

MANAGEMENT'S DISCUSSION & ANALYSIS



REPORT TO SHAREHOLDERS

Year ended December 31, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

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Basis of Presentation

The following Management's Discussion and Analysis ("MD&A") of the financial and operating results of Pembina Pipeline Corporation ("Pembina" or the "Company") is dated February 23, 2023, and is supplementary to, and should be read in conjunction with, Pembina's audited consolidated financial statements as at and for the year ended December 31, 2022 ("Consolidated Financial Statements"). The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, using the accounting policies described in Note 3 of the Consolidated Financial Statements. All dollar amounts contained in this MD&A are expressed in Canadian dollars unless otherwise noted. For further details on Pembina and Pembina's significant assets, including definitions for capitalized terms used herein and not otherwise defined, refer to Pembina's annual information form ("AIF") dated February 23, 2023 for the year ended December 31, 2022. Additional information about Pembina filed with Canadian and U.S. securities commissions, including quarterly and annual reports, annual information forms (filed with the U.S. Securities and Exchange Commission (the "SEC") under Form 40-F) and management information circulars, can be found online at www.sedar.com, www.sec.gov and through Pembina's website at www.pembina.com.

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 Consolidated 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 this MD&A and are also included in Pembina's AIF. 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. At the same time, 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.

Pembina Gas Infrastructure

On August 15, 2022, Pembina completed its joint venture transaction with KKR & Co., Inc. ("KKR") to combine their respective western Canadian natural gas processing assets into a single, new joint venture entity, Pembina Gas Infrastructure Inc. ("PGI") (the "PGI Transaction"). PGI is a premier gas processing entity in Western Canada with a combined processing capacity of approximately 5 billion cubic feet per day, approximately 3 billion cubic feet per day net to Pembina. PGI is strategically positioned to serve customers from central Alberta to northeast British Columbia. Pembina owns 60 percent of PGI while KKR's global infrastructure funds own the remaining 40 percent. Pembina serves as the operator and manager of PGI.

Pembina contributed to PGI its wholly-owned field-based gas processing assets, which include the Cutbank Complex, the Saturn Complex, the Resthaven Facility, the Duvernay Complex and the Saskatchewan Ethane Extraction Plant (collectively, "the Field-based Gas Processing Assets"), as well as its 45 percent interest in Veresen Midstream. KKR contributed to PGI its 55 percent interest in Veresen Midstream, as well as its 49 percent interest in PGI Processing ULC (formerly named Energy Transfer Canada ULC) ("ETC"). Concurrently with the closing of the transaction, PGI also acquired the remaining 51 percent common share equity interest in ETC from an affiliate of Energy Transfer LP, aligning ownership of those assets and driving additional efficiencies within PGI.

Pursuant to an agreement with the Competition Bureau, and consistent with Pembina's and KKR's intention to divest upon announcing their joint venture, on December 11, 2022 a subsidiary of PGI has entered into an agreement to sell its 50 percent non-operated interest in the Key Access Pipeline System ("KAPS") which was contributed to PGI as part of the transaction. Closing is now expected to occur in the second quarter of 2023.

The operational and financial results contained in this MD&A and the Consolidated Financial Statements include the equity interest in PGI following the completion of the PGI Transaction from August 16, 2022 to December 31, 2022. Prior to the PGI Transaction, Pembina owned 100 percent of the Field-based Gas Processing Assets and equity accounted for its 45 percent interest in Veresen Midstream.

In connection with the closing of the PGI Transaction, Pembina's Board of Directors approved a \$0.0075 per common share increase to its monthly common share dividend rate, commencing with the dividend paid on October 14, 2022.

