

MANAGEMENT'S DISCUSSION & ANALYSIS



REPORT TO SHAREHOLDERS

First Quarter 2023



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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 May 4, 2023, and is supplementary to, and should be read in conjunction with, Pembina's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 ("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, 2022. All financial information provided in this MD&A has been prepared in accordance with International Accounting Standard ("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 (which are 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 disclosed certain financial measures and ratios within this MD&A that management believes provide meaningful information in assessing Pembina's underlying performance, but which are not specified, defined or determined in accordance with Canadian generally accepted accounting principles ("GAAP") and which are not disclosed in Pembina's Interim Financial Statements. Such non-GAAP financial measures and non-GAAP ratios do not have any standardized meaning prescribed by IFRS and may not be comparable to similar financial measures or ratios disclosed by other issuers. Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A for additional information regarding these non-GAAP financial measures and non-GAAP ratios.

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 the "Risk Factors" sections of Pembina's MD&A and Annual Information Form ("AIF"), for the year ended December 31, 2022. 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 Pipeline Corporation is a leading energy transportation and midstream service provider that has served North America's energy industry for more than 65 years. Pembina owns an integrated network of hydrocarbon liquids and natural gas pipelines, gas gathering and processing facilities, oil and natural gas liquids infrastructure and logistics services, and an export terminals business. Through our integrated value chain, we seek to provide safe and reliable energy solutions that connect producers and consumers across the world, support a more sustainable future and benefit our customers, investors, employees and communities. For more information, please visit www.pembina.com.

Pembina's Purpose and Strategy

We deliver extraordinary energy solutions so the world can thrive.

Pembina will build on its strengths by continuing to invest in and grow the core businesses that provide critical transportation and midstream services to help ensure reliable and secure energy supply. Pembina will capitalize on exciting opportunities to leverage its assets and expertise into new service offerings that proactively respond to the transition to a lower-carbon economy. In continuing to meet global energy demand and its customers' needs, while ensuring Pembina's long-term success and resilience, the Company has established four strategic priorities:

1. **To be resilient, we will sustain, decarbonize, and enhance our businesses.** This priority is focused on strengthening and growing our existing franchise and demonstrating environmental leadership.
2. **To thrive, we will invest in the energy transition to improve the basins in which we operate.** We will expand our portfolio to include new businesses associated with lower-carbon commodities.
3. **To meet global demand, we will transform and export our products.** We will continue our focus on supporting the transformation of Western Canadian Sedimentary Basin commodities into higher margin products and enabling more coastal egress.
4. **To set ourselves apart, we will create a differentiated experience for our stakeholders.** We remain committed to delivering excellence for our four key stakeholder groups meaning that:
 - a. *Employees* say we are the 'employer of choice' and value our safe, respectful, collaborative, and inclusive work culture.
 - b. *Communities* welcome us and recognize the net positive impact of our social and environmental commitment.
 - c. *Customers* choose us first for reliable and value-added services.
 - d. *Investors* receive sustainable industry-leading total returns.

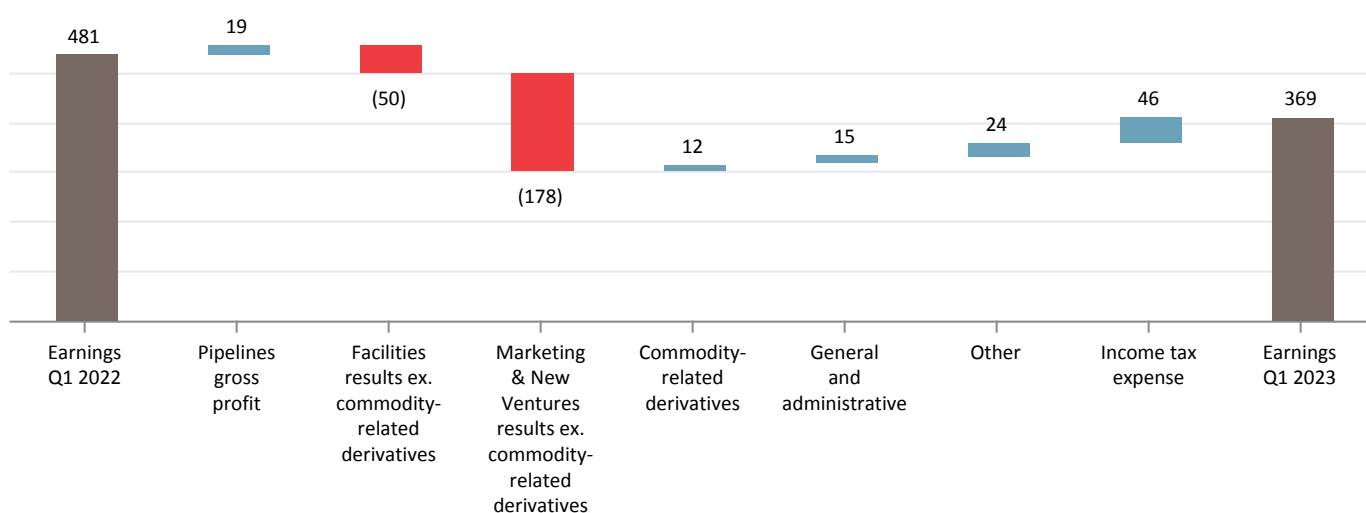
2. FINANCIAL & OPERATING OVERVIEW

Consolidated Financial Overview for the Three Months Ended March 31

Results of Operations

(\$ millions, except where noted)	2023	2022	Change
Revenue	2,297	3,038	(741)
Net revenue ⁽¹⁾	946	1,154	(208)
Gross profit	672	857	(185)
Earnings	369	481	(112)
Earnings per common share – basic and diluted (dollars)	0.61	0.81	(0.20)
Cash flow from operating activities	458	655	(197)
Cash flow from operating activities per common share – basic (dollars)	0.83	1.19	(0.36)
Adjusted cash flow from operating activities ⁽¹⁾	634	700	(66)
Adjusted cash flow from operating activities per common share – basic (dollars) ⁽¹⁾	1.15	1.27	(0.12)
Capital expenditures	137	179	(42)
Adjusted EBITDA ⁽¹⁾	947	1,005	(58)
Total volumes (mboe/d) ⁽²⁾	3,188	3,369	(181)

Change in Earnings (\$ millions)⁽³⁾⁽⁴⁾



Results Overview

Earnings in the first quarter of 2023 were positively impacted by higher revenue in Pipelines due to increased upstream activity on the Peace Pipeline system and on the Cochin Pipeline, partially offset by impacts from the Northern Pipeline system outage. Facilities results were impacted by the change in ownership of the majority of Pembina's field-based gas processing assets, which were wholly-owned prior to the creation of PGI on August 15, 2022 (the "PGI Transaction"), and are now being accounted for in share of profit from equity accounted investees, which is affected by expenses such as interest and taxes. Marketing & New Ventures results were impacted by lower margins on NGL and crude oil sales, as well as lower marketed NGL volumes and lower share of profit from Aux Sable. During the period, Pembina also had lower losses on commodity-related derivatives mainly due to NGL-based derivatives and lower general and administrative expenses primarily due to lower long-term incentive costs, while other expenses decreased largely as a result of lower acquisition fees incurred during the period. Income tax expense decreased due to lower current period earnings and the tax impact of the PGI Transaction.

Changes in Results for the Three Months Ended March 31

Revenue	▼	\$741 million decrease. Lower revenue in Marketing & New Ventures primarily due to a decrease in prices across the crude oil complex and lower NGL prices and marketed NGL volumes, combined with lower revenue in Facilities largely due to revenue from the field-based gas processing assets contributed to PGI and now reflected in share of profit from equity accounted investees ("share of profit") and lower recoverable costs. These are partially offset by higher Pipeline revenue mainly on the Peace Pipeline system and Cochin Pipeline. On January 18, 2023, an unplanned outage occurred on the Northern Pipeline system ("Northern Pipeline system outage"), resulting in an impact to consolidated revenue of \$37 million. Service on the Northern Pipeline system resumed on February 23, 2023 at a reduced operating pressure.
Cost of goods sold	▲	\$533 million decrease, largely due to lower crude oil and NGL market prices in Marketing & New Ventures.
Operating expenses	▼	\$7 million increase, primarily due to higher power costs in Pipelines, the majority of which are recoverable, as a result of the higher power pool price during the quarter, as well as an impact of \$17 million resulting from the Northern Pipeline system outage, partially offset by lower Facilities operating expenses primarily due to the operating expenses from the field-based gas processing assets contributed in connection with the PGI Transaction now being reflected in share of profit, coupled with lower recoverable costs at Empress.
Depreciation and amortization included in operations	▲	\$21 million decrease, primarily due to the contributed field-based gas processing assets now being accounted for under equity accounting by Pembina for its investment in PGI.
Share of profit from equity accounted investees	●	Consistent with the prior period. Lower share of profit from Aux Sable as a result of lower NGL prices and re-contracting in the fourth quarter of 2022 was largely offset by contributions from PGI following the PGI Transaction.
Realized (gain) loss on commodity-related derivatives	▲	\$71 million positive variance, primarily due to realized gains on NGL-based derivative instruments driven by the change in NGL market prices during the period compared to losses in the first quarter of 2022.
Unrealized loss (gain) on commodity-related derivatives	▼	\$59 million negative variance, primarily due to NGL-based derivative contracts maturing in the period.
General and administrative	▲	\$15 million decrease, primarily due to lower long-term incentive costs driven by the change in Pembina's share price in the first quarter of 2023 compared to the first quarter of 2022, partially offset by higher information technology-related maintenance costs.
Other (income) expense	▲	\$14 million increase, primarily due to lower acquisition and restructuring costs recognized during the period compared to the first quarter of 2022, partially offset by a gain on the initial recognition of a lease in Pipelines in the first quarter of 2022.
Net finance costs	●	Consistent with the prior period.
Current tax expense	▲	\$22 million decrease, primarily due to lower current period earnings and the tax impact of the PGI Transaction.
Deferred tax expense	▲	\$24 million decrease, primarily due to lower current period earnings and the tax impact of the PGI Transaction.
Cash flow from operating activities	▼	\$197 million decrease, primarily driven by a decrease in the change in non-cash working capital due mainly to the Ruby settlement and lower operating results, as well as higher share-based compensation payments, partially offset by a decrease in taxes paid and higher distributions from equity accounted investees.
Adjusted cash flow from operating activities⁽¹⁾	▼	\$66 million decrease, largely due to the same items impacting cash flow from operating activities, discussed above, excluding the change in non-cash working capital, taxes paid, and share-based compensation payments, partially offset by lower current tax expense and accrued share-based payments.
Adjusted EBITDA⁽¹⁾	▼	\$58 million decrease, primarily due to lower net revenue from Marketing & New Ventures and Facilities, partially offset by higher adjusted EBITDA from equity accounted investees, due to the contributions from PGI which outweighed the lower contributions from Aux Sable and Ruby. Additionally, the first quarter of 2023 had realized gains on commodity-related derivatives compared to losses recognized during the first quarter of 2022, as well as higher Pipeline revenue and lower long-term incentive costs. The Northern Pipeline system outage had an impact on consolidated adjusted EBITDA of \$54 million in the period.
Total volumes (mboe/d)⁽²⁾	▼	181 mboe/d decrease, largely driven by the disposition of Pembina's interest in certain Facilities assets at Empress in the fourth quarter of 2022, lower volumes due to the Northern Pipeline system outage (decrease of 132 mboe/d) and from Ruby, partially offset by the recognition of volumes in Facilities following the PGI Transaction and higher volumes on certain Pipeline systems resulting from increased upstream activity and third-party outages in the first quarter of 2022. Volumes include 490 mboe/d (2022: 294 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 & Other Financial Measures" section of this MD&A.

