into certain financial derivative contracts in order to manage commodity price, foreign exchange and interest rate risk. These instruments are not used for trading or speculative purposes. For more information on Pembina's derivative instruments, refer to Note 13 to the Interim Financial Statements.

Disclosure Controls and Procedures ("DC&P") and Internal Control over Financial Reporting ("ICFR")

Management's Report on Internal Control Over Financial Reporting

Pembina's management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting, as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*. The objective of this instrument is to improve the quality, reliability and transparency of information that is filed or submitted under Canadian securities laws.

The President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have designed, with the assistance of management, DC&P and ICFR to provide reasonable assurance that material information relating to Pembina's business is made known to them, is reported on a timely basis, that financial reporting is reliable and that financial statements prepared for external purposes are in accordance with IFRS.

Changes in Internal Control Over Financial Reporting

There were no changes in the second quarter of 2021 that had or are likely to have a material impact on Pembina's ICFR.

10. ACCOUNTING POLICIES & ESTIMATES

Changes in Accounting Policies

The accounting policies used in preparing the Interim Financial Statements are described in Note 5 of Pembina's Consolidated Financial Statements. There were no new accounting standards or amendments to existing standards adopted in the first six months of 2021 that are expected to have a material impact on Pembina's financial statements.

Voluntary change in accounting policy

As detailed in Note 3 of the Consolidated Financial Statements, as at December 31, 2020, Pembina voluntarily changed its accounting policy for the measurement of decommissioning liabilities to utilize a credit-adjusted risk-free interest rate instead of a risk-free interest rate to determine the present value of the liability at each statement of financial position date. This accounting policy change was applied retrospectively, including the restatement of certain comparative amounts in the Interim Financial Statements, as summarized below.

i. Reconciliation of the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

	3 Months Ended June 30, 2020			**6 Months Ended June 30, 2020**		
($ millions)	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Cost of sales	813	(4)	809	1,965	(8)	1,957
Share of profit from equity accounted investees	65	1	66	148	2	150
Gross profit	455	5	460	1,183	10	1,193
Net finance costs	72	(1)	71	281	(2)	279
Earnings before income tax	344	6	350	785	12	797
Deferred tax expense	24	1	25	75	2	77
Earnings attributable to shareholders	253	5	258	567	10	577
Total comprehensive income attributable to shareholders	50	5	55	843	10	853
Earnings attributable to common shareholders, net of preferred share dividends	214	5	219	489	10	499
Earnings per common share - basic and diluted	0.39	0.01	0.40	0.89	0.02	0.91

ii. Reconciliation of the Condensed Consolidated Interim Statement of Cash Flows

	3 Months Ended June 30, 2020			**6 Months Ended June 30, 2020**		
($ millions)	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Earnings	253	5	258	567	10	577
Share of profit from equity accounted investees	(65)	(1)	(66)	(148)	(2)	(150)
Adjustments for depreciation and amortization	176	(4)	172	353	(8)	345
Adjustments for net finance costs	72	(1)	71	281	(2)	279
Adjustments for income tax expense	91	1	92	218	2	220
Cash flow from operating activities	642	—	642	1,052	—	1,052

Critical Accounting Judgments & Estimates

Critical accounting judgments and estimates used in preparing the Interim Financial Statements are described in Note 2 of Pembina's Consolidated Financial Statements for the year ending December 31, 2020. The preparation of consolidated financial statements in conformity with IFRS requires management to make both judgments and estimates that could materially affect the amounts recognized in the financial statements. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment. There have been no material changes to Pembina's critical accounting estimates and judgments during the three and six months ended June 30, 2021, including to the ongoing impact of significant uncertainties created by the COVID-19 pandemic, as discussed below.

Ongoing Impact of the COVID-19 Pandemic

Following the World Health Organization declaring the COVID-19 outbreak to be a pandemic, many governments have imposed restrictions on individuals and businesses, resulting in a significant slowdown of the global economy. While there have been positive signals into the first six months of 2021 in commodity prices, demand recovery remains affected by the on-going COVID-19 pandemic. Although restrictions have been relaxed in certain jurisdictions and vaccination programs are underway, there remains significant uncertainty as to the global economic outlook and there remains the potential for volatility in the global economy as a result of the COVID-19 pandemic. Management considered these uncertainties when applying judgment to estimates and assumptions in the Interim Financial Statements.

11. RISK FACTORS

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of Pembina. With the exception of the risks noted below, there have been no material changes to the risk factors presented in Pembina's MD&A and AIF for the year ended December 31, 2020. Pembina's MD&A and AIF are available at www.sedar.com, www.sec.gov and through Pembina's website at www.pembina.com.

Ongoing Impact of the COVID-19 Pandemic

COVID-19 Related Impacts

Pembina's business and operations have been and may continue to be materially adversely affected by the COVID-19 pandemic, including ongoing uncertainty with respect to the extent and duration of the pandemic. The ongoing COVID-19 pandemic, and actions that have, and may be, taken by governmental authorities in response thereto has resulted, and may continue to result in, among other things: an overall slowdown in the global economy; a decrease in global energy demand; increased volatility in financial and commodity markets; disruptions to global supply chains; labour shortages; significant impacts to the workforce; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings of individuals, as well as shelter-in-place declarations and quarantine orders; business closures and travel bans; political and economic instability; and civil unrest. The recent spread of new variants of the COVID-19 virus in certain geographic areas, including certain areas in which Pembina has operations, and the possibility that a resurgence of the COVID-19 virus or the spread of such new or potential future variants or mutations thereof may occur in other areas, may result in the re-imposition of certain of the foregoing restrictions or further restrictions by governmental authorities in certain jurisdictions, including certain jurisdictions in which Pembina has operations. This further increases the risk and uncertainty as to the extent and duration of the COVID-19 pandemic and its ultimate impact on the global economy and other items noted above.

The risks to Pembina of the ongoing COVID-19 pandemic include, among other things: risks to the health and safety of Pembina's employees; a slowdown or temporary suspension of operations in certain geographic locations in which Pembina operates; delays in the completion, or additional deferrals, of Pembina's growth and expansion projects; and supply chain disruptions, all or any of which could materially adversely impact Pembina's business operations and financial results.

The full extent and impact of the COVID-19 pandemic continues to be unknown at this time and the degree to which it may impact Pembina's business operations and financial results will depend on future developments, which cannot be predicted with any degree of certainty, including: the duration, severity and geographic spread of the COVID-19 virus and variants and mutations thereof, including in respect of the recent spread of new variants thereof in certain geographic areas, including certain areas in which Pembina operates; further actions that may be taken by governmental authorities, including in respect of travel restrictions and business disruptions; the effectiveness and timing of actions taken to contain and treat the COVID-19 virus and variants and mutations thereof, including the vaccines developed in response thereto; and how quickly and to what extent normal economic and operating conditions will resume.

Impact on General Risks

Depending on the extent and duration of the COVID-19 pandemic, it may also have the effect of heightening many of the other risks described in Pembina's other disclosure documents, including Pembina's MD&A and AIF for the year ended December 31, 2020, such as risks relating to Pembina's exposure to commodity prices; the successful completion of Pembina's growth and expansion projects, including the expected return on investment thereof; Pembina's ability to maintain its credit ratings; restricted access to capital and increased borrowing costs; Pembina's ability to pay dividends and service obligations under its debt securities and other debt obligations; and otherwise complying with the covenants contained in the agreements that govern Pembina's existing indebtedness.

12. NON-GAAP MEASURES

Throughout this MD&A, Pembina has used financial measures that are not defined by GAAP but are used by management to evaluate the performance of Pembina and its businesses. Since non-GAAP measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies, non-GAAP measures must be clearly defined, qualified and reconciled to the most directly comparable GAAP measure. These non-GAAP measures are calculated and disclosed on a consistent basis from period to period.

The intent of the non-GAAP measures used throughout this MD&A is to provide additional useful information with respect to Pembina's financial performance to investors and analysts, though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP measures differently or use different non-GAAP measures.

Investors should be cautioned that net revenue, adjusted EBITDA, adjusted EBITDA per common share, adjusted cash flow from operating activities, cash flow from operating activities per common share, and adjusted cash flow from operating activities per common share should not be construed as alternatives to revenue, earnings, cash flow from operating activities, gross profit or other measures of financial results determined in accordance with GAAP as indicators of Pembina's performance.

Non-GAAP Proportionate Consolidation of Investments in Equity Accounted Investees Results

In accordance with IFRS, Pembina's jointly controlled investments are accounted for using equity accounting. Under equity accounting, the assets and liabilities of the investment are presented net in a single line item in the Consolidated Statement of Financial Position, "Investments in Equity Accounted Investees". Net earnings from investments in equity accounted investees are recognized in a single line item in the Consolidated Statement of Earnings and Comprehensive Income "Share of Profit from Equity Accounted Investees". Cash contributions and distributions from investments in equity accounted investees represent Pembina's share paid and received in the period to and from the investments in equity accounted investees.

To assist in understanding and evaluating the performance of these investments, Pembina is supplementing the IFRS disclosure with non-GAAP proportionate consolidation of Pembina's interest in the investments in equity accounted investees. Pembina's proportionate interest in equity accounted investees has been included in adjusted EBITDA.

Net Revenue

Net revenue is a non-GAAP financial measure which is defined as total revenue less cost of goods sold including product purchases. Management believes that net revenue provides investors with a single measure to indicate the margin on sales before non-product operating expenses that is comparable between periods. Management utilizes net revenue to compare consecutive results in Marketing & New Ventures and Facilities, to aggregate revenue generated by each of the Company's divisions and to set comparable objectives.