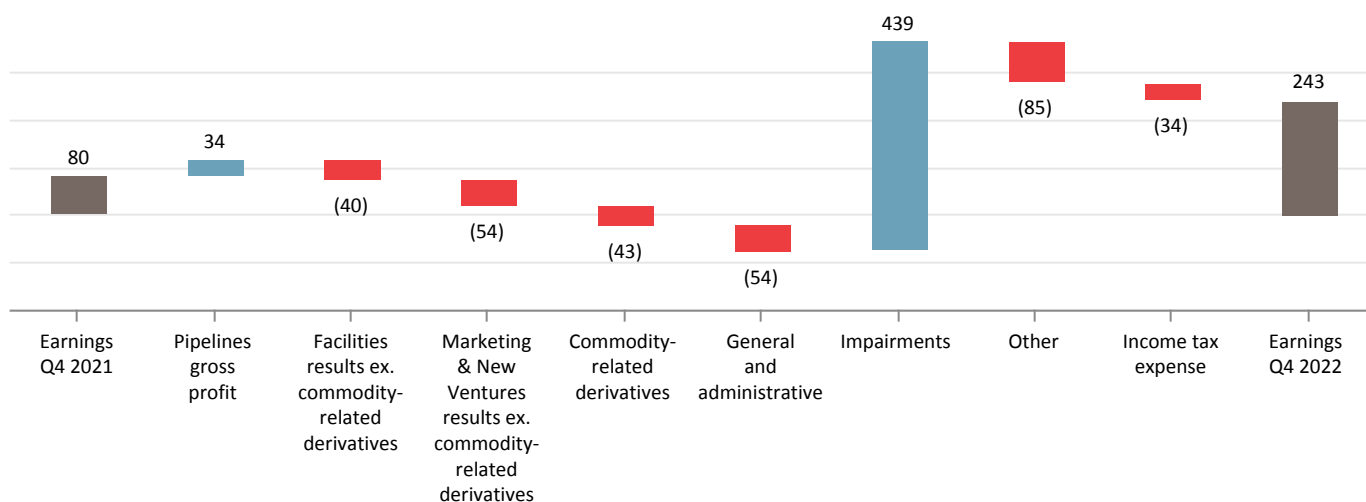
2. FINANCIAL & OPERATING OVERVIEW

Consolidated Financial Overview for the Three Months Ended December 31

Results of Operations

(\$ millions, except where noted)	2022	2021	Change
Revenue	2,699	2,560	139
Net revenue ⁽¹⁾	1,043	1,084	(41)
Gross profit	681	785	(104)
Earnings	243	80	163
Earnings per common share – basic and diluted (dollars)	0.39	0.08	0.31
Cash flow from operating activities	947	697	250
Cash flow from operating activities per common share – basic (dollars)	1.72	1.27	0.45
Adjusted cash flow from operating activities ⁽¹⁾	690	734	(44)
Adjusted cash flow from operating activities per common share – basic (dollars) ⁽¹⁾	1.25	1.33	(0.08)
Capital expenditures	143	176	(33)
Adjusted EBITDA ⁽¹⁾	925	970	(45)
Total volumes (mboe/d) ⁽²⁾	3,392	3,437	(45)

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



Results Overview

Earnings in the fourth quarter of 2022 were positively impacted by higher volumes on the Peace Pipeline system due to increased upstream activity and higher tolls, combined with higher volumes on the Cochin Pipeline, a higher contribution from Alliance and the impact of higher U.S. dollar exchange rates. Facilities results were impacted by the change in ownership of Pembina's formerly wholly-owned Field-based Gas Processing Assets as part of the PGI Transaction. Marketing & New Ventures results were impacted by lower NGL margins and lower share of profit from Aux Sable, partially offset by higher margins on crude oil sales. During the period, Pembina also had higher losses on commodity-related derivatives relating to NGL-based derivatives and renewable power purchase agreements. General and administrative expenses increased due to higher long-term incentive costs and other expenses increased as a result of the Ruby settlement provision, partially offset by lower restructuring costs. Impairment expense decreased due to \$437 million recognized during the fourth quarter of 2021 primarily related to certain Oil Sands assets compared to nil recognized in the fourth quarter of 2022. Income tax expense increased due to the deferred tax recovery on impairments in the prior year, partially offset by higher earnings and the tax impacts of the PGI transaction.