⁽²⁾ Total revenue volumes. See the "Abbreviations" section of this MD&A for definition. Volumes do not include Empress processing capacity. Marketed NGL volumes are excluded from volumes to avoid double counting. Refer to the "Marketing & New Ventures" section of this MD&A for further information.

⁽³⁾ Facilities results excluding commodity-related derivatives and Marketing & New Ventures results excluding commodity-related derivatives includes gross profit less realized and unrealized commodity-related derivative financial instruments.

⁽⁴⁾ Other includes other expenses, net finance costs, 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. Through Pembina's wholly-owned and joint venture assets, the Pipelines Division manages pipeline transportation capacity of 2.8 mboe/d⁽¹⁾, above ground storage capacity of 11 mmbbls⁽¹⁾ and rail terminalling capacity of approximately 105 mboe/d⁽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, Alberta 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 products from hydrocarbon producing regions to refineries, fractionators and market hubs in Alberta, British Columbia, and Illinois, 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. Through its wholly-owned assets and its interest in PGI, Pembina's natural gas gathering and processing facilities 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 5.4 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 and 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 import/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 pursues this goal through the creation of new markets, and further enhances existing 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. This includes developing new business platforms and undertaking initiatives that seek to reduce the greenhouse gas ("GHG") emissions intensity of Pembina's and its customers' operations.

Within the Marketing & New Ventures Division, Pembina undertakes value-added commodity marketing activities including buying and selling products (natural gas, ethane, propane, butane, condensate, crude oil and electricity), 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. Through this infrastructure capacity, as well as utilizing the Company's expansive rail fleet and logistics capabilities, Pembina's marketing business adds incremental value to the commodities by accessing high value markets across North America and globally.

The Marketing & New Ventures Division is also responsible for the development of new large-scale, or value chain extending projects, including those that provide enhanced access to global markets and support a transition to a lower-carbon economy. Currently, Pembina is pursuing opportunities associated with liquefied natural gas ("LNG"), low-carbon commodities, and large-scale GHG emissions reductions.

⁽¹⁾ Net capacity.

⁽²⁾ Net capacity; includes Aux Sable capacity; the financial and operational results for Aux Sable are included in the Marketing & New Ventures Division.

Financial and Operational Overview by Division

(\$ millions, except where noted)	3 Months Ended March 31					
	2023			2022		
	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾
Pipelines	2,467	376	525	2,493	361	521
Facilities	721	135	298	876	250	281
Marketing & New Ventures	—	120	169	—	217	267
Corporate	—	(156)	(45)	—	(195)	(64)
Total	3,188	475	947	3,369	633	1,005

⁽¹⁾ Total revenue volumes. See the "Abbreviations" section of this MD&A for definition. Volumes do not include Empress processing capacity. Marketed NGL volumes are excluded from volumes to avoid double counting. Refer to the "Marketing & New Ventures" section of this MD&A for further information.

⁽²⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

Pipelines

Financial Overview for the Three Months Ended March 31

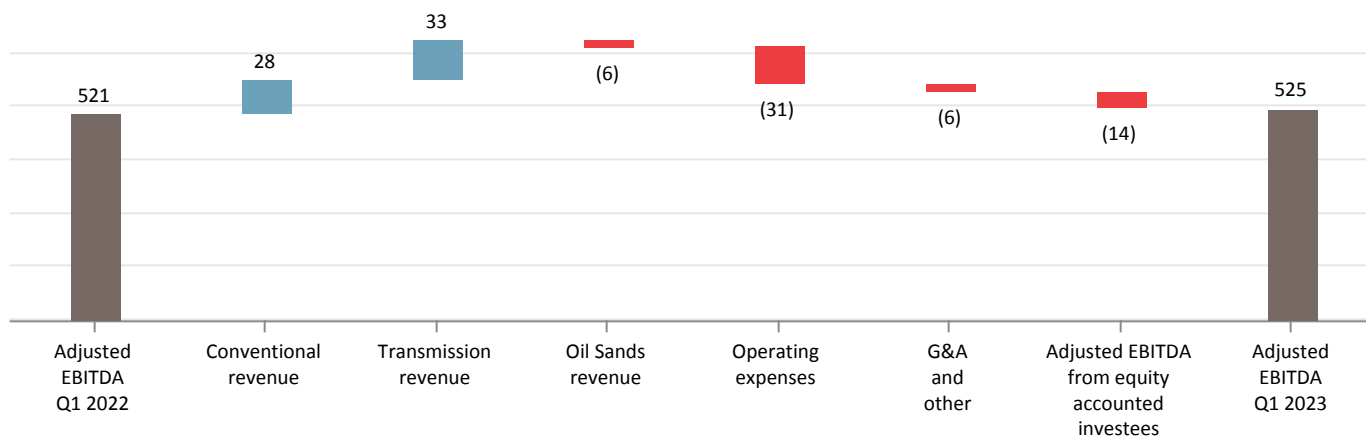
Results of Operations

(\$ millions, except where noted)	2023	2022	Change
Conventional revenue ⁽¹⁾⁽²⁾	388	360	28
Transmission revenue ⁽¹⁾⁽²⁾	138	105	33
Oil Sands revenue ⁽¹⁾⁽²⁾	102	108	(6)
Pipelines revenue ⁽¹⁾	628	573	55
Operating expenses ⁽¹⁾	172	141	31
Depreciation and amortization included in operations	99	99	—
Share of profit from equity accounted investees	35	40	(5)
Gross profit	392	373	19
Reportable segment earnings before tax	376	361	15
Adjusted EBITDA ⁽³⁾	525	521	4
Volumes (mboe/d) ⁽⁴⁾	2,467	2,493	(26)
Distributions from equity accounted investees	70	87	(17)

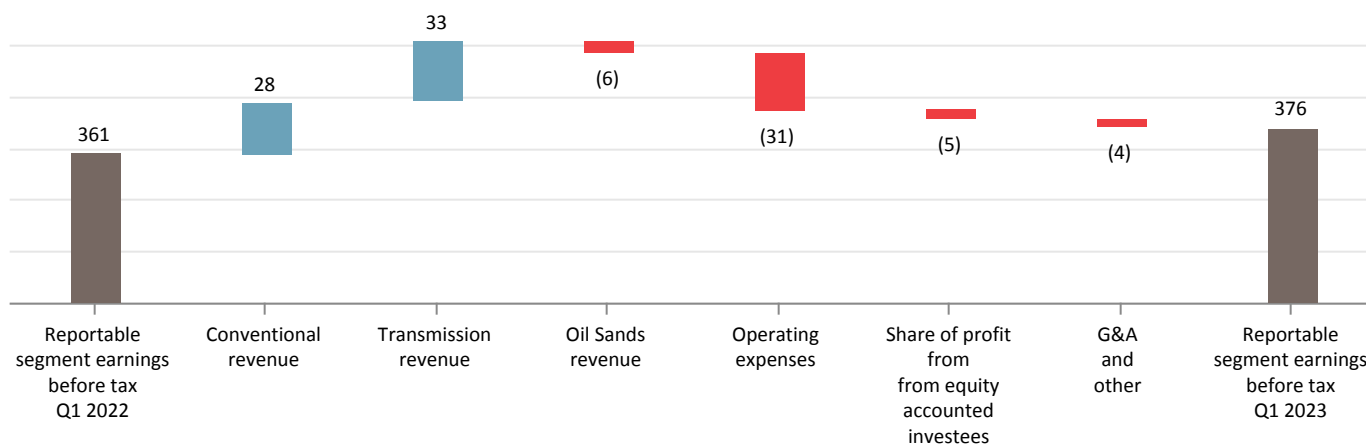
Change in Results

Conventional revenue⁽¹⁾⁽²⁾	▲	Increase largely due to higher volumes on the Peace Pipeline system resulting from increased upstream activity, higher recoverable project costs, and higher tolls, partially offset by lower revenue due to the Northern Pipeline system outage. Refer to the "Financial & Operating Overview - Results Overview" section for further details on the Northern Pipeline system outage.
Transmission revenue⁽¹⁾⁽²⁾	▲	Increase primarily due to the higher U.S. dollar exchange rate and higher tolls on the Cochin Pipeline, higher volumes on the Vantage Pipeline due to third-party outages during the first quarter of 2022, and higher recoverable costs at the Alberta Ethane Gathering System ("AEGS").
Oil Sands revenue⁽¹⁾⁽²⁾	▼	Decrease primarily due to lower revenue related to recoverable project costs on the Horizon Pipeline system, partially offset by higher recoverable power costs.
Operating expenses⁽¹⁾	▼	Increase largely due to higher power costs, the majority of which are recovered in revenue, as a result of the higher power pool price during the quarter, combined with costs associated with the Northern Pipeline system outage, partially offset by lower geotechnical costs primarily related to the Western Pipeline.
Share of profit from equity accounted investees	●	Consistent with the prior period.
Reportable segment earnings before tax	▲	Increase largely due to higher volumes and higher recoverable project costs on the Peace Pipeline system and higher revenues from the Cochin Pipeline, Vantage Pipeline, and at AEGS, partially offset by the impacts of the Northern Pipeline system outage and lower revenue related to recoverable project costs on the Horizon Pipeline system.
Adjusted EBITDA⁽³⁾	●	Consistent with the prior period. Due to the same items impacting reportable segment earnings before tax, discussed above, largely offset by lower adjusted EBITDA from Ruby. Included in adjusted EBITDA is \$77 million (2022: \$76 million) related to Alliance and nil (2022: \$15 million) related to Ruby.
Volumes (mboe/d)⁽⁴⁾	▼	Decrease largely driven by lower volumes due to the Northern Pipeline system outage and from Ruby, partially offset by higher volumes on the Peace Pipeline system resulting from increased upstream activity, combined with higher volumes at AEGS and on the Vantage Pipeline due to third-party outages in the first quarter of 2022. Volumes include 147 mboe/d (2022: 146 mboe/d) related to Alliance and nil (2022: 57 mboe/d) related to Ruby.
Distributions from equity accounted investees	▼	\$70 million (2022: \$87 million) from Alliance. The decrease is due to the re-financing of debt in the fourth quarter of 2021 which provided an incremental distribution in the first quarter of 2022.