3 Months Ended June 30 *($ millions)*	Pipelines		Facilities		Marketing & New Ventures		Corporate & Inter-segment Eliminations		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue	**554**	528	**334**	290	**1,215**	561	**(149)**	(111)	**1,954**	1,268
Cost of goods sold, including product purchases	**—**	—	**2**	2	**1,150**	565	**(92)**	(75)	**1,060**	492
Net revenue	**554**	528	**332**	288	**65**	(4)	**(57)**	(36)	**894**	776

6 Months Ended June 30 *($ millions)*	**Pipelines**		**Facilities**		**Marketing & New Ventures**		**Corporate & Inter-segment Eliminations**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Revenue	**1,107**	1,091	**673**	594	**2,515**	1,484	**(296)**	(230)	**3,999**	2,939
Cost of goods sold, including product purchases	**—**	—	**6**	4	**2,276**	1,448	**(176)**	(154)	**2,106**	1,298
Net revenue	**1,107**	1,091	**667**	590	**239**	36	**(120)**	(76)	**1,893**	1,641

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("adjusted EBITDA")

Adjusted EBITDA is a non-GAAP measure and is calculated as earnings before net finance costs, income taxes, depreciation and amortization (included in operations and general and administrative expense) and unrealized gains or losses on commodity-related derivative financial instruments. The exclusion of unrealized gains or losses on commodity-related derivative financial instruments eliminates the non-cash impact of such gains or losses.

Adjusted EBITDA also includes adjustments to earnings for losses (gains) on disposal of assets, transaction costs incurred in respect of acquisitions, dispositions and restructuring, impairment charges or reversals in respect of goodwill, intangible assets, investments in equity accounted investees and property, plant and equipment, certain non-cash provisions and other amounts not reflective of ongoing operations. The adjustments made to earnings are also made to share of profit from investments in equity accounted investees. In addition, Pembina's proportionate share of results from investments in equity accounted investees with a preferred interest is presented in adjusted EBITDA as a 50 percent common interest. These additional adjustments are made to exclude various non-cash and other items that are not reflective of ongoing operations.

Management believes that adjusted EBITDA provides useful information to investors as it is an important indicator of an issuer's ability to generate liquidity through cash flow from operating activities and equity accounted investees. Management also believes that adjusted EBITDA provides an indicator of operating income generated from capital invested, which includes operational finance income from lessor lease arrangements. Adjusted EBITDA is also used by investors and analysts for assessing financial performance and for the purpose of valuing an issuer, including calculating financial and leverage ratios. Management utilizes adjusted EBITDA to set objectives and as a key performance indicator of the Company's success. Pembina presents adjusted EBITDA as management believes it is a measure frequently used by analysts, investors and other stakeholders in evaluating the Company's financial performance.

3 Months Ended June 30 *($ millions, except per share amounts)*	**Pipelines**		**Facilities**		**Marketing & New Ventures**		**Corporate & Inter-segment Eliminations**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Earnings before income tax[(1)]	**325**	366	**161**	155	**9**	(80)	**(167)**	(91)	**328**	350
Adjustments to share of profit from equity accounted investees and other[(1)]	**80**	59	**35**	34	**7**	9	**—**	—	**122**	102
Net finance costs[(1)]	**2**	9	**12**	5	**(5)**	(12)	**86**	69	**95**	71
Depreciation and amortization[(1)]	**108**	100	**56**	49	**12**	12	**12**	11	**188**	172
Unrealized (gain) loss on commodity-related derivative financial instruments	**—**	—	**(16)**	2	**15**	99	**—**	—	**(1)**	101
Canadian Emergency Wage Subsidy	**—**	—	**—**	—	**—**	—	**(3)**	(28)	**(3)**	(28)
Transformation and restructuring costs	**—**	3	**—**	2	**—**	1	**4**	4	**4**	10
(Gain) loss on disposal of assets	**(1)**	—	**—**	1	**—**	—	**(1)**	—	**(2)**	1
Transaction costs incurred in respect of acquisitions	**—**	—	**—**	—	**—**	—	**17**	5	**17**	5
Impairment charges and non-cash provisions	**8**	3	**22**	2	**—**	—	**—**	—	**30**	5
Adjusted EBITDA	**522**	540	**270**	250	**38**	29	**(52)**	(30)	**778**	789
Adjusted EBITDA per common share – basic *(dollars)*									**1.41**	1.44

(1) Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

6 Months Ended June 30 *($ millions, except per share amounts)*	**Pipelines**		**Facilities**		**Marketing & New Ventures**		**Corporate & Inter-segment Eliminations**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Earnings before income tax[1]	**658**	749	**348**	324	**76**	36	**(331)**	(312)	**751**	797
Adjustments to share of profit from equity accounted investees and other[1]	**156**	122	**66**	69	**13**	6	**—**	—	**235**	197
Net finance costs[1]	**15**	16	**18**	11	**(9)**	9	**175**	243	**199**	279
Depreciation and amortization[1]	**212**	197	**102**	100	**25**	25	**24**	23	**363**	345
Unrealized (gain) loss on commodity-related derivative financial instruments	**—**	—	**(17)**	(3)	**21**	(5)	**—**	—	**4**	(8)
Canadian Emergency Wage Subsidy	**—**	—	**—**	—	**—**	—	**(5)**	(28)	**(5)**	(28)
Transformation and restructuring costs	**—**	3	**—**	2	**—**	1	**15**	4	**15**	10
(Gain) loss on disposal of assets	**(2)**	—	**—**	1	**—**	—	**(1)**	(1)	**(3)**	—
Transaction costs incurred in respect of acquisitions	**—**	—	**—**	—	**—**	—	**18**	10	**18**	10
Impairment charges and non-cash provisions	**12**	3	**22**	2	**2**	12	**—**	—	**36**	17
Adjusted EBITDA	**1,051**	1,090	**539**	506	**128**	84	**(105)**	(61)	**1,613**	1,619
Adjusted EBITDA per common share – basic *(dollars)*									**2.93**	2.95

[1] Comparative 2020 period has been restated. See "Voluntary Change in Accounting Policy" and Note 2 to the Interim Financial Statements.

Adjusted Cash Flow from Operating Activities, Cash Flow from Operating Activities per Common Share and Adjusted Cash Flow from Operating Activities per Common Share

Adjusted cash flow from operating activities is a non-GAAP measure which is defined as cash flow from operating activities adjusting for the change in non-cash operating working capital, adjusting for current tax and share-based payment expenses, and deducting preferred share dividends paid. Adjusted cash flow from operating activities deducts preferred share dividends paid because they are not attributable to common shareholders. The calculation has been modified to include current tax and share-based payment expense as it allows management to better assess the obligations discussed below. Management believes that adjusted cash flow from operating activities provides comparable information to investors for assessing financial performance during each reporting period. Management utilizes adjusted cash flow from operating activities to set objectives and as a key performance indicator of the Company's ability to meet interest obligations, dividend payments and other commitments. Per common share amounts are calculated by dividing cash flow from operating activities, or adjusted cash flow from operating activities, as applicable, by the weighted average number of common shares outstanding.

	3 Months Ended June 30		**6 Months Ended June 30**	
($ millions, except per share amounts)	**2021**	2020	**2021**	2020
Cash flow from operating activities	**584**	642	**1,040**	1,052
Cash flow from operating activities per common share – basic *(dollars)*	**1.06**	1.17	**1.89**	1.91
Add (deduct):				
Change in non-cash operating working capital	**(2)**	38	**77**	79
Current tax expense	**(56)**	(67)	**(114)**	(143)
Taxes paid, net of foreign exchange	**69**	18	**197**	200
Accrued share-based payments	**(22)**	(8)	**(40)**	5
Share-based payments	**—**	—	**32**	44
Preferred share dividends paid	**(35)**	(37)	**(72)**	(75)
Adjusted cash flow from operating activities	**538**	586	**1,120**	1,162
Adjusted cash flow from operating activities per common share – basic *(dollars)*	**0.98**	1.07	**2.04**	2.11

13. ABBREVIATIONS

The following is a list of abbreviations that may be used in this MD&A:

Other	
AECO	Alberta Energy Company benchmark price for natural gas
B.C.	British Columbia
GAAP	Canadian generally accepted accounting principles
IFRS	International Financial Reporting Standards
NGL	Natural gas liquids
U.S.	United States
WCSB	Western Canadian Sedimentary Basin
Deep cut	Ethane-plus capacity extraction gas processing capabilities
Shallow cut	Sweet gas processing with propane and/or condensate-plus extraction capabilities
Kinder Acquisition	Pembina's acquisition of Kinder Morgan Canada Limited and the U.S. portion of the Cochin Pipeline system on December 16, 2019
Volumes	Volumes for Pipelines and Facilities are revenue volumes, defined as physical volumes plus volumes recognized from take-or-pay commitments. Volumes for Marketing & New Ventures are marketed NGL volumes. Volumes are stated in mboe/d, with natural gas volumes converted to mboe/d from MMcf/d at a 6:1 ratio.