Changes in Results for the Three Months Ended December 31

Revenue	▲	\$139 million increase, largely due to an increase in crude oil market prices, higher volumes on the Peace Pipeline system and higher tolls, higher volumes on the Cochin Pipeline, higher recoverable costs, and the impact of higher U.S. dollar exchange rates, partially offset by lower 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 from lower NGL sales primarily due to lower propane prices.
Cost of goods sold	▼	\$180 million increase, largely due to higher crude oil market prices in Marketing & New Ventures.
Operating expenses	▼	\$34 million increase, primarily due to higher power costs, the majority of which are recoverable, as a result of higher power pool prices during the fourth quarter of 2022 and higher integrity costs, partially offset by lower operating expenses as the Field-based Gas Processing Assets are now reflected in share of profit in connection with the PGI Transaction.
Depreciation and amortization included in operations	▲	\$18 million decrease, primarily due to a smaller asset base resulting from the PGI Transaction.
Share of profit from equity accounted investees	●	Consistent with the prior period. Lower share of profit from Aux Sable as a result of a realized loss on commodity-related derivatives in the quarter was largely offset by the contributions from PGI following the PGI Transaction and higher contributions from Alliance as a result of lower interest expense.
Realized (gain) loss on commodity-related derivatives	▲	\$46 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 fourth quarter of 2021, combined with the transfer of the commodity-related derivatives from Pembina's Facilities Division to PGI as part of the contributed Field-based Gas Processing Assets.
Unrealized loss on commodity-related derivatives	▼	\$89 million negative variance, primarily due to losses on NGL-based derivatives and renewable power purchase agreements due to the change in the forward prices for natural gas and power during the fourth quarter of 2022 and contracts maturing in the period, partially offset by the transfer of the commodity-related derivatives from Pembina's Facilities Division to PGI.
General and administrative	▼	\$54 million increase, largely due to higher long-term incentive costs driven by Pembina's performance relative to peers and the change in Pembina's share price, and higher consulting fees. Included in general & administrative expenses is \$16 million of fixed fee income related to shared service agreements with joint ventures that will continue on a recurring basis.
Other expense	▼	\$78 million increase, primarily due to the Ruby settlement provision, partially offset by lower restructuring costs recognized during the period compared to the fourth quarter of 2021. Refer to the "Selected Equity Accounted Investee Information" section for further details on Ruby.
Impairments	▲	\$439 million decrease, largely due to \$437 million in impairments recognized during the fourth quarter of 2021 related to certain Oil Sands assets compared to nil recognized in the fourth quarter of 2022.
Net finance costs	▼	\$6 million increase, largely due to foreign exchange losses compared to gains in the fourth quarter of 2021 and higher interest on long-term debt, partially offset by gains on non-commodity related derivative financial instruments compared to losses in the fourth quarter of 2021.
Current tax expense	▲	\$49 million decrease, primarily due to the tax impacts of the PGI Transaction, partially offset by higher current period earnings.
Deferred tax expense	▼	\$83 million increase, primarily due to the recovery on the impairments recognized in the fourth quarter of 2021, partially offset by the tax impacts of the PGI transactions.
Cash flow from operating activities	▲	\$250 million increase, primarily driven by an increase in the change in non-cash working capital and distributions from equity accounted investees, and a decrease in taxes paid, partially offset by lower operating results and an increase in net interest paid.
Adjusted cash flow from operating activities⁽¹⁾	▼	\$44 million decrease, largely due to lower operating results and an increase in accrued share based payments, partially offset by higher distributions from equity accounted investees and lower current tax expense.
Adjusted EBITDA⁽¹⁾	▼	\$45 million decrease, primarily due to lower margins on NGL sales, lower contribution from Aux Sable and Ruby, and higher general & administrative expense and integrity costs, partially offset by realized gains on commodity-related derivative instruments during the period compared to losses in the fourth quarter of 2021, higher margins on crude oil sales, higher volumes on the Peace Pipeline system and on the Cochin Pipeline, higher tolls, and the impact of higher U.S. dollar exchange rates.
Total volumes (mboe/d)⁽²⁾	▼	45 mboe/d decrease, largely due to the disposition of Pembina's interest in the assets comprising the Empress I Plant, Empress I Expansion Plant (collectively, "the E1 assets"), and the Empress VI Plant ("E6 assets") in October 2022 and lower volumes on the Ruby Pipeline, partially offset by higher volumes on the Peace Pipeline system and Cochin Pipeline due to increased upstream activity, higher volumes at the Alberta Ethane Gathering System ("AEGS") and at Redwater due to third-party outages and planned turnarounds at AEGS in the fourth quarter of 2021, and volumes following the PGI Transaction. Volumes include 483 mboe/d (2021: 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.