Change in Adjusted EBITDA (\$ millions)⁽²⁾⁽³⁾



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽²⁾



⁽¹⁾ Includes inter-segment transactions. See Note 9 to the Interim Financial Statements.

⁽²⁾ Conventional, transmission and oil sands revenue include revenue generated from Pembina's conventional, transmission and oil sands and heavy oil assets within the Pipelines Division, respectively. For further details on Pembina's assets, refer to Pembina's AIF for the year ended December 31, 2022.

⁽³⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

⁽⁴⁾ Revenue volumes. See the "Abbreviations" section of this MD&A for definition.

Financial and Operational Overview

(\$ millions, except where noted)	3 Months Ended March 31					
	2023			2022		
	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾
Pipelines⁽³⁾						
Conventional	900	240	288	897	245	286
Transmission	594	107	177	621	85	166
Oil Sands	973	31	62	975	37	75
General & administrative	—	(2)	(2)	—	(6)	(6)
Total	2,467	376	525	2,493	361	521

⁽¹⁾ Revenue volumes in mboe/d. See the "Abbreviations" section of this MD&A for definition.

⁽²⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

⁽³⁾ Includes values attributed to Pembina's conventional, transmission and oil sands and heavy oil assets within the Pipelines Division. Refer to Pembina's AIF for the year ended December 31, 2022.

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
Phase VII Peace Pipeline Expansion	June 2022
Phase IX Peace Pipeline Expansion	December 2022

The following outlines the projects and new developments within Pipelines:

Phase VIII Peace Pipeline Expansion
Capital Budget: \$530 million In-service Date: First half of 2024 Status: On time, trending under budget
This expansion will enable segregated pipeline service for ethane-plus and propane-plus NGL mix from Gordondale, Alberta, which is centrally located within the Montney trend, into the Edmonton area for market delivery. The project includes new 10-inch and 16-inch pipelines, totaling approximately 150 km, in the Gordondale to La Glace corridor of Alberta, as well as new mid-point pump stations and terminal upgrades located throughout the Peace Pipeline system. Phase VIII will add approximately 235 mbpd of incremental capacity between Gordondale, Alberta and La Glace, Alberta, as well as approximately 65 mbpd of capacity between La Glace, Alberta and the Namao hub near Edmonton, Alberta. Pipe manufacturing is complete and construction progressed at several locations in the first quarter of 2023. Three pump stations are expected to enter service throughout 2023.

⁽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, 2022 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 March 31

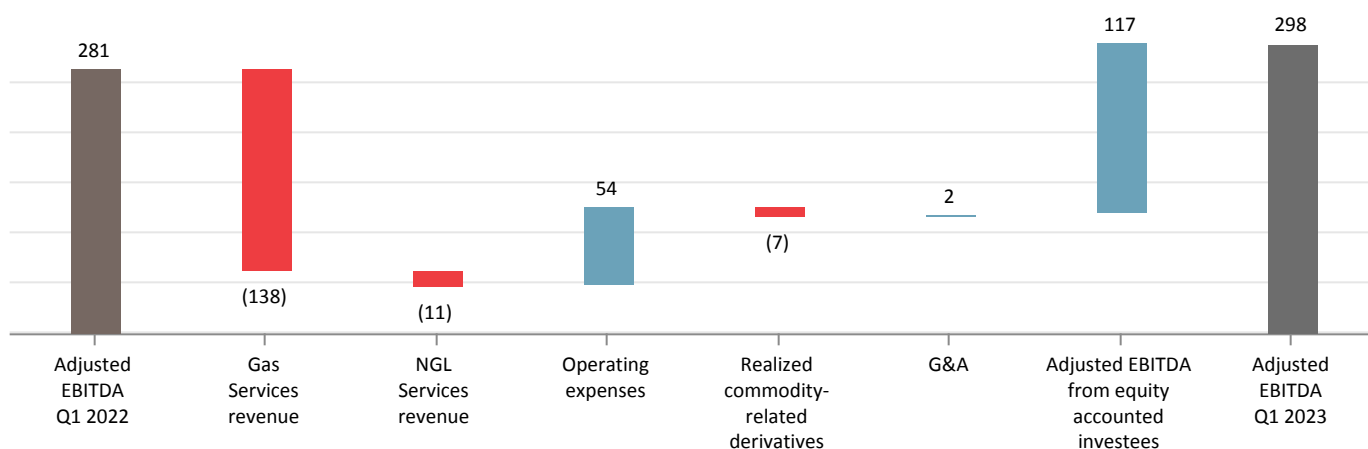
Results of Operations

(\$ millions, except where noted)	2023	2022	Change
Gas Services revenue ⁽¹⁾⁽²⁾	37	175	(138)
NGL Services revenue ⁽¹⁾⁽²⁾	171	182	(11)
Facilities revenue ⁽¹⁾	208	357	(149)
Operating expenses ⁽¹⁾	80	134	(54)
Cost of goods sold ⁽¹⁾	—	—	—
Depreciation and amortization included in operations	34	55	(21)
Realized gain on commodity-related derivative financial instruments	—	(7)	7
Unrealized gain on commodity-related derivative financial instruments	—	(60)	60
Share of profit from equity accounted investees	48	24	24
Gross profit	142	259	(117)
Reportable segment earnings before tax	135	250	(115)
Adjusted EBITDA ⁽³⁾	298	281	17
Volumes (mboe/d) ⁽⁴⁾	721	876	(155)
Distributions from equity accounted investees	121	35	86