Measurement	
bpd	barrels per day
mbbls	thousands of barrels
mbpd	thousands of barrels per day
mmbpd	millions of barrels per day
mmbbls	millions of barrels
mboe/d	thousands of barrels of oil equivalent per day
mmboe/d	millions of barrels of oil equivalent per day
MMcf/d	millions of cubic feet per day
bcf/d	billions of cubic feet per day
km	kilometer

Investments in Equity Accounted Investees	
Pipelines:	
Alliance	50 percent interest in both Alliance Pipeline Limited Partnership and Alliance Pipeline L.P.
Ruby	50 percent convertible, cumulative preferred interest in the Ruby Pipeline Holding Company L.L.C.
Grand Valley	75 percent jointly controlled interest in Grand Valley 1 Limited Partnership wind farm ("Grand Valley")
Facilities:	
Veresen Midstream	45 percent interest in Veresen Midstream Limited Partnership, which owns assets in western Canada serving the Montney geological play in northwestern Alberta and northeastern B.C. including gas processing plants and gas gathering pipelines and compression
Fort Corp	50 percent interest in Fort Saskatchewan Ethylene Storage Limited Partnership and Fort Saskatchewan Ethylene Corporation
Marketing & New Ventures:	
Aux Sable	An ownership interest in Aux Sable (approximately 42.7 percent in Aux Sable U.S. and 50 percent in Aux Sable Canada), which includes an NGL fractionation facility and gas processing capacity near Chicago, Illinois and other natural gas and NGL processing facilities, logistics and distribution assets in the U.S. and Canada, as well as transportation contracts on Alliance
CKPC	50 percent interest in the PDH/PP Facility
Cedar LNG	49.9 percent interest in the floating LNG facility in Kitimat, British Columbia, Canada

Readers are referred to the AIF dated February 25, 2021 on www.sedar.com for additional descriptions.

14. FORWARD-LOOKING STATEMENTS & INFORMATION

In the interest of providing Pembina's security holders and potential investors with information regarding Pembina, including management's assessment of the Company's future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or forward-looking information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "outlook", "aim", "purpose", "goal" and similar expressions suggesting future events or future performance.

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 forward-looking statements speak only as of the date of the MD&A.

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

- future levels and sustainability of cash dividends that Pembina intends to pay to its shareholders and the dividend payment dates;
- planning, construction, locations, capital expenditure estimates, schedules, regulatory and environmental applications and anticipated approvals, expected capacity, incremental volumes, completion and in-service dates, rights, sources of product, activities, benefits and operations with respect to new construction of, or expansions on existing, pipelines, systems, gas services facilities, processing and fractionation facilities, terminalling, storage and hub facilities and other facilities or energy infrastructure, as well as the impact of Pembina's new projects on its future financial performance;
- pipeline, processing, fractionation and storage facility and system operations and throughput levels;
- expected reductions in carbon dioxide levels;
- treatment under governmental regulatory regimes in Canada and the U.S., including taxes and tax regimes, environmental and greenhouse gas regulations and related abandonment and reclamation obligations, and Indigenous, landowner and other stakeholder consultation requirements;
- Pembina's strategy and the development and expected timing of new business initiatives and growth opportunities and the impact thereof;
- timing of definitive agreements on the Phase IX Expansion of the Peace Pipeline and the nature of such agreements;
- increased throughput potential, processing capacity and fractionation capacity due to increased oil and gas industry activity and new connections and other initiatives on Pembina's pipelines and Pembina's facilities;
- expected future cash flows and the sufficiency thereof, financial strength, sources of and access to funds at attractive rates, future contractual obligations, future financing options, future renewal of credit facilities, availability of capital for capital projects and contributions to investments in equity accounted investees, operating obligations and dividends and the use of proceeds from financings;
- Pembina's capital structure, including the sufficiency of the amount of leverage employed therein and future actions that may be taken with respect thereto, including expectations regarding the repurchase or redemption of common shares and the timing thereof;
- Pembina's expectations regarding the creditworthiness of its counterparties;
- current ratings targets on Pembina's debt and the likelihood of a downgrade below investment-grade ratings;
- tolls and tariffs and processing, transportation, fractionation, storage and services commitments and contracts;
- operating risks (including the amount of future liabilities related to pipelines spills and other environmental incidents) and related insurance coverage and inspection and integrity programs;
- the expected demand for, and prices and inventory levels of, crude oil and other petroleum products, including NGL;
- the potential impacts of the COVID-19 pandemic on Pembina, and Pembina's response thereto; and
- the impact of current market conditions on Pembina.

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:

- oil and gas industry exploration and development activity levels and the geographic region of such activity;
- the success of Pembina's operations;
- prevailing commodity prices, interest rates and exchange rates;
- the ability of Pembina to maintain current credit ratings;
- the availability of capital to fund future capital requirements relating to existing assets and projects;
- expectations regarding Pembina's pension plan;
- future operating costs including geotechnical and integrity costs being consistent with historical costs;
- oil and gas industry compensation levels remaining consistent;
- in respect of current developments, expansions, planned capital expenditures, completion dates and capacity expectations: that third parties will provide any necessary support; that any third-party projects relating to growth projects will be sanctioned and completed as expected; that any required commercial agreements can be reached; 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 the relevant facilities, and that there are no unforeseen material costs relating to the facilities which are not recoverable from customers;
- in respect of the stability of Pembina's dividends: prevailing commodity prices, margins and exchange rates; that Pembina's future results of operations will be consistent with past performance and management expectations in relation thereto; the continued availability of capital at attractive prices 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; the success of growth projects; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; that there are no unforeseen events preventing the performance of contracts; and that there are no unforeseen material construction or other costs related to current growth projects or current operations;
- prevailing regulatory, tax and environmental laws and regulations and tax pool utilization; and
- the amount of future liabilities relating to lawsuits and environmental incidents and the availability of coverage under Pembina's insurance policies (including in respect of Pembina's business interruption insurance policy).

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 and Indigenous and landowner consultation requirements;
- the impact of competitive entities and pricing;
- labour and material shortages;
- reliance on third parties to successfully operate and maintain certain assets;
- reliance on key relationships, joint venture partners, and agreements and the outcome of stakeholder engagement;
- 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 subsidiaries has entered into in respect of its business;
- actions by joint venture partners or other partners which hold interests in certain of Pembina's assets;
- actions by governmental or regulatory authorities including changes in tax laws and treatment, changes in royalty rates, climate change initiatives or policies or increased environmental regulation;
- fluctuations in operating results;
- adverse general economic and market conditions in Canada, North America and elsewhere, including changes, or prolonged weakness, as applicable, in interest rates, foreign currency exchange rates, commodity prices, supply/demand trends and overall industry activity levels;
- risks relating to the current and potential adverse impacts of the COVID-19 pandemic;
- constraints on, or the unavailability of adequate infrastructure;
- the political environment, in North America and elsewhere, and public opinion;
- ability to access various sources of debt and equity capital;
- changes in credit ratings;
- technology and security risks;
- natural catastrophes; and
- the other factors discussed under "Risk Factors" herein and in Pembina's MD&A and AIF for the year ended December 31, 2020, which are available at www.sedar.com, www.sec.gov and through Pembina's website at www.pembina.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.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited)

($ millions)	**June 30, 2021**	December 31, 2020
Assets **Current assets**		
Cash and cash equivalents	**57**	81
Trade receivables and other	**751**	662
Inventory	**276**	221
Derivative financial instruments *(Note 13)*	**25**	25
	1,109	989
Non-current assets		
Property, plant and equipment *(Note 4)*	**18,427**	18,549
Intangible assets and goodwill	**6,278**	6,340
Investments in equity accounted investees *(Note 5)*	**4,346**	4,377
Right-of-use assets *(Note 6)*	**652**	651
Finance lease receivable *(Note 6)*	**215**	138
Deferred tax assets	**303**	322
Advances to related parties and other assets	**66**	50
	30,287	30,427
Total assets	**31,396**	31,416
Liabilities and equity **Current liabilities**		
Trade payables and other	**820**	780
Loans and borrowings *(Note 7)*	**399**	600
Dividends payable	**116**	115
Lease liabilities	**92**	99
Contract liabilities *(Note 9)*	**80**	62
Taxes payable	**—**	56
Derivative financial instruments *(Note 13)*	**102**	69
	1,609	1,781
Non-current liabilities		
Loans and borrowings *(Note 7)*	**10,405**	10,276
Subordinated hybrid notes *(Note 7)*	**594**	—
Lease liabilities	**666**	675
Decommissioning provision	**383**	348
Contract liabilities *(Note 9)*	**226**	230
Deferred tax liabilities	**2,979**	2,925
Other liabilities	**227**	166
	15,480	14,620
Total liabilities	**17,089**	16,401
Equity		
Attributable to shareholders	**14,247**	14,955
Attributable to non-controlling interest	**60**	60
Total equity	**14,307**	15,015
Total liabilities and equity	**31,396**	31,416

See accompanying notes to the condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

(unaudited)

	3 Months Ended June 30		6 Months Ended June 30	
($ millions, except per share amounts)	**2021**	2020 *(Restated Note 2)*	**2021**	2020 *(Restated Note 2)*
Revenue *(Note 9)*	**1,954**	1,268	**3,999**	2,939
Cost of sales *(Note 11)*	**1,424**	809	**2,817**	1,957
Loss (gain) on commodity-related derivative financial instruments *(Note 13)*	**32**	65	**125**	(61)
Share of profit from equity accounted investees *(Note 5)*	**52**	66	**123**	150
Gross profit	**550**	460	**1,180**	1,193
General and administrative	**79**	59	**166**	120
Other expense (income)	**25**	(20)	**29**	(3)
Impairment expense *(Note 5)*	**23**	—	**35**	—
Results from operating activities	**423**	421	**950**	1,076
Net finance costs *(Note 10)*	**95**	71	**199**	279
Earnings before income tax	**328**	350	**751**	797
Current tax expense	**56**	67	**114**	143
Deferred tax expense	**18**	25	**63**	77
Income tax expense	**74**	92	**177**	220
Earnings	**254**	258	**574**	577
Other comprehensive income (loss), net of tax *(Note 12 & 13)*				
Exchange (loss) gain on translation of foreign operations	**(59)**	(212)	**(122)**	253
Impact of hedging activities	**3**	9	**11**	9
Re-measurement of defined benefit liability	**—**	—	**—**	14
Total comprehensive income attributable to shareholders	**198**	55	**463**	853
Earnings attributable to common shareholders, net of preferred share dividends	**218**	219	**499**	499
Earnings per common share – basic and diluted *(dollars)*	**0.39**	0.40	**0.91**	0.91
Weighted average number of common shares *(millions)*				
Basic	**550**	550	**550**	549
Diluted	**551**	550	**551**	550