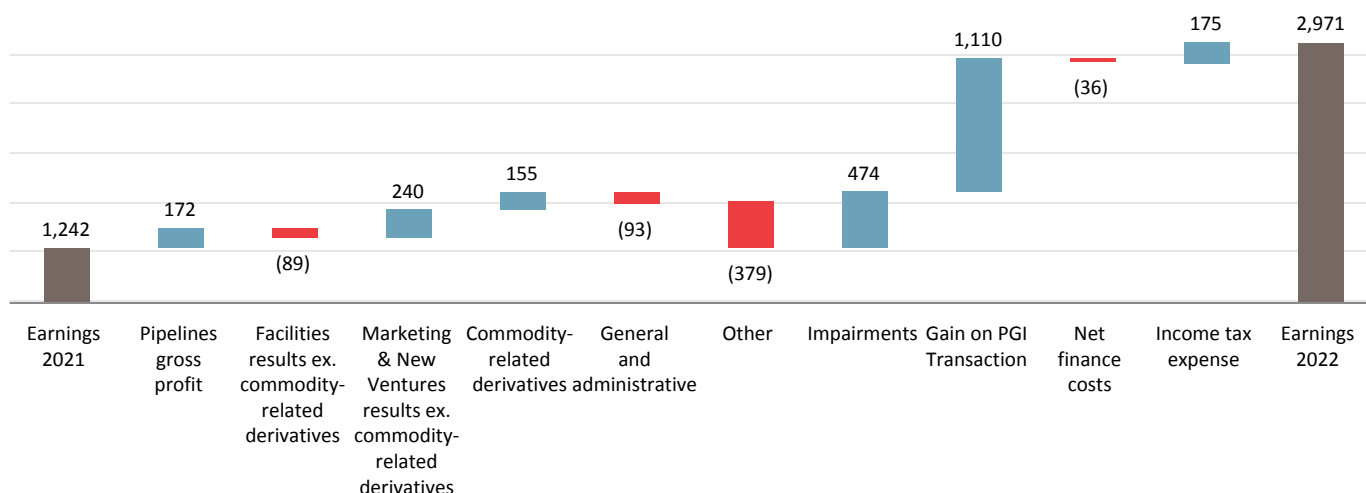
⁽⁴⁾ Other includes other expenses, net finance costs, and corporate.

Consolidated Financial Overview for the 12 Months Ended December 31

Results of Operations

(\$ millions, except where noted)	2022	2021	Change
Revenue	11,611	8,627	2,984
Net revenue ⁽¹⁾	4,247	3,938	309
Gross profit	3,123	2,647	476
Earnings	2,971	1,242	1,729
Earnings per common share – basic (dollars)	5.14	2.00	3.14
Earnings per common share – diluted (dollars)	5.12	1.99	3.13
Cash flow from operating activities	2,929	2,650	279
Cash flow from operating activities per common share – basic (dollars)	5.30	4.82	0.48
Adjusted cash flow from operating activities ⁽¹⁾	2,661	2,640	21
Adjusted cash flow from operating activities per common share – basic (dollars) ⁽¹⁾	4.82	4.80	0.02
Capital expenditures	605	658	(53)
Adjusted EBITDA ⁽¹⁾	3,746	3,433	313
Total volumes (mboe/d) ⁽²⁾	3,383	3,456	(73)

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



Results Overview

Earnings for 2022 were positively impacted by higher results in Marketing & New Ventures due to higher margins on crude oil and natural gas sales and higher contributions from Aux Sable, partially offset by lower NGL margins. Pipelines gross profit was positively impacted by higher volumes on the Peace Pipeline system and on the Cochin Pipeline, higher tolls, a higher contribution from Alliance, and the impact of higher U.S. dollar exchange rates, partially offset by contract expirations on the Nipisi and Mitsue Pipeline systems and a lower contribution from Ruby. Facilities results were impacted by the change in ownership of Pembina's formerly wholly-owned Field-based Gas Processing Assets as part of the PGI Transaction. During the period, Pembina also had gains on NGL marketing commodity-related derivatives, on renewable power purchase agreements, and on certain gas processing fees tied to AECO, partially offset by higher losses on crude oil-based derivatives. General and administrative expenses increased due to higher long-term incentive costs, and higher consulting fees and salaries and wages. There were no impairments in 2022 as compared to impairments of \$437 million recognized on certain Oil Sands assets in 2021. Pembina recognized a \$1.1 billion gain on the PGI Transaction compared to the \$350 million received from the termination of the arrangement agreement with Inter Pipeline Ltd. ("Arrangement Termination Payment") recognized in other income. Net finance costs increased due to foreign exchange losses compared to gains in 2021 and higher interest on long-term debt, partially offset by lower interest expense associated with tax settlements. Income tax expense was lower primarily as a result of the PGI Transaction, partially offset by the deferred tax recovery on impairments in the prior year.