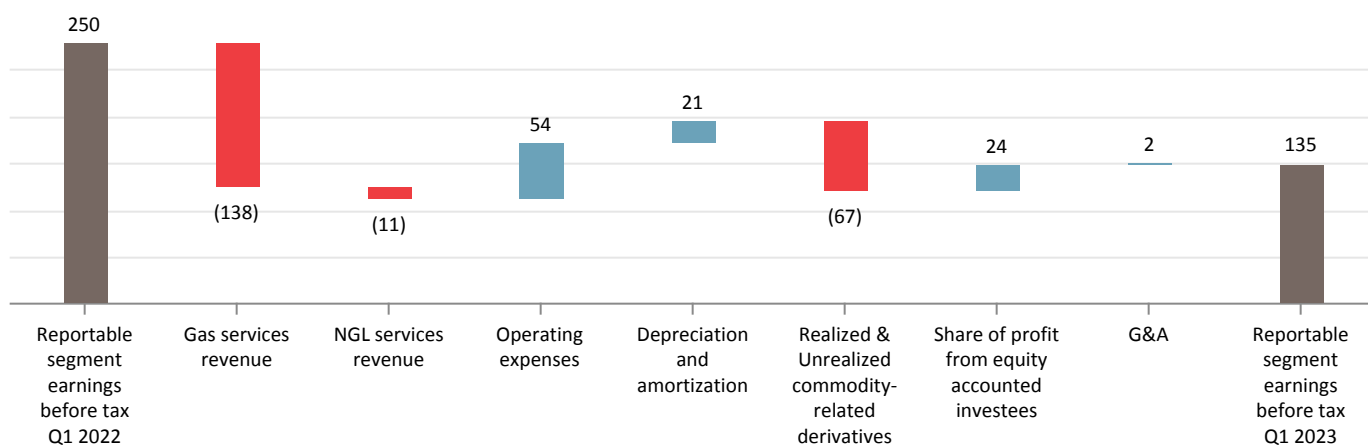
Changes in Results

Gas Services revenue⁽¹⁾⁽²⁾	▼	Decrease largely due to the change in ownership of Pembina's formerly wholly-owned field-based gas processing assets as part of the PGI Transaction. The revenue from these assets is included in share of profit. This is combined with lower recoverable costs as a result of the commissioning of the Empress Cogeneration Facility and the disposition of Pembina's interest in the assets comprising the Empress I Plant, Empress I Expansion Plant, and the Empress VI Plant (collectively "E1 and E6"), both of which occurred in the fourth quarter of 2022. This decrease in recoverable costs was accompanied by a corresponding reduction in operating expenses, as discussed below. Additionally, there were lower volumes at Younger resulting from the Northern Pipeline system outage.
NGL Services revenue⁽¹⁾⁽²⁾	▼	Decrease primarily due to lower supply volumes at the Redwater Complex resulting from the Northern Pipeline system outage, coupled with lower terminalling revenue.
Operating expenses⁽¹⁾	▲	Decrease largely due to the PGI Transaction which resulted in operating expenses for the formally wholly-owned field-based gas processing assets now being accounted for in share of profit, as well as reduced operating expenses resulting from the commissioning of the Empress Cogeneration Facility and the disposition of Pembina's interest in the E1 and E6 assets, discussed above.
Depreciation and amortization included in operations	▲	Decrease primarily due to the contributed field-based gas processing assets now being accounted for under equity accounting by Pembina for its investment in PGI.
Realized and unrealized gain on commodity-related derivatives	▼	The change is due to the transfer of the commodity-related derivatives from Pembina to PGI as part of the contributed field-based gas processing assets.
Share of profit from equity accounted investees	▲	Increase primarily due to the contributions from PGI's gas processing assets, partially offset by interest expense on long-term debt, depreciation resulting from the PGI assets recorded at fair value, and income tax expense, compared to the contributions in the first quarter of 2022 when Pembina owned a 45 percent interest in Veresen Midstream.
Reportable segment earnings before tax	▼	Decrease primarily due to lower contribution from Gas Services as a result of the PGI Transaction, which involved a change in ownership of Pembina's formerly wholly-owned field-based gas processing assets and commodity-related derivatives, combined with lower supply volumes at the Redwater Complex and lower terminalling revenue, partially offset by increased share of profit from PGI and lower depreciation.
Adjusted EBITDA⁽³⁾	▲	Increase primarily due to adjusted EBITDA from PGI due to the contributions from certain PGI gas processing assets, including the former Energy Transfer Canada plants and the Dawson Assets, partially offset by lower contribution from Gas Services and lower supply volumes at the Redwater Complex. Included in adjusted EBITDA is nil (2022: \$54 million) related to Veresen Midstream and \$172 million (2022: nil) related to PGI.
Volumes (mboe/d)⁽⁴⁾	▼	Decrease primarily due to the disposition of Pembina's interest in the E1 and E6 assets in exchange for a processing agreement that provides Pembina the right to first priority for gas processing at all Plains-operated assets at Empress. Additionally, lower volumes at the Redwater Complex and Younger resulting from the Northern Pipeline system outage, partially offset by the volumes from PGI, primarily at the former Energy Transfer Canada plants and on the Dawson assets. Volumes include 343 mboe/d (2022: nil) related to PGI and nil (2022: 91 mboe/d) related to Veresen Midstream.
Distributions from equity accounted investees	▲	\$120 million (2022: nil) from PGI, \$1 million (2022: \$1 million) from Fort Corp, and no distributions (2022: \$34 million) from Veresen Midstream. The increase in distributions is attributed to the contributions made by PGI's gas processing assets.

Change in Adjusted EBITDA (\$ millions)⁽²⁾⁽³⁾



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽²⁾



⁽¹⁾ Includes inter-segment transactions. See Note 9 to the Interim Financial Statements.

⁽²⁾ Gas services and NGL services revenue include revenue generated from Pembina's gas services and NGL services assets within the Facilities operating segment, respectively. For further details on Pembina's assets, refer to Pembina's AIF for the year ended December 31, 2022.

⁽³⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

⁽⁴⁾ Revenue volumes. See the "Abbreviations" section of this MD&A for definition. Volumes do not include Empress processing capacity.

Financial and Operational Overview

(\$ millions, except where noted)	3 Months Ended March 31					
	2023			2022		
	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾
Facilities⁽³⁾						
Gas Services	563	59	193	675	171	170
NGL Services	158	76	105	201	83	115
General & administrative	—	—	—	—	(4)	(4)
Total	721	135	298	876	250	281

⁽¹⁾ Revenue volumes. See the "Abbreviations" section of this MD&A for definition. Volumes do not include Empress processing capacity.

⁽²⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

⁽³⁾ Includes values attributed to Pembina's gas and NGL services assets within the Facilities operating segment. For a description of Pembina's gas and NGL assets, refer to Pembina's AIF for the year ended December 31, 2022.

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
Empress Cogeneration Facility	November 2022

The following outlines the projects and new developments within Facilities:

RFS IV		
Capital Budget: \$460 million	In-service Date⁽²⁾: First half of 2026	Status: Recently Announced
RFS IV is a 55,000 bpd propane-plus fractionator at the existing Redwater fractionation and storage complex (the "Redwater Complex"). The project includes additional rail loading capacity and will leverage the design, engineering, and operating best practices of its existing facilities. With the addition of RFS IV, the fractionation capacity at the Redwater Complex will total 256,000 bpd.		

⁽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, 2022 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⁾ Subject to environmental and regulatory approvals. See the "Forward-Looking Statements & Information" section of this MD&A.

Marketing & New Ventures

Financial Overview for the Three Months Ended March 31

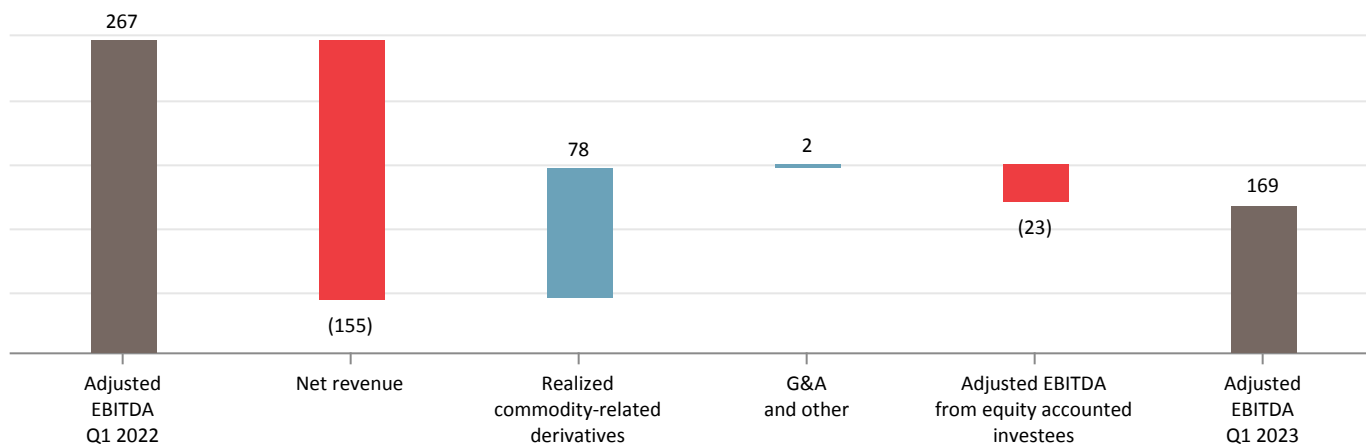
Results of Operations

(\$ millions, except where noted)	2023	2022	Change
Marketing revenue ⁽¹⁾	1,558	2,271	(713)
Cost of goods sold ⁽¹⁾	1,409	1,967	(558)
Net revenue ⁽¹⁾⁽²⁾	149	304	(155)
Depreciation and amortization included in operations	12	11	1
Realized (gain) loss on commodity-related derivative financial instruments	(24)	54	(78)
Unrealized loss on commodity-related derivative financial instruments	34	35	(1)
Share of (loss) profit from equity accounted investees	(1)	21	(22)
Gross profit	126	225	(99)
Reportable segment earnings before tax	120	217	(97)
Adjusted EBITDA ⁽²⁾	169	267	(98)
Volumes (mboe/d) ⁽³⁾	194	206	(12)
Distributions from equity accounted investees	8	33	(25)

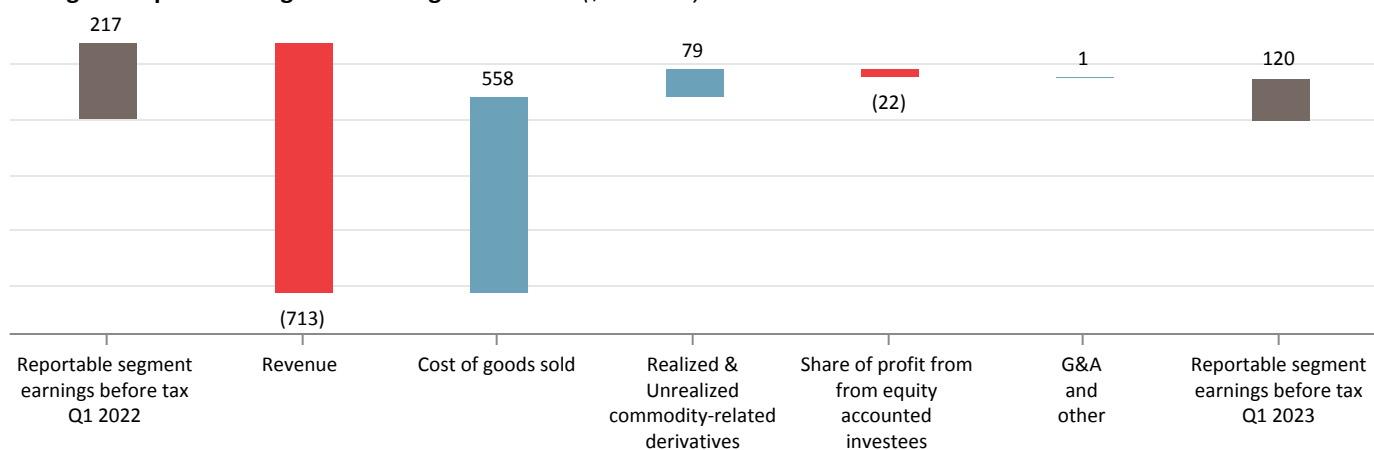
Change in Results

Net revenue ⁽¹⁾⁽²⁾	▼	Decrease largely due to lower NGL margins as a result of lower propane and butane prices and lower marketed NGL volumes, discussed below, coupled with lower margins on crude oil resulting from the lower prices across the crude oil complex.
Realized (gain) loss on commodity-related derivatives	▲	The realized gain is primarily due to a \$21 million gain (2022: \$25 million loss) on NGL-based derivative instruments due to the change in NGL market prices during the first quarter of 2023.
Unrealized loss on commodity-related derivatives	●	Consistent unrealized losses relating primarily to NGL-based derivative contracts maturing in the period.
Share of (loss) profit from equity accounted investees	▼	Decrease largely due to lower revenues at Aux Sable as a result of lower NGL prices and re-contracting in the fourth quarter of 2022.
Reportable segment earnings before tax	▼	Decrease largely due to lower margins on NGL and crude oil sales, coupled with lower marketed NGL volumes and lower contribution from Aux Sable, partially offset by realized gains on commodity-related derivatives for the quarter compared to losses recognized during the first quarter of 2022.
Adjusted EBITDA ⁽²⁾	▼	Decrease largely due to the same items impacting reportable segment earnings before tax, discussed above. Included in adjusted EBITDA is \$4 million (2022: \$28 million) related to Aux Sable.
Volumes (mboe/d) ⁽³⁾	▼	Marketed NGL volumes decreased largely due to reduced ethane and butane sales as a result of lower supply volumes from the Redwater Complex following the Northern Pipeline system outage. Revenue volumes include 34 mboe/d (2022: 34 mboe/d) related to Aux Sable.
Distributions from equity accounted investees	▼	\$8 million (2022: \$33 million) from Aux Sable. Decrease largely due to the same factors impacting share of profit from equity accounted investees discussed above.