See accompanying notes to the condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited)

	Attributable to Shareholders of the Company						
($ millions)	Common Share Capital	Preferred Share Capital	Deficit *(Restated Note 2)*	AOCI[1]	Total *(Restated Note 2)*	Non-Controlling Interest	Total Equity *(Restated Note 2)*
December 31, 2020	15,644	2,946	(3,637)	2	14,955	60	15,015
Total comprehensive income (loss)							
Earnings	—	—	574	—	574	—	574
Other comprehensive loss *(Note 12)*	—	—	—	(111)	(111)	—	(111)
Total comprehensive income (loss)	—	—	574	(111)	463	—	463
Transactions with shareholders of the Company							
Part VI.1 tax on preferred shares *(Note 8)*	—	(4)	—	—	(4)	—	(4)
Preferred shares redemption *(Note 8)*	—	(420)	—	—	(420)	—	(420)
Share-based payment transactions *(Note 8)*	17	—	—	—	17	—	17
Dividends declared – common *(Note 8)*	—	—	(693)	—	(693)	—	(693)
Dividends declared – preferred *(Note 8)*	—	—	(71)	—	(71)	—	(71)
Total transactions with shareholders of the Company	17	(424)	(764)	—	(1,171)	—	(1,171)
June 30, 2021	15,661	2,522	(3,827)	(109)	14,247	60	14,307
Opening value January 1, 2020	15,539	2,956	(1,785)	98	16,808	60	16,868
Total comprehensive income (loss)							
Earnings	—	—	577	—	577	—	577
Other comprehensive income							
Exchange gain on translation of foreign operations	—	—	—	262	262	—	262
Remeasurements of defined benefit liability, net of tax	—	—	—	14	14	—	14
Total comprehensive income	—	—	577	276	853	—	853
Transactions with shareholders of the Company							
Part VI.1 tax on preferred shares	—	(4)	—	—	(4)	—	(4)
Share-based payment transactions	90	—	—	—	90	—	90
Dividends declared – common	—	—	(693)	—	(693)	—	(693)
Dividends declared – preferred	—	—	(75)	—	(75)	—	(75)
Total transactions with shareholders of the Company	90	(4)	(768)	—	(682)	—	(682)
June 30, 2020	15,629	2,952	(1,976)	374	16,979	60	17,039

(1) Accumulated Other Comprehensive Income (loss) ("AOCI").

See accompanying notes to the condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(unaudited)

	3 Months Ended June 30		6 Months Ended June 30	
($ millions)	**2021**	2020 *(Restated Note 2)*	**2021**	2020 *(Restated Note 2)*
Cash provided by (used in)				
Operating activities				
Earnings	**254**	258	**574**	577
Adjustments for:				
Share of profit from equity accounted investees	**(52)**	(66)	**(123)**	(150)
Distributions from equity accounted investees	**112**	116	**227**	239
Depreciation and amortization	**188**	172	**363**	345
Impairment expense	**23**	—	**35**	—
Unrealized (gain) loss on commodity-related derivative financial instruments	**(1)**	101	**4**	(8)
Net finance costs *(Note 10)*	**95**	71	**199**	279
Net interest paid	**(88)**	(74)	**(197)**	(173)
Income tax expense	**74**	92	**177**	220
Taxes paid	**(69)**	(14)	**(196)**	(200)
Share-based compensation expense	**29**	9	**57**	4
Share-based compensation payment	**—**	—	**(32)**	(44)
Net change in contract liabilities	**14**	25	**19**	42
Other	**3**	(10)	**10**	—
Change in non-cash operating working capital	**2**	(38)	**(77)**	(79)
Cash flow from operating activities	**584**	642	**1,040**	1,052
Financing activities				
Net increase (decrease) in bank borrowings	**289**	(299)	**186**	(904)
Proceeds from issuance of long-term debt, net of issue costs	**—**	498	**593**	1,567
Repayment of long-term debt	**—**	(73)	**(250)**	(73)
Repayment of lease liability	**(17)**	(17)	**(41)**	(43)
Exercise of stock options	**2**	1	**3**	83
Redemption of preferred shares	**(250)**	—	**(420)**	—
Dividends paid	**(382)**	(384)	**(765)**	(762)
Cash flow used in financing activities	**(358)**	(274)	**(694)**	(132)
Investing activities				
Capital expenditures	**(146)**	(211)	**(273)**	(694)
Contributions to equity accounted investees	**—**	(2)	**(12)**	(174)
Acquisitions (*Note 5*)	**(37)**	—	**(37)**	—
Receipt of finance lease payments	**3**	(9)	**6**	5
Interest paid during construction	**(5)**	(12)	**(14)**	(26)
Recovery of assets or proceeds from sale	**12**	(2)	**12**	—
Advances to related parties	**—**	(11)	**(10)**	(22)
Changes in non-cash investing working capital and other	**(46)**	(165)	**(48)**	(57)
Cash flow used in investing activities	**(219)**	(412)	**(376)**	(968)
Change in cash and cash equivalents	**7**	(44)	**(30)**	(48)
Effect of movement in exchange rates on cash held	**5**	(15)	**6**	(8)
Cash and cash equivalents, beginning of period	**45**	132	**81**	129
Cash and cash equivalents, end of period	**57**	73	**57**	73

See accompanying notes to the condensed consolidated interim financial statements

NOTES TO THE CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

Pembina Pipeline Corporation ("Pembina" or the "Company") is a Calgary-based, leading transportation and midstream service provider serving North America's energy industry. Pembina owns an integrated system of pipelines that transport various hydrocarbon liquids and natural gas products produced primarily in western Canada. Pembina also owns gas gathering and processing facilities and an oil and natural gas liquids infrastructure, storage and logistics business; and is growing an export terminals business. Pembina's integrated assets and commercial operations along the majority of the hydrocarbon value chain, allow it to offer a full spectrum of midstream and marketing services to the energy sector.

These condensed consolidated unaudited interim financial statements ("Interim Financial Statements") include the accounts of the Company, its subsidiary companies, partnerships and any investments in associates and joint arrangements as at and for the three and six months ended June 30, 2021. These Interim Financial Statements and the notes hereto have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are in accordance with International Financial Reporting Standards (“IFRS”) and are consistent with the audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2020 ("Consolidated Financial Statements"), and should be read in conjunction with those Consolidated Financial Statements. The Interim Financial Statements were authorized for issue by Pembina's Board of Directors on August 5, 2021.

Certain insignificant comparative amounts have been reclassified to conform to the presentation adopted in the current year.

Use of Estimates and Judgments

Management is required to make estimates and assumptions and use judgment in the application of accounting policies that could have a significant impact on the amounts recognized in the Interim Financial Statements. Actual results may differ from estimates and those differences may be material. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment. There have been no material changes to Pembina's critical accounting estimates and judgments during the three and six months ended June 30, 2021, including to ongoing impact of significant uncertainties created by the coronavirus ("COVID-19") pandemic, as discussed below.

Ongoing Impact of the COVID-19 Pandemic

Following the World Health Organization declaring the COVID-19 outbreak to be a pandemic, many governments have imposed restrictions on individuals and businesses, resulting in a significant slowdown of the global economy. While there have been positive signals into the first six months of 2021 in commodity prices, demand recovery remains affected by the on-going COVID-19 pandemic. Although restrictions have been relaxed in certain jurisdictions and vaccination programs are underway, there remains significant uncertainty as to the global economic outlook and there remains the potential for volatility in the global economy as a result of the COVID-19 pandemic. Management considered these uncertainties when applying judgment to estimates and assumptions in the Interim Financial Statements.

2. CHANGES IN ACCOUNTING POLICIES

Voluntary change in accounting policy

As detailed in Note 3 of the Consolidated Financial Statements, as at December 31, 2020, Pembina voluntarily changed its accounting policy for the measurement of decommissioning liabilities to utilize a credit-adjusted risk-free interest rate instead of a risk-free interest rate to determine the present value of the liability at each statement of financial position date. This accounting policy change was applied retrospectively, including the restatement of certain comparative amounts in the Interim Financial Statements, as summarized below.

i. Reconciliation of the Condensed Consolidated Interim Statements of Earnings and Comprehensive Income

	3 Months Ended June 30, 2020			6 Months Ended June 30, 2020		
($ millions)	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Cost of sales	813	(4)	809	1,965	(8)	1,957
Share of profit from equity accounted investees	65	1	66	148	2	150
Gross profit	455	5	460	1,183	10	1,193
Net finance costs	72	(1)	71	281	(2)	279
Earnings before income tax	344	6	350	785	12	797
Deferred tax expense	24	1	25	75	2	77
Earnings attributable to shareholders	253	5	258	567	10	577
Total comprehensive income attributable to shareholders	50	5	55	843	10	853
Earnings attributable to common shareholders, net of preferred share dividends	214	5	219	489	10	499
Earnings per common share - basic and diluted	0.39	0.01	0.40	0.89	0.02	0.91

ii. Reconciliation of the Condensed Consolidated Interim Statement of Cash Flows

	3 Months Ended June 30, 2020			6 Months Ended June 30, 2020		
($ millions)	Previously reported	Adjustments	Restated	Previously reported	Adjustments	Restated
Earnings	253	5	258	567	10	577
Share of profit from equity accounted investees	(65)	(1)	(66)	(148)	(2)	(150)
Adjustments for depreciation and amortization	176	(4)	172	353	(8)	345
Adjustments for net finance costs	72	(1)	71	281	(2)	279
Adjustments for income tax expense	91	1	92	218	2	220
Cash flow from operating activities	642	—	642	1,052	—	1,052

3. 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 based on the methods set out in the Consolidated Financial Statements. These methods have been applied consistently to all periods presented in these Interim Financial Statements.