Changes in Results for the 12 Months Ended December 31

Revenue	▲ \$3.0 billion increase, largely due to an increase in crude oil, NGL and natural gas market prices, higher volumes on the Peace Pipeline system and higher tolls, combined with higher volumes on the Cochin Pipeline and higher recoverable costs, partially offset by lower revenue from the Field-based Gas Processing Assets contributed to PGI and now reflected in share of profit and contract expirations on the Nipisi and Mitsue Pipeline systems.
Cost of goods sold	▼ \$2.7 billion increase, due to higher crude oil, NGL, and natural gas market prices in Marketing & New Ventures.
Operating expenses	▼ \$108 million increase, primarily due to higher power and fuel costs, the majority of which are recoverable, as a result of higher power pool prices and higher AECO prices during the period, combined with higher integrity costs and higher recoverable geotechnical costs largely related to the Western Pipeline, partially offset by lower operating expenses as the Field-based Gas Processing Assets are now reflected in share of profit.
Depreciation and amortization included in operations	▲ \$40 million decrease, primarily due to a smaller asset base in Facilities following the PGI Transaction and in Pipelines from the impairment of certain assets in the fourth quarter of 2021, partially offset by higher asset retirements in Facilities and the Prince Rupert Terminal being placed into service in March 2021.
Share of profit from equity accounted investees	▲ \$80 million increase, primarily due to higher revenue at Alliance as a result of a wider AECO-Chicago natural gas price differential, gains on the sale of linepack inventory in 2022, the impact of the higher U.S. dollar exchange rate, and lower interest expenses, combined with the contributions from PGI following the PGI Transaction and higher revenue from Aux Sable, partially offset by a realized loss on commodity-related derivatives recognized by Aux Sable and lower contributions from Ruby. Refer to the "Selected Equity Accounted Investee Information" section for further details on Ruby.
Realized loss on commodity-related derivatives	▲ \$95 million positive variance, primarily due to lower realized losses on NGL-based derivative instruments driven by the change in NGL market prices and the increase in the AECO price during the period resulting in realized gains for certain gas processing fees tied to AECO prices, partially offset by higher realized losses on crude oil-based derivative instruments due to higher crude oil market prices during the period.
Unrealized gain on commodity-related derivatives	▲ \$60 million positive variance, primarily due to gains on NGL marketing derivatives and renewable power purchase agreements resulting from newly added contracts, partially offset by 2021 contracts maturing in the period, combined with unrealized gains for certain gas processing fees tied to AECO prices.
General and administrative	▼ \$93 million increase, largely due to higher long-term incentive costs driven by Pembina's performance relative to peers and the change in Pembina's share price, and higher consulting fees, salaries and wages, and legal fees. Included in general & administrative expenses is \$23 million of fixed fee income related to shared service agreements with joint ventures that will continue on a recurring basis.
Other expense	▼ \$377 million increase, primarily due to \$350 million from the receipt of the Acquisition Termination Payment in 2021 recognized as other income and the Ruby settlement provision in 2022, partially offset by lower restructuring costs and lower acquisition costs.
Impairments	▲ \$474 million decrease, primarily due to impairment charges of \$437 million recognized during 2021 on certain Oil Sands assets, a \$21 million impairment charge recognized on Pembina's interest in Fort Corp. in 2021, and a \$10 million impairment charge on an advance made to Ruby in 2021 compared to nil in 2022.
Gain on PGI Transaction	▲ \$1.1 billion increase related to the gain on the PGI Transaction recognized in third quarter of 2022.
Net finance costs	▼ \$36 million increase, primarily due to foreign exchange losses compared to gains in 2021, higher interest expense on long-term debt, and lower interest income, partially offset by lower interest expense due to tax settlements.
Current tax expense	▲ \$59 million decrease, primarily due to the tax associated with the Arrangement Termination Payment received in 2021 and the PGI Transaction in 2022, partially offset by higher current year earnings.
Deferred tax expense	▲ \$116 million decrease, primarily due to the PGI Transaction, partially offset by the recovery on the impairments recognized in the fourth quarter of 2021.
Cash flow from operating activities	▲ \$279 million increase, primarily driven by an increase in the change in non-cash working capital, higher distributions from equity accounted investees, higher operating results net of the \$350 million Arrangement Termination Payment received in the third quarter of 2021, and a decrease in taxes paid, partially offset by an increase in net interest paid and share-based compensation payments.
Adjusted cash flow from operating activities⁽¹⁾	▲ \$21 million increase, primarily due to the same items impacting cash flow from operating activities, discussed above, net of the change in non-cash working capital, taxes paid, and share-based compensation payments, combined with lower current tax expense and preferred share dividends paid, largely offset by an increase in accrued share based payments.
Adjusted EBITDA⁽¹⁾	▲ \$313 million increase, primarily due to higher margins on crude oil, and natural gas sales, the contributions from certain PGI gas processing assets, including the Hythe Gas Plant, the Dawson Assets, the Cutbank Complex, and the Resthaven Facility, higher volumes on the Peace Pipeline system and on the Cochin Pipeline, higher tolls, lower realized losses on commodity-related derivatives, and higher contributions from Alliance and Aux Sable, partially offset by lower contributions from Ruby, higher general and administrative expense and integrity costs, and contract expirations on the Nipisi and Mitsue Pipeline systems.
Total volumes (mboe/d)⁽²⁾	▼ 73 mboe/d decrease, largely driven by lower volumes on the Ruby Pipeline, contract expirations on the Nipisi and Mitsue Pipeline systems, and the disposition of Pembina's interest in the E1 and E6 assets in October 2022, partially offset by higher volumes on the Peace Pipeline system and Drayton Valley Pipeline due to increased upstream activity, volumes following the PGI Transaction, and higher volumes on the Cochin Pipeline. Volumes include 341 mboe/d (2021: 312 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 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 mmboe/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