Change in Adjusted EBITDA (\$ millions)⁽²⁾



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽⁴⁾



⁽¹⁾ Includes inter-segment transactions. See Note 9 to the Interim Financial Statements.

⁽²⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

⁽³⁾ Marketed NGL volumes in mboe/d. See the "Abbreviations" section of this MD&A for definition.

⁽⁴⁾ Other includes other expense, net finance costs, and depreciation & amortization.

Financial and Operational Overview

(\$ millions, except where noted)	3 Months Ended March 31					
	2023			2022		
	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾
Marketing & New Ventures⁽³⁾						
Marketing	194	124	172	206	221	271
New Ventures ⁽⁴⁾	—	(4)	(3)	—	(4)	(4)
Total	194	120	169	206	217	267

⁽¹⁾ Marketed NGL volumes in mboe/d. See the "Abbreviations" section of this MD&A for definition.

⁽²⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

⁽³⁾ Includes values attributed to Pembina's marketing activities and new ventures projects within the Marketing & New Ventures operating segment. For further details on Pembina's marketing activities and projects, refer to Pembina's AIF for the year ended December 31, 2022.

⁽⁴⁾ All New Ventures projects have not yet commenced operations and therefore have no volumes.

Projects & New Developments⁽¹⁾

The New Ventures group is responsible for the development of new large-scale, or value chain extending projects, including those that provide enhanced access to global markets and support a transition to a lower-carbon economy. Currently, Pembina is pursuing opportunities associated with LNG, low-carbon commodities, and large-scale GHG emissions reductions.

Pembina has formed a partnership with the Haisla Nation to develop the proposed Cedar LNG project, a three million tonne per annum 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, cost-competitive Canadian LNG for overseas markets. Cedar LNG will provide a valuable outlet for WCSB natural gas to access global markets, and it is expected to achieve higher prices for Canadian producers, contribute to lower overall emissions, and enhance global energy security. Given that Cedar LNG will be a floating facility, manufactured in the controlled conditions of a shipyard, it is expected that the project will have lower construction and execution risk. Further, powered by BC Hydro, Cedar LNG is expected to be one of the greenest LNG facilities in the world. Cedar LNG received its Environmental Assessment Certificate from the BCEAO and a positive Decision Statement from the federal Minister of Environment and Climate Change on March 14, 2023 and March 15, 2023, respectively. Collectively, the Environmental Assessment Certificate and Decision Statement represent a significant step forward for Cedar LNG. In addition, a Memorandum of Understanding was signed with ARC Resources Ltd. for a long-term liquefaction services agreement for half of the capacity of Cedar LNG. Work towards the signing of definitive commercial agreements is ongoing.

Cedar LNG is expected to be structured as a tolling business providing a low risk, long-term cash flow stream, and strengthening Pembina's financial resilience. Activities related to engineering, regulatory, commercial discussions, and financing are expected to converge for a final investment decision to be made by the end of the third quarter of 2023.

Pembina and TC Energy Corporation ("TC Energy") continue to develop the Alberta Carbon Grid, a carbon transportation and sequestration platform that will enable Alberta-based industries to effectively manage their GHG emissions, contribute positively to Alberta's lower-carbon economy, and create sustainable long-term value for Pembina and TC Energy stakeholders. Pembina and TC Energy continue to progress surface and sub-surface engineering and planning, while engaging with customers and other stakeholders. The first phase of the system is the Industrial Heartland project, which will have the potential of transporting and storing up to 10 million tonnes of carbon dioxide ("CO₂") annually. Pembina and TC Energy are also exploring options to create several hubs throughout Alberta, with a long-term vision to annually transport and store up to 20 million tonnes of CO₂. In the first quarter of 2023, ACG licensed and purchased existing seismic data and completed acquisition of new seismic data. This data will be integrated into subsurface geophysical models and help guide the location of an appraisal well to be drilled later in 2023.

⁽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, 2022 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.

Corporate

Financial Overview for the Three Months Ended March 31

Results of Operations⁽¹⁾

<i>(\$ millions, except where noted)</i>	2023	2022	Change
Shared service revenue	11	—	11
General and administrative	68	76	(8)
Other (income) expense	(1)	17	(18)
Net finance costs	101	102	(1)
Reportable segment loss before tax	(156)	(195)	39
Adjusted EBITDA ⁽²⁾	(45)	(64)	19

Change in Results

Shared service revenue	▲	Pertains to fixed fee income related to shared service agreements with joint ventures following the PGI Transaction. \$5 million was netted against general and administrative in the first quarter of 2022.
General and administrative	▲	Decrease primarily due to lower long-term incentive costs driven by the change in Pembina's share price in the first quarter of 2023 compared to the first quarter of 2022, partially offset by higher information technology-related maintenance costs.
Other (income) expense	▲	Change from other expense to income is primarily due to lower acquisition and restructuring costs recognized during the period compared to the first quarter of 2022.
Net finance costs	●	Consistent with the prior period.
Reportable segment loss before tax	▲	Increase primarily due to lower acquisition costs, long-term incentive costs, and restructuring costs, coupled with shared service revenue, discussed above, partially offset by higher information technology-related maintenance costs.
Adjusted EBITDA⁽²⁾	▲	Increase largely due to the same items impacting reportable segment loss before tax, discussed above, excluding acquisition and restructuring costs.

⁽¹⁾ Includes inter-segment eliminations.

⁽²⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

4. LIQUIDITY & CAPITAL RESOURCES

Available Sources of Liquidity

(\$ millions)	March 31, 2023	December 31, 2022
Working capital ⁽¹⁾	(1,214)	(696)
Variable rate debt ⁽²⁾⁽³⁾		
Senior unsecured credit facilities	872	771
Variable rate bank debt swapped to fixed	(338)	(338)
Total variable rate loans and borrowings outstanding (weighted average interest rate of 6.1% (2022: 5.9%))	534	433
Fixed rate debt ⁽²⁾		
Senior unsecured medium-term notes	9,200	9,200
Variable rate bank debt swapped to fixed	338	338
Total fixed rate loans and borrowings outstanding (weighted average interest rate of 3.9% (2022: 3.9%))	9,538	9,538
Total loans and borrowings outstanding	10,072	9,971
Cash and unutilized debt facilities	2,079	2,181
Subordinated hybrid notes (weighted average interest rate of 4.8% (2022: 4.8%))	600	600

⁽¹⁾ As at March 31, 2023, working capital included \$1.3 billion (December 31, 2022: \$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 March 31, 2023 (December 31, 2022: U.S. \$250 million) and fully hedged at 1.45 percent.

Pembina currently anticipates that 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 expenditures 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, 2022 and Note 24 to the Consolidated Financial Statements for more information. Management continues to monitor Pembina's liquidity 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 or redeem additional common or preferred shares.

As at March 31, 2023, Pembina's credit facilities consisted of: an unsecured \$1.5 billion (December 31, 2022: \$1.5 billion) revolving credit facility, which includes a \$750 million (December 31, 2022: \$750 million) accordion feature, which provides Pembina with the ability to increase the credit facility subject to lender approval, and matures in June 2027 (the "Revolving Facility"); an unsecured \$1.0 billion (December 31, 2022: \$1.0 billion) sustainability linked revolving credit facility, which matures in June 2026 (the "SLL Credit Facility"); an unsecured U.S. \$250 million (December 31, 2022: U.S. \$250 million) non-revolving term loan, which matures in May 2025; and an operating facility of \$20 million (December 31, 2022: \$20 million), which matures in May 2023 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 repayments not due until maturity. 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.

The SLL Credit Facility contains pricing adjustments that reduce or increase borrowing costs based on Pembina's performance relative to a GHG emissions intensity reduction performance target. Previously, Pembina announced its commitment to reduce its GHG emissions intensity by 30 percent by 2030, relative to baseline 2019 levels. The specific terms of the SLL Credit Facility include annual intermediate targets that align with Pembina's trajectory towards its 2030 target.

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.

With the exception of the sustainability-linked adjustments to borrowing costs, the terms and conditions of the SLL Credit Facility and the Revolving Facility, including financial covenants, are substantially similar to each other.

Covenants

Pembina's financial covenants under the 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 March 31, 2023
Senior unsecured medium-term notes	Funded Debt to Capitalization	Maximum 0.70	0.38
Credit Facilities	Debt to Capital	Maximum 0.70	0.39

⁽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 March 31, 2023 (December 31, 2022: in compliance).

Credit Risk

Pembina continues to actively monitor and reassess the creditworthiness of its counterparties. The majority of Pembina's credit exposure is to investment grade counterparties. Pembina assesses all high exposure counterparties during the onboarding process and actively monitors credit limits and exposure across the business. Pembina may reduce or mitigate its exposure to certain counterparties where it is deemed warranted and permitted under contractual terms. Where warranted, financial assurances may be sought from counterparties to mitigate and reduce risk, and such assurances may include guarantees, letters of credit and cash collateral. Letters of credit totaling \$143 million (December 31, 2022: \$168 million) were held as at March 31, 2023, 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 of 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 the 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 rating agencies 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.

DBRS Limited ("DBRS") rates Pembina's senior unsecured medium-term notes 'BBB (high)'. DBRS has also assigned a debt rating of 'BBB (low)' to Pembina's Fixed-To-Fixed Rate Subordinated Notes, Series 1 (the "Series 1 Subordinated Notes") and a rating of '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.