Ongoing Impact of the COVID-19 Pandemic

Measuring fair values using significant unobservable inputs has become more challenging in the current environment, where events and conditions related to the COVID-19 pandemic are driving significant disruption of business operations and a significant increase in economic uncertainty. Management applied its judgment in determining the impact of the significant uncertainties created by these events and conditions on the assessed fair values of assets and liabilities in the Interim Financial Statements.

4. PROPERTY, PLANT AND EQUIPMENT

($ millions)	Land and Land Rights	Pipelines	Facilities and Equipment	Cavern Storage and Other	Assets Under Construction[1][2]	Total
Cost						
Balance at December 31, 2020	429	9,206	8,907	1,993	1,109	21,644
Additions and transfers	12	75	430	122	(465)	174
Change in decommissioning provision	—	4	6	5	—	15
Disposals and other	(1)	(20)	(13)	(22)	—	(56)
Foreign exchange	(2)	(23)	(6)	—	—	(31)
Balance at June 30, 2021	**438**	**9,242**	**9,324**	**2,098**	**644**	**21,746**
Depreciation						
Balance at December 31, 2020	21	1,547	1,118	409	—	3,095
Depreciation	2	96	115	42	—	255
Disposals and other	—	(9)	(11)	(11)	—	(31)
Balance at June 30, 2021	**23**	**1,634**	**1,222**	**440**	**—**	**3,319**
Carrying amounts						
Balance at December 31, 2020	408	7,659	7,789	1,584	1,109	18,549
Balance at June 30, 2021	**415**	**7,608**	**8,102**	**1,658**	**644**	**18,427**
Assets subject to operating leases						
December 31, 2020	8	300	496	170	—	974
June 30, 2021	**8**	**299**	**485**	**166**	**—**	**958**

(1) Includes capitalized borrowing costs.
(2) At June 30, 2021, the movement in Assets Under Construction includes $89 million in assets transferred to net investment lease.

5. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

	Ownership Interest *(percent)*		Share of Profit from Equity Accounted Investees 6 Months Ended June 30		Investments in Equity Accounted Investees	
($ millions)	**June 30, 2021**	December 31, 2020	**2021**	2020 *(Restated Note 2)*	**June 30, 2021**	December 31, 2020
Alliance	**50**	50	**59**	58	**2,408**	2,498
Aux Sable	**42.7 - 50**	42.7 - 50	**13**	2	**367**	401
Ruby[(1)]	**—**	—	**13**	61	**—**	—
Veresen Midstream	**45**	45	**35**	27	**1,360**	1,374
CKPC	**50**	50	**—**	1	**—**	—
Cedar LNG	**49.9**	—	**—**	—	**129**	—
Other[(2)]	**50 - 75**	50 - 75	**3**	1	**82**	104
			123	150	**4,346**	4,377

(1) Pembina owns a 50 percent convertible preferred interest in Ruby.
(2) Other includes Pembina's interest in Grand Valley and Fort Corp.

At June 30, 2021, Pembina had U.S. $1.3 billion in investments in equity accounted investees held by entities whose functional currency is the U.S. dollar. The resulting foreign exchange gains and losses are included in other comprehensive income. For the three and six months ended June 30, 2021, Pembina recognized a loss of $23 million and a loss of $43 million (2020: $110 million loss and $138 million gain), respectively.

Cedar LNG Acquisition

On June 4, 2021, Pembina acquired a 49.9 percent interest in a joint venture with the Haisla Nation to develop the Cedar LNG Project, a LNG facility located on the coast of British Columbia within the Douglas Channel on Haisla owned land. Pembina's investment of $129 million at June 30, 2021 included $76 million of accrued contingent consideration payable on achievement of certain conditions. Under the terms of the agreement, Pembina has commitments to make additional payments on a positive final investment decision as well as contributions to fund development costs and annual operating budgets.

Impairment of Equity Accounted Investees

During the six months ended June 30, 2021, Pembina recognized U.S. $8 million in impairment associated with an advance made to Ruby in January of 2021and during June 2021, Pembina recognized an impairment charge of $22 million on its interest in Fort Corp. The impairment charge was the result of an assessment triggered by a reduction in the contracted capacity by a key customer on certain Fort Corp assets.

Financing Activities for Equity Accounted Investees

On April 19, 2021, Ruby fully repaid the $16 million outstanding on its term loan.

6. LEASES

Lessee Leases

Pembina enters into arrangements to secure access to assets necessary for operating the business. Leased (right-of-use) assets include terminals, rail, buildings, land and other assets. Total cash outflows related to leases were $31 million and $65 million, respectively, for the three and six months ended June 30, 2021 (2020: $33 million and $64 million).

Right-of-Use Assets

($ millions)	Terminals	Rail	Buildings	Land & Other	Total
Balance at December 31, 2020	213	221	121	96	651
Additions and adjustments	—	—	39	17	56
Disposals and other	—	(4)	(1)	(8)	(13)
Amortization	(6)	(21)	(9)	(6)	(42)
Balance at June 30, 2021	**207**	**196**	**150**	**99**	**652**

Lessor Leases

Pembina has entered into contracts for the use of its assets that have resulted in lease treatment for accounting purposes. Assets under operating leases include pipelines, terminals and storage assets. See Note 4 for carrying value of property, plant and equipment under operating leases. Assets under finance leases include pipelines, terminals, storage assets and office sub-leases.

Maturity of Lease Receivables

As at June 30, 2021 *($ millions)*	Operating Leases	Finance Leases
Less than one year	144	32
One to two years	142	31
Two to three years	130	31
Three to four years	114	31
Four to five years	108	32
More than five years	780	334
Total undiscounted lease receipts	1,418	491
Unearned finance income on lease receipts		(281)
Discounted unguaranteed residual value		14
Finance lease receivable		224
Less current portion[1]		(9)
Total non-current		215

[1] Included in trade receivables and other on the Condensed Consolidated Interim Statement of Financial Position.

7. LONG-TERM DEBT

This note provides information about the contractual terms of Pembina's interest-bearing long-term debt, which are measured at amortized cost.

Carrying Value, Terms and Conditions, and Debt Maturity Schedule

($ millions)	Authorized at June 30, 2021	Nominal Interest Rate	Year of Maturity	Carrying Value June 30, 2021	Carrying Value December 31, 2020
Loans and borrowings					
Senior unsecured credit facilities[(1)(3)(4)]	3,330	1.27[(2)]	Various[(1)]	**1,708**	1,530
Senior unsecured medium-term notes series 1	—	4.89	2021	**—**	250
Senior unsecured medium-term notes series 2	450	3.77	2022	**450**	449
Senior unsecured medium-term notes series 3	450	4.75	2043	**447**	447
Senior unsecured medium-term notes series 4	600	4.81	2044	**597**	597
Senior unsecured medium-term notes series 5	450	3.54	2025	**449**	449
Senior unsecured medium-term notes series 6	500	4.24	2027	**499**	498
Senior unsecured medium-term notes series 7	600	3.71	2026	**603**	603
Senior unsecured medium-term notes series 8	650	2.99	2024	**648**	647
Senior unsecured medium-term notes series 9	550	4.74	2047	**542**	542
Senior unsecured medium-term notes series 10	650	4.02	2028	**660**	661
Senior unsecured medium-term notes series 11	800	4.75	2048	**842**	842
Senior unsecured medium-term notes series 12	650	3.62	2029	**654**	654
Senior unsecured medium-term notes series 13	700	4.54	2049	**713**	713
Senior unsecured medium-term notes series 14	600	2.56	2023	**599**	599
Senior unsecured medium-term notes series 15	600	3.31	2030	**597**	597
Senior unsecured medium-term notes series 16	400	4.67	2050	**397**	397
Senior unsecured medium-term notes series 3A	50	5.05	2022	**49**	51
Senior unsecured medium-term notes series 5A	350	3.43	2021	**350**	350
Total loans and borrowings				**10,804**	10,876
Less current portion loans and borrowings				**(399)**	(600)
Total non-current loans and borrowings				**10,405**	10,276
Subordinated hybrid notes					
Subordinated notes, series 1	600	4.80	2081	**594**	—

(1) Pembina's unsecured credit facilities include a $2.5 billion revolving facility that matures in June 2026, a $500 million non-revolving term loan that matures in August 2022, a U.S. $250 million non-revolving term loan that matures in May 2025 and a $20 million operating facility that matures in May 2022, which is typically renewed on an annual basis.

(2) The nominal interest rate is the weighted average of all drawn credit facilities based on Pembina's credit rating at June 30, 2021. Borrowings under the credit facilities bear interest at prime, Bankers' Acceptance, or LIBOR rates, plus applicable margins.