Refer to "Description of the Capital Structure of Pembina – Credit Ratings" in the AIF for the year ended December 31, 2022 for further information.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

Pembina had the following contractual obligations outstanding as at March 31, 2023:

Contractual Obligations ⁽¹⁾ (\$ millions)	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
Leases ⁽²⁾	890	101	173	144	472
Long-term debt ⁽³⁾	16,343	1,721	1,494	2,924	10,204
Construction commitments ⁽⁴⁾	810	354	305	151	—
Other	721	190	142	93	296
Total contractual obligations	18,764	2,366	2,114	3,312	10,972

⁽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 nine years and involve the purchase of NGL products from producers. Assuming product is available, Pembina has secured between 11 and 182 mbpd of NGL each year up to and including 2031. Power purchase agreements range from one to 25 years and involve the purchase of power from electrical service providers. Pembina has secured up to 75 megawatts per day each year up to and including 2047.

⁽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. Excludes deferred financing costs.

⁽⁴⁾ Excludes 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 March 31, 2023, 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 expenditures.

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 March 31, 2023, Pembina had \$157 million (December 31, 2022: \$198 million) in letters of credit issued.

5. SHARE CAPITAL

Common Shares

On March 7, 2023, the Toronto Stock Exchange ("TSX") accepted the renewal of Pembina's normal course issuer bid (the "NCIB") that allows the Company to repurchase, at its discretion, up to five percent of the Company's outstanding common shares (representing 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 under the NCIB are cancelled. The NCIB commenced on March 10, 2023 and will terminate on March 9, 2024 or on such earlier date as the Company has purchased the maximum number of common shares permitted pursuant to the NCIB or at such time Pembina determines to no longer make purchases thereunder. No common shares were purchased by Pembina during the three months ended March 31, 2023.

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.

On February 23, 2023, Pembina announced that its Board of Directors had declared a common share cash dividend for the first quarter of 2023 of \$0.6525 per share to be paid on March 31, 2023, to shareholders of record on March 15, 2023.

On May 4, 2023, Pembina announced that its Board of Directors had declared a common share cash dividend for the second quarter of 2023 of \$0.6675 per share to be paid on June 30, 2023, to shareholders of record on June 15, 2023.

Preferred Shares

On January 16, 2023, Pembina announced that it did not intend to exercise its right to redeem the ten million Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 25 (the "Series 25 Class A Preferred Shares") outstanding on February 15, 2023. The annual dividend rate for the Series 25 Class A Preferred Shares for the five-year period from and including February 15, 2023 to, but excluding, February 15, 2028 is 6.481 percent.

On January 30, 2023, Pembina announced that it did not intend to exercise its right to redeem the 16 million Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 21 (the "Series 21 Class A Preferred Shares") outstanding on March 1, 2023. The annual dividend rate for the Series 21 Class A Preferred Shares for the five-year period from and including March 1, 2023 to, but excluding March 1, 2028 is 6.302 percent.

On February 14, 2023, holders of an aggregate of 1,028,130 of the 16 million Series 21 Class A Preferred Shares elected to convert, on a one-for-one basis, their Series 21 Class A Preferred Shares into Cumulative Redeemable Floating Rate Class A Preferred Shares, Series 22 ("Series 22 Class A Preferred Shares"). As a result of the exercise of such conversion rights, on March 1, 2023, Pembina has 14,971,870 Series 21 Class A Preferred Shares and 1,028,130 Series 22 Class A Preferred Shares issued and outstanding. The annual dividend rate applicable to the Series 22 Class A Preferred Shares for the three-month floating rate period from and including March 1, 2023, to, but excluding, June 1, 2023, is 7.706 percent.

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, 21 and 22 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 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 of Series 2021-A Class A Preferred Shares 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.

The annual dividend rate applicable to the Series 22 Class A Preferred Shares for the three-month floating rate period from and including June 1, 2023, to, but excluding, September 1, 2023, will be 7.710 percent, being equal to the annual rate of interest for the most recent auction of 90-day Government of Canada treasury bills of 4.450 percent plus 3.260 percent, in accordance with the terms of the Series 22 Class A Preferred Shares (the "Floating Quarterly Dividend Rate"). The Floating Quarterly Dividend Rate will be reset on the first day of March, June, September and December in each year.

Outstanding Share Data

Issued and outstanding (<i>thousands</i>) ⁽¹⁾	April 28, 2023
Common shares	550,384
Stock options	12,126
Stock options exercisable	8,706
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	14,972
Series 22 Class A Preferred Shares	1,028
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 EXPENDITURES

(\$ millions)	3 Months Ended March 31	
	2023	2022
Pipelines	106	114
Facilities	20	30
Marketing & New Ventures	3	29
Corporate and other projects	8	6
Total capital expenditures ⁽¹⁾	137	179

⁽¹⁾ Includes \$17 million for the three months ended March 31, 2023 (2022: \$28 million) related to non-recoverable sustainment activities.

In both 2023 and 2022, Pipeline capital expenditures continued to be largely related to Pembina's Peace Pipeline system expansion projects. Pipeline capital expenditures in 2023 also included slope mitigation on the Syncrude Pipeline and reactivation of the Nipisi Pipeline system. Facilities capital expenditures in 2023 primarily related to RFS IV. In 2022, Facilities capital expenditures were primarily related to continued expansion at the Empress Co-generation Facility. In 2022, Marketing & New Ventures capital expenditures were primarily related to the purchase of linefill for the Phase VII Peace Pipeline expansion. Corporate capital expenditures in 2023 and 2022 relate mainly to information technology infrastructure and systems development.

Future capital expenditures for the remaining months of 2023 are estimated to be between \$570 million and \$620 million and are primarily related to the construction of the Phase VIII Peace Pipeline Expansion, reactivation of the Nipisi Pipeline, investments in smaller growth projects, including various laterals and terminals, and spending on projects previously placed into service. Of the total future capital expenditure, between \$125 million to \$135 million is designated for non-recoverable sustaining capital to ensure safe and reliable operations.

Contributions to Equity Accounted Investees

(\$ millions)	3 Months Ended March 31	
	2023	2022
Aux Sable	1	1
Veresen Midstream	—	13
PGI	32	—
Cedar LNG	5	5
Total	38	19

Contributions to PGI in 2023 and 2022 (and Veresen Midstream in 2022) were to fund general capital expenditures.

Contributions made to Cedar LNG in 2023 and 2022 were to fund front-end engineering and design capital expenditures.

7. SELECTED QUARTERLY INFORMATION

Selected Quarterly Operating Information

<i>(mboe/d)</i>	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Volumes⁽¹⁾⁽²⁾								
Pipelines								
Conventional Pipelines	900	1,024	977	937	897	959	918	892
Transmission Pipelines	594	593	577	564	621	616	595	685
Oil Sands Pipelines	973	976	977	975	975	996	1,050	1,050
Facilities								
Gas Services	563	588	686	664	675	677	660	662
NGL Services	158	211	207	204	201	189	188	211
Total	3,188	3,392	3,424	3,344	3,369	3,437	3,411	3,500
Marketing & New Ventures								
Marketed NGL	194	193	184	176	206	193	177	173

⁽¹⁾ Revenue volumes. See the "Abbreviations" section of this MD&A for definition.

⁽²⁾ Includes Pembina's proportionate share of volumes from equity accounted investees.

Take-or-pay Contract Liabilities

<i>(\$ millions)</i>	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Opening balance	3	15	27	25	3	21	35	23
Revenue deferred	49	48	55	51	48	43	48	47
Revenue recognized	(26)	(60)	(68)	(46)	(26)	(61)	(62)	(35)
Transfers to liabilities related to assets held for sale	—	—	3	(3)	—	—	—	—
Disposition	—	—	(2)	—	—	—	—	—
Ending take-or-pay contract liability balance	26	3	15	27	25	3	21	35

Quarterly Financial Information

(\$ millions, except where noted)	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	2,297	2,699	2,779	3,095	3,038	2,560	2,149	1,902
Net revenue ⁽¹⁾	946	1,043	1,030	1,020	1,154	1,084	961	894
Operating expenses	200	240	225	211	193	206	187	186
Realized (gain) loss on commodity-related derivative financial instruments	(24)	(10)	19	49	47	36	43	33
Share of profit from equity accounted investees	82	79	123	74	85	83	75	52
Gross profit	672	681	874	711	857	785	682	550
Earnings	369	243	1,829	418	481	80	588	254
Earnings per common share – basic (dollars)	0.61	0.39	3.24	0.70	0.81	0.08	1.01	0.39
Earnings per common share – diluted (dollars)	0.61	0.39	3.23	0.69	0.81	0.08	1.01	0.39
Cash flow from operating activities	458	947	723	604	655	697	913	584
Cash flow from operating activities per common share – basic (dollars)	0.83	1.72	1.30	1.09	1.19	1.27	1.66	1.06
Adjusted cash flow from operating activities ⁽¹⁾	634	690	588	683	700	734	786	538
Adjusted cash flow from operating activities per common share – basic (dollars) ⁽¹⁾	1.15	1.25	1.07	1.23	1.27	1.33	1.43	0.98
Common shares outstanding (millions):								
Weighted average – basic	550	551	554	554	551	550	550	550
Weighted average – diluted	551	553	556	557	552	551	551	551
End of period	550	550	552	555	552	550	550	550
Common share dividends declared	359	359	354	349	347	346	347	347
Dividends per common share	0.65	0.65	0.64	0.63	0.63	0.63	0.63	0.63
Preferred share dividends declared	28	32	31	32	31	33	31	35
Capital expenditures	137	143	131	152	179	176	209	146
Contributions to equity accounted investees	38	46	24	6	19	305	18	—
Distributions from equity accounted investees	199	235	138	145	155	128	106	112
Adjusted EBITDA ⁽¹⁾	947	925	967	849	1,005	970	850	778

⁽¹⁾ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A.

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

- 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 offset by Pembina's risk management program;
- Volatility in the AECO-Chicago natural gas price differential, power pool prices, foreign exchange rates, and inflation impacting operating results;
- The recovery in demand for commodities and global energy prices in 2021 following the start of the COVID-19 pandemic, which continued through 2022 due to supply concerns associated with the current conflict between Ukraine and Russia;
- Higher net finance costs impacting earnings associated with debt related to financing growth projects, volatility in foreign exchange rates and volatility in Pembina's share price impacting incentive costs;
- Impairments recognized on certain assets in Pipelines as a result of contract expirations in the fourth quarter of 2021;
- The receipt and associated tax of the \$350 million arrangement termination payment in the third quarter of 2021;
- Higher contributions made to Alliance to redeem all of its issued and outstanding senior notes in 2021;
- The completion of the PGI Transaction, which resulted in a gain recognized by Pembina of \$1.1 billion in the third quarter of 2022 and other impacts to Pembina's earnings;
- The Ruby Settlement Agreement in the fourth quarter of 2022 with Ruby Pipeline, L.L.C. (the "Ruby Subsidiary") which provided for the payment in January 2023 from Pembina to the Ruby Subsidiary of U.S. \$102 million in exchange for the release of Pembina from any causes of action arising in connection with, among other things, the prepetition distributions and the Ruby Subsidiary Bankruptcy (as defined below); and
- The Northern Pipeline system outage in the first quarter of 2023.

Selected Quarterly Market Pricing

	2023	2022				2021		
<i>(\$ average)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
WTI (USD/bbl)	76.13	82.64	91.56	108.41	94.29	77.19	70.50	66.07
FX (USD/CAD)	1.35	1.36	1.31	1.28	1.27	1.26	1.25	1.23
AECO Natural Gas (CAD/GJ)	4.12	5.29	5.50	5.95	4.35	4.68	3.15	2.70
Station 2 Natural Gas (CAD/GJ)	2.74	3.06	2.94	6.45	4.46	3.51	3.22	2.84
Chicago Citygate Natural Gas (USD/mmbtu)	4.32	5.86	7.86	6.97	5.74	5.87	3.40	2.74
Mt Belvieu Propane (USD/gal)	0.82	0.80	1.08	1.25	1.31	1.25	1.06	0.87
Alberta Power Pool (CAD/MWh)	141.42	213.64	221.90	122.49	90.47	107.23	100.27	104.73
Pembina 20-day volume-weighted average share price	43.63	46.26	44.99	47.97	46.57	37.99	39.77	39.81

8. SELECTED EQUITY ACCOUNTED INVESTEE INFORMATION

Loans and Borrowings of Equity Accounted Investees

Under equity accounting, the assets and liabilities of an investment are reported as 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 March 31, 2023. The loans and borrowings are presented 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⁾	March 31, 2023	December 31, 2022
Pipelines ⁽²⁾	350	672
Facilities ⁽³⁾	2,747	2,694
Marketing & New Ventures	—	—
Total	3,097	3,366

⁽¹⁾ Balances reflect Pembina's ownership percentage of the outstanding balance face value.

⁽²⁾ Balance at December 31, 2022 includes \$322 million of loans and borrowings associated with Ruby, which were extinguished upon the completion of the sale of Ruby on January 13, 2023. Refer to "Financing Activities for Equity Accounted Investees" section below for further details.

⁽³⁾ Balance includes \$330 million (December 31, 2022: \$330 million), Pembina's ownership share of \$550 million (December 31, 2022: \$550 million) of loans and borrowings on a PGI credit facility funding the construction of the Key Access Pipeline System ("KAPS") project, which was fully repaid upon the closing of the sale of KAPS on April 26, 2023.

Financing Activities for Equity Accounted Investees

The Ruby Subsidiary had U.S. \$475 million principal amount (100 percent gross) of unsecured notes that matured on April 1, 2022 (the "2022 Notes"). On March 31, 2022, the Ruby Subsidiary filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Ruby Subsidiary Bankruptcy") as it lacked sufficient liquidity to satisfy its obligations under the 2022 Notes on the maturity date. On November 18, 2022, Pembina and certain of its subsidiaries entered into the Ruby Settlement Agreement with the Ruby Subsidiary which provides for the release of Pembina from any causes of action arising in connection with, among other things, the prepetition distributions and the Ruby Subsidiary Bankruptcy in exchange for a U.S. \$102 million payment by Pembina to the Ruby Subsidiary. In January 2023, the United States Bankruptcy Court for the District of Delaware approved the Ruby Subsidiary's Chapter 11 plan of reorganization (the "Ruby Subsidiary Plan") and the Ruby Settlement Agreement. The Ruby Subsidiary Plan provides for the sale of the Ruby Subsidiary's reorganized equity to a third-party, which sale was completed on January 13, 2023, and the distribution of the sales proceeds and cash on hand of the Ruby Subsidiary to the creditors of the Ruby Subsidiary, including approximately U.S. \$14 million to an affiliate of Pembina in respect of the subordinated notes issued by the Ruby Subsidiary to that Pembina affiliate. Following the completion of the sale of the Ruby Subsidiary's reorganized equity, Pembina ceased to have any ownership interest in the Ruby Pipeline.

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 March 31, 2023, Pembina's various equity accounted investees held letters of credit totaling \$60 million (December 31, 2022: \$75 million) primarily in respect of customer trade receivables.

9. OTHER

Related Party Transactions

Pembina enters into transactions with related parties in the normal course of business and all transactions are measured at their exchange amount, unless otherwise noted. Pembina contracts capacity from certain of its equity accounted investees, advances funds to support operations, provides letters of credit, including financial guarantees, and provides services, on a fixed fee and cost recovery basis, to certain equity accounted investees. These services are provided under separate service agreements.

PGI

Pembina provides management services to PGI for a fixed fee of \$52 million per year, which is included in shared service revenue. Pembina also bills PGI for services provided on a cost recovery basis and for payments made by Pembina, on behalf of PGI, to third parties. Services provided to PGI for the three months ended March 31, 2023 totaled \$63 million (2022: nil). PGI provides Pembina with extraction services under long-term fee-for-service arrangements, with total services received by Pembina from PGI for the three months ended March 31, 2023 of \$7 million (2022: nil). As at March 31, 2023, trade receivables and other includes \$32 million due from PGI (December 31, 2022: \$41 million).

Ruby

During the first quarter of 2023, Pembina settled an advance due from Ruby for U.S. \$14 million as well as a provision payable to Ruby for U.S. \$102 million, both of which are related to the Ruby Subsidiary Bankruptcy. See "Selected Equity Accounted Investee Information – Financing Activities for Equity Accounted Investees" for further information.

Aux Sable

Pembina operates and provides oversight for the facilities owned by Aux Sable. As the operating partner, Pembina recovers operating costs, and other costs on a cost recovery basis. Total services provided by Pembina to Aux Sable for the three months ended March 31, 2023 totaled \$30 million (2022: \$23 million).

Alliance

Pembina provides management services to Alliance for a fixed fee of \$11 million per year (2022: \$11 million), which is included in shared service revenue, and also provides services to Alliance on a cost recovery basis.

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 has exposure to counterparty credit risk, liquidity risk and market risk. Pembina utilizes derivative instruments to stabilize the results of its marketing business and, as at March 31, 2023, the Company has entered into certain financial derivative contracts in order to manage commodity price, interest rate, cost of power and foreign exchange risk. These instruments are not used for trading or speculative purposes. Pembina has also entered into power purchase agreements to secure cost-competitive renewable energy, fix the price for a portion of the power Pembina consumes, and reduce its emissions. For more information on Pembina's derivative instruments, refer to Note 12 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 legislation.

The President and Chief Executive Officer and 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 first quarter of 2023 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 3 of Pembina's Consolidated Financial Statements. Except as noted below, there were no other new accounting standards or amendments to existing standards adopted in the three months ended March 31, 2023 that have a material impact on Pembina's financial statements.

IFRS 17 Insurance Contracts

The Company adopted IFRS 17 *Insurance Contracts* effective January 1, 2023. IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. IFRS 17 has been applied using a full retrospective approach and as a result, the Company has restated certain comparative amounts. Refer to Note 2 of the Interim Financial Statements for further information.

Pembina's insurance contracts are comprised of a parental guarantee and letters of credit that it provides to the Company's joint venture, Cedar LNG. Under the contracts, Pembina will reimburse Cedar LNG's counterparties in the event that Cedar LNG is unable to pay its obligations when due. Pembina does not receive premiums from the joint venture or the counterparty for providing the insurance contract, and as a result the contracts are considered onerous. On initial recognition or when the contract is modified, Pembina recognizes the cost of providing the contract on behalf of the joint venture as an in-substance contribution to the joint venture. All other changes to the insurance liability are recognized in earnings.

Pembina applies judgments to determine the future probability and expected cashflows related to its insurance contracts. These judgments include assessing different scenarios for the likelihood that the Cedar LNG project will reach a positive final investment decision ("FID") and assessing the potential cash outflows that Pembina would be required to make under the different scenarios. A risk adjustment is then applied to the probability weighted cash outflows for the non-financial risks inherent in the scenarios, and the credit-adjusted discount rate is used to incorporate the financial risks of non-performance.

Amendments to IAS 1 – Disclosure of Accounting Policies

The Company adopted Amendments to IAS 1 *Disclosure of Accounting Policies* effective January 1, 2023. The amendments replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and establish guidance on how to apply the concept of materiality in determining material accounting policy disclosures.

The amendments had no impact on the policies disclosed in the Interim Financial Statements; rather, they will increase the emphasis on the material policies in the annual consolidated financial statements.

Critical Accounting Judgments & Estimates

Critical accounting judgments and estimates used in preparing the Interim Financial Statements are described in Note 2 of the Consolidated Financial Statements. 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 months ended March 31, 2023.

11. NON-GAAP & OTHER FINANCIAL MEASURES

Throughout this MD&A, Pembina has disclosed certain financial measures that are not specified, defined or determined in accordance with GAAP and which are not disclosed in Pembina's financial statements. Non-GAAP financial measures either exclude an amount that is included in, or include an amount that is excluded from, the composition of the most directly comparable financial measure specified, defined and determined in accordance with GAAP. These non-GAAP financial measures and ratios, together with financial measures and ratios specified, defined and determined in accordance with GAAP, are used by management to evaluate the performance and cash flows of Pembina and its businesses and to provide additional useful information respecting Pembina's financial performance and cash flows to investors and analysts.

In this MD&A, Pembina has disclosed the following non-GAAP financial measures and non-GAAP ratios: net revenue, earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA"), adjusted EBITDA per common share, adjusted EBITDA from equity accounted investees, adjusted cash flow from operating activities and adjusted cash flow from operating activities per common share.