(3) Includes U.S. $250 million variable rate debt outstanding at June 30, 2021 (December 31, 2020: U.S. $250 million).

(4) The U.S. dollar denominated non-revolving term loan is designated as a hedge of the Company's net investment in selected foreign operations with a U.S. dollar functional currency. Refer to Note 13 for foreign exchange risk management.

On January 25, 2021, Pembina closed a $600 million offering of Fixed-to-Fixed Rate Subordinated Hybrid Notes (the "Series 1 Subordinated Notes"). The Series 1 Subordinated Notes have a fixed 4.80 percent interest rate, payable semi-annually, which resets on January 25, 2031, and on every fifth anniversary thereafter, based on the five-year Government of Canada yield plus: (i) 4.17 percent for the period from, and including, January 25, 2031 to, but excluding January 25, 2051; and (ii) 4.92 percent for the period from, and including, January 25, 2051 to, but excluding January 25, 2081. The Series 1 Subordinated Notes are subject to optional redemption by Pembina from October 25, 2030 to January 25, 2031 and on any interest payment date or any interest reset date, as applicable. Pembina may also redeem the Series 1 Subordinated Notes in certain other limited circumstances. Following the occurrence of certain bankruptcy or insolvency events in respect of Pembina, subject to certain exceptions, the Series 2021-A Class A Preferred Shares (as defined below) will be delivered to the holders of the Series 1 Subordinated Notes to satisfy Pembina's obligations under the indenture governing the Series 1 Subordinated Notes. Upon delivery of the Series 2021-A Class A Preferred Shares, the Series 1 Subordinated Notes will be immediately and automatically surrendered and cancelled and all rights of any holders of the Series 1 Subordinated Notes will automatically cease. The fair value of the automatic delivery feature was assessed as nominal at inception.

On April 30, 2021, Pembina completed an extension on its $2.5 billion revolving credit facility, which now matures on June 1, 2026.

8. SHARE CAPITAL

Common Share Capital

($ millions, except as noted)	Number of Common Shares *(millions)*	Common Share Capital
Balance at December 31, 2020	550	15,644
Share-based payment transactions	—	17
Balance at June 30, 2021	**550**	**15,661**

On February 25, 2021, the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a normal course issuer bid ("NCIB") that allows the Company to repurchase, at its discretion, up to approximately 27.5 million common shares through the facilities of the TSX, the New York Stock Exchange and/or alternative Canadian trading systems or as otherwise permitted by applicable securities law, subject to certain restrictions on the number of common shares that may be purchased on a single day. Common shares purchased by the Company will be cancelled. The program commenced March 2, 2021 and will terminate on March 1, 2022 or on such earlier date as the Company completes its purchases pursuant to the notice of intention. No common shares were purchased by Pembina during the six months ended June 30, 2021.

Preferred Share Capital

($ millions, except as noted)	Number of Preferred Shares *(millions)*	Preferred Share Capital
Balance at December 31, 2020	122	2,946
Class A, Series 11 Preferred shares redeemed, net of issue costs	(7)	(170)
Class A, Series 13 Preferred shares redeemed, net of issue costs	(10)	(250)
Part VI.1 tax	—	(4)
Balance at June 30, 2021	**105**	**2,522**

On January 25, 2021 in conjunction with the offering of the Series 1 Subordinated Notes, Pembina issued 600,000 Series 2021-A Class A Preferred Shares, to Computershare Trust Company of Canada, to be held in trust as treasury shares to satisfy Pembina's obligations under the indenture governing the Series 1 Subordinated Notes.

On March 1, 2021, Pembina redeemed all of the 6.8 million issued and outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 11 (the "Series 11 Class A Preferred Shares") for a redemption price equal to $25.00 per Series 11 Class A Preferred Share.

On June 1, 2021, Pembina redeemed all of the 10 million issued and outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 13 (the "Series 13 Class A Preferred Shares") for a redemption price equal to $25.00 per Series 13 Class A Preferred Shares.

Dividends

The following dividends were declared by Pembina:

6 Months Ended June 30 *($ millions)*	**2021**	2020
Common shares		
$1.26 per common share (2020: $1.26)	**693**	693
Class A preferred shares		
$0.61 per Series 1 Class A Preferred Share (2020: $0.61)	**6**	6
$0.56 per Series 3 Class A Preferred Share (2020: $0.56)	**3**	3
$0.57 per Series 5 Class A Preferred Share (2020: $0.57)	**6**	6
$0.54 per Series 7 Class A Preferred Share (2020: $0.54)	**5**	5
$0.53 per Series 9 Class A Preferred Share (2020: $0.59)	**5**	5
$0.24 per Series 11 Class A Preferred Share (2020: $0.71)	**2**	5
$0.59 per Series 13 Class A Preferred Share (2020: $0.71)	**6**	7
$0.56 per Series 15 Class A Preferred Share (2020: $0.56)	**4**	4
$0.60 per Series 17 Class A Preferred Share (2020: $0.60)	**4**	4
$0.59 per Series 19 Class A Preferred Share (2020: $0.63)	**5**	5
$0.61 per Series 21 Class A Preferred Share (2020: $0.61)	**10**	10
$0.66 per Series 23 Class A Preferred Share (2020: $0.66)	**8**	8
$0.65 per Series 25 Class A Preferred Share (2020: $0.65)	**7**	7
	71	75

On July 7, 2021, Pembina announced that its Board of Directors had declared a monthly dividend of $0.21 per common share in the total amount of $116 million, payable on August 13, 2021 to shareholders of record on July 23, 2021. Pembina's Board of Directors also declared quarterly dividends for Pembina's Class A preferred shares as outlined in the following table:

Series	**Record Date**	**Payable Date**	**Per Share Amount**	**Dividend Amount** *($ millions)*
Series 1	August 3, 2021	September 1, 2021	$0.306625	3
Series 3	August 3, 2021	September 1, 2021	$0.279875	2
Series 5	August 3, 2021	September 1, 2021	$0.285813	3
Series 7	August 3, 2021	September 1, 2021	$0.273750	3
Series 9	August 3, 2021	September 1, 2021	$0.268875	2
Series 15	September 15, 2021	September 30, 2021	$0.279000	2
Series 17	September 15, 2021	September 30, 2021	$0.301313	2
Series 19	September 15, 2021	September 30, 2021	$0.292750	2
Series 21	August 3, 2021	September 1, 2021	$0.306250	5
Series 23	August 3, 2021	August 16, 2021	$0.328125	4
Series 25	August 3, 2021	August 16, 2021	$0.325000	3

9. REVENUE

Revenue has been disaggregated into categories to reflect how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors.

a. Revenue Disaggregation

3 Months Ended June 30 *($ millions)*	**2021** Pipelines	Facilities	Marketing & New Ventures	Total	**2020** Pipelines	Facilities	Marketing & New Ventures	Total
Take-or-pay[1]	**389**	**180**	**—**	**569**	390	177	—	567
Fee-for-service[1]	**93**	**36**	**—**	**129**	66	28	—	94
Product sales[2]	**—**	**—**	**1,215**	**1,215**	—	—	561	561
Revenue from contracts with customers	**482**	**216**	**1,215**	**1,913**	456	205	561	1,222
Operational finance lease income	**4**	**—**	**—**	**4**	4	—	—	4
Fixed operating lease income	**28**	**9**	**—**	**37**	32	10	—	42
Total external revenue	**514**	**225**	**1,215**	**1,954**	492	215	561	1,268

(1) Revenue recognized over time.
(2) Revenue recognized at a point in time.

6 Months Ended June 30 *($ millions)*	**2021** Pipelines	Facilities	Marketing & New Ventures	Total	**2020** Pipelines	Facilities	Marketing & New Ventures	Total
Take-or-pay[1]	**788**	**364**	**—**	**1,152**	778	359	—	1,137
Fee-for-service[1]	**172**	**76**	**—**	**248**	165	58	—	223
Product sales[2]	**—**	**—**	**2,515**	**2,515**	—	—	1,484	1,484
Revenue from contracts with customers	**960**	**440**	**2,515**	**3,915**	943	417	1,484	2,844
Operational finance lease income	**8**	**—**	**—**	**8**	8	—	—	8
Fixed operating lease income	**58**	**18**	**—**	**76**	69	18	—	87
Total external revenue	**1,026**	**458**	**2,515**	**3,999**	1,020	435	1,484	2,939

(1) Revenue recognized over time.
(2) Revenue recognized at a point in time.

b. Contract Liabilities

Significant changes in the contract liabilities balances during the period are as follows:

($ millions)	**6 Months Ended June 30, 2021** Take-or-Pay	Other Contract Liabilities	Total Contract Liabilities	12 Months Ended December 31, 2020 Take-or-Pay	Other Contract Liabilities	Total Contract Liabilities
Opening balance	**3**	**289**	**292**	8	223	231
Additions (net in the period)	**32**	**46**	**78**	3	117	120
Revenue recognized from contract liabilities[1]	**—**	**(64)**	**(64)**	(8)	(51)	(59)
Closing balance	**35**	**271**	**306**	3	289	292
Less current portion[2]	**(35)**	**(45)**	**(80)**	(3)	(59)	(62)
Ending balance	**—**	**226**	**226**	—	230	230

(1) Recognition of revenue related to performance obligations satisfied in the current period that were included in the opening balance of contract liabilities.
(2) As at June 30, 2021, the balance includes $35 million of cash collected under take-or-pay contracts which will be recognized within one year as the customer chooses to ship, process, or otherwise forego the associated service.