Non-GAAP financial measures and ratios disclosed in this MD&A do not have any standardized meaning under IFRS and may not be comparable to similar financial measures disclosed by other issuers. The financial measures and ratios should not, therefore, be considered in isolation or as a substitute for, or superior to, measures and ratios of Pembina's financial performance, or cash flows specified, defined or determined in accordance with IFRS, including revenue, earnings before income tax, share of profit from equity accounted investees and cash flow from operating activities.

Except as otherwise described herein, these non-GAAP financial measures and non-GAAP ratios are calculated on a consistent basis from period to period. Specific reconciling items may only be relevant in certain periods.

Below is a description of each non-GAAP financial measure and non-GAAP ratio disclosed in this MD&A, together with, as applicable, disclosure of: the most directly comparable financial measure that is specified, defined and determined in accordance with GAAP to which each non-GAAP financial measure relates; a quantitative reconciliation of each non-GAAP financial measure to such directly comparable GAAP financial measure; the composition of each non-GAAP financial measure and non-GAAP ratio; an explanation of how each non-GAAP financial measure and non-GAAP ratio provides useful information to investors and the additional purposes, if any, for which management uses each non-GAAP financial measure and non-GAAP ratio; and an explanation of the reason for any change in the label or composition of each non-GAAP financial measure and non-GAAP ratio from what was previously disclosed.

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. The most directly comparable financial measure to net revenue that is specified, defined and determined in accordance with GAAP and disclosed in Pembina's financial statements is revenue.

3 Months Ended March 31 (\$ millions)	Pipelines		Facilities		Marketing & New Ventures		Corporate & Inter-segment Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	628	573	208	357	1,558	2,271	(97)	(163)	2,297	3,038
Cost of goods sold, including product purchases	—	—	—	—	1,409	1,967	(58)	(83)	1,351	1,884
Net revenue	628	573	208	357	149	304	(39)	(80)	946	1,154

Adjusted EBITDA and adjusted EBITDA per Common Share

Adjusted EBITDA is a non-GAAP financial 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. 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 Pembina'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 expenditures, which includes operational finance income and gains from lessor lease arrangements. Adjusted EBITDA is also used by investors and analysts for assessing financial performance and for the purpose of valuing Pembina, 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.

Adjusted EBITDA per common share is a non-GAAP ratio which is calculated by dividing adjusted EBITDA by the weighted average number of common shares outstanding.

3 Months Ended March 31										
<i>(\$ millions, except per share amounts)</i>										
	Pipelines		Facilities		Marketing & New Ventures		Corporate & Inter-segment Eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Earnings before income tax	376	361	135	250	120	217	(156)	(195)	475	633
Adjustments to share of profit from equity accounted investees and other	44	53	127	34	5	6	—	—	176	93
Net finance costs (income)	7	7	2	2	1	(2)	101	102	111	109
Depreciation and amortization	99	99	34	55	12	11	10	12	155	177
Unrealized (gain) loss on commodity-related derivative financial instruments	—	—	—	(60)	34	35	—	—	34	(25)
Transaction costs incurred in respect of acquisitions	—	—	—	—	—	—	—	12	—	12
Impairment charges, transformation and restructuring costs, (gain) loss on disposal of assets and non-cash provisions	(1)	1	—	—	(3)	—	—	5	(4)	6
Adjusted EBITDA	525	521	298	281	169	267	(45)	(64)	947	1,005
Adjusted EBITDA per common share – basic <i>(dollars)</i>									1.72	1.83

Adjusted EBITDA from Equity Accounted Investees

In accordance with IFRS, Pembina's joint ventures 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". The adjustments made to earnings, in adjusted EBITDA above, are also made to share of profit from investments in 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.

3 Months Ended March 31								
(\$ millions)								
	Pipelines		Facilities		Marketing & New Ventures		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Share of profit from equity accounted investees	35	40	48	24	(1)	21	82	85
Adjustments to share of profit from equity accounted investees:								
Net finance costs	5	13	53	8	—	—	58	21
Income tax expense	1	—	13	—	—	—	14	—
Depreciation and amortization	38	40	55	26	5	6	98	72
Transaction costs incurred in respect of acquisitions and non-cash provisions	—	—	6	—	—	—	6	—
Total adjustments to share of profit from equity accounted investees	44	53	127	34	5	6	176	93
Adjusted EBITDA from equity accounted investees	79	93	175	58	4	27	258	178

Adjusted Cash Flow from Operating Activities 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 compensation payments, 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 expense and accrued 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. Adjusted cash flow from operating activities per common share is a non-GAAP financial ratio which is calculated by dividing adjusted cash flow from operating activities by the weighted average number of common shares outstanding.

	3 Months Ended March 31	
(\$ millions, except per share amounts)	2023	2022
Cash flow from operating activities	458	655
Cash flow from operating activities per common share – basic (dollars)	0.83	1.19
Add (deduct):		
Change in non-cash operating working capital	199	39
Current tax expense	(99)	(121)
Taxes paid, net of foreign exchange	47	152
Accrued share-based payment expense	(20)	(39)
Share-based compensation payment	77	45
Preferred share dividends paid	(28)	(31)
Adjusted cash flow from operating activities	634	700
Adjusted cash flow from operating activities per common share – basic (dollars)	1.15	1.27

12. 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
Volumes	Volumes for Pipelines and Facilities are revenue volumes, defined as physical volumes plus volumes 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, and also include revenue volumes from Pembina's equity accounted investees.

Measurement		Regulators & Acts	
bpd	barrels per day	ABCA	<i>Business Corporations Act</i> (Alberta)
mbbls	thousands of barrels	AER	Alberta Energy Regulator
mbpd	thousands of barrels per day	BCEAO	British Columbia Environmental Assessment Office
mmbpd	millions of barrels per day	BCER	British Columbia Energy Regulator
mmbbls	millions of barrels	BCUC	British Columbia Utilities Commission
mboe/d	thousands of barrels of oil equivalent per day	CER	Canadian Energy Regulator
mmboe/d	millions of barrels of oil equivalent per day	FERC	United States Federal Energy Regulatory Commission
MMcf/d	millions of cubic feet per day	ICA	<i>Interstate Commerce Act of 1887</i> (United States)
bcf/d	billions of cubic feet per day	NEB	National Energy Board
km	kilometer	NGA	<i>Natural Gas Act of 1938</i> (United States)
		PHMSA	Pipeline and Hazardous Material Safety Administration
		IAAC	Impact Assessment Agency of Canada

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 Ruby Pipeline Holding Company L.L.C.
Grand Valley	75 percent interest in Grand Valley 1 Limited Partnership wind farm
Facilities:	
PGI	60 percent interest in Pembina Gas Infrastructure Inc., a premier gas processing entity in Western Canada serving customers throughout the Montney and Duvernay trends from central Alberta to northeast British Columbia
Veresen Midstream	Prior to August 15, 2022, Pembina owned a 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. On August 15, 2022, Pembina contributed its equity interest in Veresen Midstream to PGI, resulting in Pembina holding a 60 percent interest indirectly through its investment in PGI.
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, and transportation contracts on Alliance
CKPC	50 percent interest in the PDH/PP Facility which was cancelled in the third quarter of 2022
Cedar LNG	49.9 percent interest in the proposed floating LNG facility in Kitimat, British Columbia, Canada

Readers are referred to the AIF for the year ended December 31, 2022 for additional descriptions, which is available at www.sedar.com, www.sec.gov and through Pembina's website at www.pembina.com.

13. 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, contractual arrangements, completion and in-service dates, rights, sources of product, activities, benefits and operations with respect to new construction of, repairs to 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;
- future pipeline, processing, fractionation and storage facility and system operations and throughput levels;
- Pembina's commitment to, and the effectiveness and impact of, its risk management policies;
- treatment under existing and proposed governmental regulatory regimes, including taxes, competition, environmental, project assessment and GHG laws and regulations
- Pembina's strategy and the development and expected timing of new business; initiatives and growth opportunities and the impact thereof;
- 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 at Pembina's facilities;
- expected future cash flows and the sufficiency thereof, financial strength, sources of and access to funds at acceptable rates, future contractual obligations, future financing options, availability of capital for capital expenditures, operating obligations, dividends, debt maturities 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, repayments of existing debt, new borrowings, equity or hybrid securities issuances and the timing thereof;
- Pembina's expectations regarding the creditworthiness of its counterparties;
- tolls and tariffs and processing, transportation, fractionation, storage and services commitments and contracts;
- the outcomes and effectiveness of Pembina's DC&P and ICFR;
- operating risks, including the amount of future liabilities related to pipelines spills and other environmental incidents;
- management's belief regarding certain claims against Pembina;
- the expected demand for, and prices and inventory levels of, crude oil and other petroleum products, including NGL;
- the development and anticipated benefits of Pembina's new projects and developments, including the Phase VIII Peace Pipeline Expansion, RFS IV, the Cedar LNG project and the ACG, including the timing thereof; 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, carbon prices, tax rates, exchange rates and inflation rates;
- the ability of Pembina to maintain current credit ratings;
- the availability and cost of capital to fund future capital requirements relating to existing assets, projects and the repayment of refinancing existing debt as it becomes due;
- 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 Pembina's 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 there are no supply chain disruptions impacting Pembina's ability to obtain required equipment, materials or labour; 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 agreements will continue to perform their obligations 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; current operations or the repayment or refinancing of existing debt as it becomes due;
- 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;
- reliance on third parties to successfully operate and maintain certain assets;
- labour and material shortages;
- 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, changes in regulatory processes or increased environmental regulation;
- fluctuations in operating results;
- adverse general economic and market conditions, including potential recessions in Canada, North America and worldwide, resulting in changes, or prolonged weaknesses, as applicable, in interest rates, foreign currency exchange rates, inflation rates, commodity prices, supply/demand trends and overall industry activity levels;
- risks related to the potential 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 on acceptable terms;
- adverse changes in credit ratings;
- counterparty credit risk;
- technology and security risks, including cyber-security risks;
- natural catastrophes; and
- the other factors discussed under "Risk Factors" in Pembina's MD&A and AIF for the year ended December 31, 2022, 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. Management approved the 2023 capital expenditure guidance contained herein as of the date of MD&A. The purpose of the 2023 capital expenditure guidance is to assist readers in understanding Pembina's expected future capital expenditures, and this information may not be appropriate for other purposes. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.