Contract liabilities depict Pembina's obligation to perform services in the future for cash and non-cash consideration which has been received from customers. Contract liabilities include up-front payments or non-cash consideration received from customers for future transportation, processing and storage services. Contract liabilities also include consideration received from customers for take-or-pay commitments where the customer has a make-up right to ship or process future volumes under a firm contract. These amounts are non-refundable should the customer not use its make-up rights.

Pembina does not have any contract assets. In all instances where goods or services have been transferred to a customer in advance of the receipt of customer consideration, Pembina's right to consideration is unconditional and has therefore been presented as a receivable.

10. NET FINANCE COSTS

	3 Months Ended June 30		6 Months Ended June 30	
($ millions)	**2021**	2020 *(Restated Note 2)*	**2021**	2020 *(Restated Note 2)*
Interest expense on financial liabilities measured at amortized cost:				
Long-term debt	**99**	91	**195**	178
Leases	**9**	10	**18**	20
Unwinding of discount rate	**4**	3	**8**	7
Loss (gain) in fair value of non-commodity-related derivative financial instruments	**4**	(24)	**8**	22
Foreign exchange (gains) losses and other	**(21)**	(9)	**(30)**	52
Net finance costs	**95**	71	**199**	279

11. OPERATING SEGMENTS

Pembina's operating segments are organized by three divisions: Pipelines, Facilities and Marketing & New Ventures.

3 Months Ended June 30, 2021 *($ millions)*	**Pipelines**[1]	**Facilities**	**Marketing & New Ventures**[2]	**Corporate & Inter-segment Eliminations**	**Total**
Revenue from external customers	514	225	1,215	—	1,954
Inter-segment revenue	40	109	—	(149)	—
Total revenue[3]	554	334	1,215	(149)	1,954
Operating expenses	132	112	—	(58)	186
Cost of goods sold, including product purchases	—	2	1,150	(92)	1,060
Depreciation and amortization included in operations	108	56	12	2	178
Cost of sales	240	170	1,162	(148)	1,424
Realized loss on commodity-related derivative financial instruments	—	—	33	—	33
Share of profit from equity accounted investees	27	18	7	—	52
Unrealized (gain) loss on commodity-related derivative financial instruments	—	(16)	15	—	(1)
Gross profit	341	198	12	(1)	550
Depreciation included in general and administrative	—	—	—	10	10
Other general and administrative	7	2	8	52	69
Other expense (income)	7	1	(1)	18	25
Impairment expense	—	22	1	—	23
Reportable segment results from operating activities	327	173	4	(81)	423
Net finance costs (income)	2	12	(5)	86	95
Reportable segment earnings (loss) before tax	325	161	9	(167)	328
Capital expenditures	95	36	10	5	146

3 Months Ended June 30, 2020 *(Restated Note 2)* *($ millions)*	**Pipelines**[1]	**Facilities**	**Marketing & New Ventures**[2]	**Corporate & Inter-segment Eliminations**	**Total**
Revenue from external customers	492	215	561	—	1,268
Inter-segment revenue	36	75	—	(111)	—
Total revenue[3]	528	290	561	(111)	1,268
Operating expenses	107	86	—	(39)	154
Cost of goods sold, including product purchases	—	2	565	(75)	492
Depreciation and amortization included in operations	100	49	12	2	163
Cost of sales	207	137	577	(112)	809
Realized gain on commodity-related derivative financial instruments	—	—	(36)	—	(36)
Share of profit (loss) from equity accounted investees	58	14	(6)	—	66
Unrealized loss on commodity-related derivative financial instruments	—	2	99	—	101
Gross profit	379	165	(85)	1	460
Depreciation included in general and administrative	—	—	—	9	9
Other general and administrative	1	4	7	38	50
Other expense (income)	3	1	—	(24)	(20)
Reportable segment results from operating activities	375	160	(92)	(22)	421
Net finance costs (income)	9	5	(12)	69	71
Reportable segment earnings (loss) before tax	366	155	(80)	(91)	350
Capital expenditures	129	62	10	10	211
Contributions to equity accounted investees	—	—	2	—	2

(1) Pipelines transportation revenue includes $55 million (2020: $49 million) associated with U.S. pipeline revenue.
(2) Marketing & New Ventures includes revenue of $40 million (2020: $15 million) associated with U.S. midstream sales.
(3) During 2021, no one customer accounted for 10 percent or more of total revenues reported throughout all segments. During 2020, one customer accounted for 10 percent or more of total revenues with $164 million reported throughout all segments

6 Months Ended June 30, 2021 *($ millions)*	**Pipelines[1]**	**Facilities**	**Marketing & New Ventures[2]**	**Corporate & Inter-segment Eliminations**	**Total**
Revenue from external customers	1,026	458	2,515	—	3,999
Inter-segment revenue	81	215	—	(296)	—
Total revenue[3]	1,107	673	2,515	(296)	3,999
Operating expenses	269	223	—	(124)	368
Cost of goods sold, including product purchases	—	6	2,276	(176)	2,106
Depreciation and amortization included in operations	212	102	25	4	343
Cost of sales	481	331	2,301	(296)	2,817
Realized loss on commodity-related derivative financial instruments	—	—	121	—	121
Share of profit from equity accounted investees	74	36	13	—	123
Unrealized (gain) loss on commodity-related derivative financial instruments	—	(17)	21	—	4
Gross profit	700	395	85	—	1,180
Depreciation included in general and administrative	—	—	—	20	20
Other general and administrative	16	7	15	108	146
Other expense	1	—	—	28	29
Impairment expense	10	22	3	—	35
Reportable segment results from operating activities	673	366	67	(156)	950
Net finance costs (income)	15	18	(9)	175	199
Reportable segment earnings (loss) before tax	658	348	76	(331)	751
Capital expenditures	178	76	12	7	273
Contributions to equity accounted investees	—	11	1	—	12

6 Months Ended June 30, 2020 *(Restated Note 2)* *($ millions)*	**Pipelines[1]**	**Facilities**	**Marketing & New Ventures[2]**	**Corporate & Inter-segment Eliminations**	**Total**
Revenue from external customers	1,020	435	1,484	—	2,939
Inter-segment revenue	71	159	—	(230)	—
Total revenue[3]	1,091	594	1,484	(230)	2,939
Operating expenses	233	182	—	(82)	333
Cost of goods sold, including product purchases	—	4	1,448	(154)	1,298
Depreciation and amortization included in operations	197	100	25	4	326
Cost of sales	430	286	1,473	(232)	1,957
Realized gain on commodity-related derivative financial instruments	—	—	(53)	—	(53)
Share of profit from equity accounted investees	117	30	3	—	150
Unrealized gain on commodity-related derivative financial instruments	—	(3)	(5)	—	(8)
Gross profit	778	341	72	2	1,193
Depreciation included in general and administrative	—	—	—	19	19
Other general and administrative	10	5	15	71	101
Other expense (income)	3	1	12	(19)	(3)
Reportable segment results from operating activities	765	335	45	(69)	1,076
Net finance costs	16	11	9	243	279
Reportable segment earnings (loss) before tax	749	324	36	(312)	797
Capital expenditures	457	198	25	14	694
Contributions to equity accounted investees	—	41	155	—	196

(1) Pipelines transportation revenue includes $106 million (2020: $108 million) associated with U.S. pipeline revenue.
(2) Marketing & New Ventures includes revenue of $123 million (2020: $65 million) associated with U.S. midstream sales.
(3) During 2021, no one customer accounted for 10 percent or more of total revenues reported throughout all segments. During 2020, one customer accounted for 10 percent or more of total revenues with $301 million reported throughout all segments

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

($ millions)	Currency Translation Reserve	Cash Flow Hedge Reserve	Pension and other Post-Retirement Benefit Plan Adjustments[2]	Total
Balance at December 31, 2019	134	—	(36)	98
Other comprehensive gain before hedging activities	253	—	14	267
Other comprehensive gain (loss) resulting from hedging activities[1]	11	(1)	—	10
Tax impact	(1)	—	—	(1)
Balance at June 30, 2020	397	(1)	(22)	374
Balance at December 31, 2020	48	—	(46)	2
Other comprehensive loss before hedging activities	(122)	—	—	(122)
Other comprehensive gain resulting from hedging activities[1]	7	4	—	11
Balance at June 30, 2021	(67)	4	(46)	(109)

(1) Amounts relate to hedges of the Company's net investment in foreign operations (reported in Currency Translation Reserve) and interest rate derivatives designated as cash flow hedges (reported in Cash Flow Hedge Reserve)(Note 13).
(2) Pension and other Post-Retirement Benefit Plan Adjustments will not be reclassified into earnings.

13. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Risk Management

Pembina's risk management strategies, policies and limits, ensure risks and exposures are aligned to its business strategy and risk tolerance. Pembina's Board of Directors is responsible for providing risk management oversight at Pembina and oversees how management monitors compliance with Pembina's risk management policies and procedures and reviews the adequacy of this risk framework in relation to the risks faced by Pembina.

Pembina's financial risks are consistent with those discussed in Note 27 of the Consolidated Financial Statements. Pembina has exposure to counterparty credit risk, liquidity risk and market risk. As at June 30, 2021, the Company has entered into certain financial derivative contracts in order to manage commodity price, foreign exchange and interest rate risk. These instruments are not used for trading or speculative purposes.

Fair Values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the condensed consolidated interim statements of financial position, are shown in the table below. Certain non-derivative financial instruments measured at amortized cost including cash and cash equivalents, trade receivables and other, finance lease receivables, advances to related parties and trade payables and other have been excluded because they have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. These instruments would be classified in Level 2 of the fair value hierarchy.

	June 30, 2021				December 31, 2020			
		Fair Value[1]				Fair Value[1]		
($ millions)	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	Carrying Value	Level 1	Level 2	Level 3
Financial assets carried at fair value								
Derivative financial instruments[3]	**74**	—	**74**	—	53	—	53	—
Financial liabilities carried at fair value								
Derivative financial instruments[3]	**109**	—	**109**	—	69	—	69	—
Financial liabilities carried at amortized cost								
Long-term debt[2]	**11,398**	—	**12,005**	—	10,876	—	11,902	—

(1) The basis for determining fair value is disclosed in Note 3.
(2) Carrying value of current and non-current balances. Includes loans and borrowings and subordinated hybrid notes.
(3) At June 30, 2021 all derivative financial instruments are carried at fair value through earnings, except for $5 million in interest rate derivative financial assets that have been designated as cash flow hedges.

Pembina's financial instruments classified in level 2 of the fair value hierarchy are valued using inputs that include quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Instruments in this category include non-exchange traded derivatives such as over-the-counter physical forwards and options, including those that have prices similar to quoted market prices. Pembina obtains quoted market prices for its inputs from information sources including banks, Bloomberg Terminals and Natural Gas Exchange.

Derivative instruments

Pembina enters into derivative instruments to hedge future cash flows associated with interest rate, commodity, and foreign exchange exposures. Derivatives are considered effective hedges to the extent that they offset the changes in value of the hedged item or transaction resulting from a specified risk factor. In some cases, even though the derivatives are considered to be effective economic hedges, they do not meet the specific criteria for hedge accounting treatment and are classified as held at fair value through profit or loss ("FVTPL").

The following table is a summary of the net derivative financial instruments, which is consistent with the gross balances:

	June 30, 2021					December 31, 2020			
($ millions)	**Current Asset**	**Non-Current Asset**	**Current Liability**	**Non-Current Liability**	**Total**	Current Asset	Non-Current Asset	Current Liability	Total
Commodity, power, storage and rail financial instruments	**19**	**44**	**(102)**	**(7)**	**(46)**	11	27	(68)	(30)
Interest rate	**—**	**5**	**—**	**—**	**5**	—	1	(1)	—
Foreign exchange	**6**	**—**	**—**	**—**	**6**	14	—	—	14
Net derivative financial instruments	**25**	**49**	**(102)**	**(7)**	**(35)**	25	28	(69)	(16)

Notional and Maturity Summary

The maturity and notional amount or quantity outstanding related to Pembina's derivative instruments are as follows:

($ millions)	**Liquids** *(bpd)*	**Natural Gas** *(GJ/d)*	**Power** *(GWh)*	**Foreign Exchange**	**Interest Rate**
As at June 30, 2021					
Purchases[1]	**—**	**31,711**	**6,059**	**—**	**—**
Sales[1]	**7,597**	**—**	**—**	**—**	**—**
Millions of U.S. dollars	**—**	**—**	**—**	**83**	**250**
Maturity dates	**2022**	**2022**	**2040**	**2021**	**2025**
As at December 31, 2020					
Purchases[1][2]	1,756	73,557	—	—	—
Sales[1]	25,284	—	—	—	—
Millions of U.S. dollars	—	—	—	260	250
Maturity dates	2021	2021	2021	2021	2025

(1) Barrels per day ("bpd"), gigajoules per day ("GJ/d") and gigawatt hours ("GWh").
(2) As at December 31, 2020 Pembina had outstanding power purchase derivatives representing approximately 6 megawatt hours.

Gains and Losses on Derivative Instruments

Realized and unrealized losses (gains) on derivative instruments are as follows:

	3 Months Ended June 30		6 Months Ended June 30	
($ millions)	**2021**	2020	**2021**	2020
Derivative instruments held at FVTPL[(1)]				
Realized loss (gain)				
Commodity-related	**33**	(36)	**121**	(53)
Foreign exchange	**(3)**	4	**(8)**	4
Unrealized (gain) loss				
Commodity-related	**(1)**	101	**4**	(8)
Foreign exchange	**4**	22	**8**	22
Derivative instruments in hedging relationships[(2)]				
Unrealized loss (gain)				
Interest rate	**1**	1	**(4)**	1

(1) Realized and unrealized losses (gains) on commodity derivative instruments held at FVTPL are included in loss (gain) on commodity-related derivative financial instruments in the Interim Financial Statements. Realized and unrealized losses (gains) on foreign exchange derivative instruments held at FVTPL are included in net finance costs in the Interim Financial Statements.

(2) Unrealized losses (gains) on derivatives in designated cash flow hedging relationships are recognized in the cash flow hedge reserve in accumulated other comprehensive income, with realized (gains) losses being reclassified to net finance costs. Refer to Note 12 for amounts reclassified. No (gains) losses have been recognized in net income relating to discontinued cash flow hedges.

Non-Derivative Instruments Designated as Net Investment Hedges

Pembina has designated certain U.S. dollar denominated debt as a hedge of the Company's net investment in U.S. dollar denominated subsidiaries and investments in equity accounted investees. The designated debt has been assessed as having no ineffectiveness as the U.S. dollar debt has an equal and opposite exposure to U.S. dollar fluctuations. As a result, all foreign exchange gains or losses on the debt are reported directly in other comprehensive income.

The following balances of U.S. dollar debt had been designated as hedges:

($ millions)	**June 30, 2021**	December 31, 2020
Notional amount of U.S. debt designated (in U.S. dollars)	**250**	250
Carrying value of U.S. debt designated	**308**	317
Maturity date	**2025**	2025

14. COMMITMENTS AND CONTINGENCIES

Commitments

Pembina had the following contractual obligations outstanding at June 30, 2021:

Contractual Obligations[1]	Payments Due by Period				
($ millions)	**Total**	**Less than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**After 5 Years**
Leases[2]	1,032	121	188	157	566
Long-term debt[3]	16,906	887	2,895	2,284	10,840
Construction commitments[4]	1,092	503	77	33	479
Other	549	85	128	70	266
Total contractual obligations	19,579	1,596	3,288	2,544	12,151

(1) Pembina enters into product purchase agreements and power purchase agreements to secure supply for future operations. Purchase prices of both NGL and power are dependent on current market prices. Volumes and prices for NGL and power contracts cannot be reasonably determined, and therefore, an amount has not been included in the contractual obligations schedule. Product purchase agreements range from one to 9 years and involve the purchase of NGL products from producers. Assuming product is available, Pembina has secured between 12 and 138 mbpd of NGL each year up to and including 2029. Power purchase agreements range from one to 24 years and involve the purchase of power from electrical service providers. Pembina has secured up to 80 megawatts per day each year up to and including 2045.

(2) Includes terminals, rail, office space, land and vehicle leases.

(3) Includes loans and borrowings, subordinated hybrid notes and interest payments on Pembina's senior unsecured medium-term notes and subordinated hybrid notes. Excludes deferred financing costs.

(4) Excluding significant projects that are awaiting regulatory approval, projects which Pembina is not committed to construct, and projects that are executed by equity accounted investees.

Commitments to Equity Accounted Investees

Pembina has commitments to provide contributions to certain equity accounted investees based on annual budgets approved by the joint venture partners and contractual agreements.

Contingencies

Pembina, including its subsidiaries and its investments in equity accounted investees, are subject to various legal and regulatory and tax proceedings, actions and audits arising in the normal course of business. We represent our interests vigorously in all proceedings in which we are involved. Legal and administrative proceedings involving possible losses are inherently complex, and we apply significant judgment in estimating probable outcomes. Of most significance is a claim filed against Aux Sable by a counterparty to an NGL supply agreement. Aux Sable has filed Statements of Defense responding to the claim. While the final outcome of such actions and proceedings cannot be predicted with certainty, at this time management believes that the resolutions of such actions and proceedings will not have a material impact on Pembina's financial position or results of operations.

Letters of Credit

Pembina has provided letters of credit to various third parties in the normal course of conducting business. The letters of credit include financial guarantees to counterparties for product purchases and sales, transportation services, utilities, engineering and construction services. The letters of credit have not had and are not expected to have a material impact on Pembina's financial position, earnings, liquidity or capital resources. As at June 30, 2021, Pembina had $129 million (December 31, 2020: $91 million) in letters of credit issued.

15. SUBSEQUENT EVENT

On June 1, 2021, Pembina announced that it had entered into an arrangement agreement with Inter Pipeline Ltd. ("Inter Pipeline"), pursuant to which Pembina proposed to acquire all of the issued and outstanding shares of Inter Pipeline by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Inter Pipeline Acquisition"). Pursuant to the Inter Pipeline Acquisition, holders of Inter Pipeline common shares (other than dissenting holders of Inter Pipeline common shares) would have received 0.5 of a common share of Pembina for each common share of Inter Pipeline that they owned. On July 25, 2021, the arrangement agreement was terminated and Pembina received the termination fee of $350 million.

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STOCK EXCHANGE

Pembina Pipeline Corporation

Toronto Stock Exchange listing symbols for:

COMMON SHARES PPL
PREFERRED SHARES PPL.PR.A, PPL.PR.C, PPL.PR.E, PPL.PR.G, PPL.PR.I, PPL.PR.O, PPL.PR.Q, PPL.PR.S, PPL.PF.A, PPL.PF.C and PPL.PF.E

New York Stock Exchange listing symbol for:

Common shares PBA

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