3 Months Ended December 31						
(\$ millions, except where noted)	2022			2021		
	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾
Pipelines	2,593	295	548	2,571	(70)	548
Facilities	799	145	288	866	164	285
Marketing & New Ventures ⁽³⁾	—	96	171	—	220	183
Corporate	—	(206)	(82)	—	(181)	(46)
Total	3,392	330	925	3,437	133	970

12 Months Ended December 31						
(\$ millions, except where noted)	2022			2021		
	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾
Pipelines	2,524	1,415	2,127	2,586	917	2,102
Facilities	859	1,804	1,137	870	732	1,097
Marketing & New Ventures ⁽³⁾	—	708	721	—	374	420
Corporate	—	(708)	(239)	—	(358)	(186)
Total	3,383	3,219	3,746	3,456	1,665	3,433

⁽¹⁾ Volumes for Pipelines and Facilities are revenue volumes, which are physical volumes plus volumes recognized from take-or-pay commitments. Volumes are stated in mboe/d, with natural gas volumes converted to mboe/d from MMcf/d at a 6:1 ratio.

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

⁽³⁾ 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.

Pipelines

Financial Overview for the Three Months Ended December 31

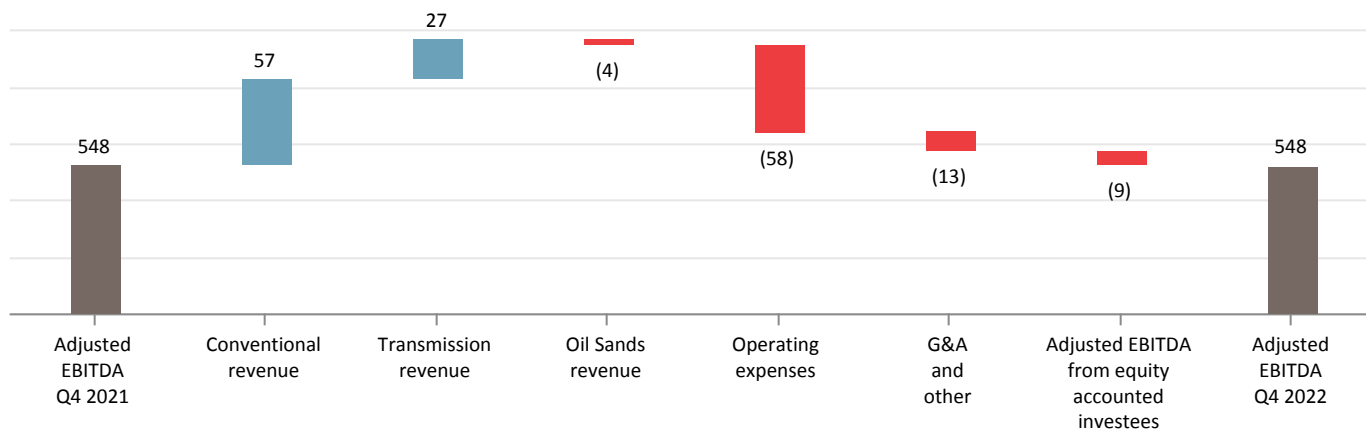
Results of Operations

(\$ millions, except where noted)	2022	2021	Change
Conventional revenue ⁽¹⁾⁽²⁾	436	379	57
Transmission revenue ⁽¹⁾⁽²⁾	139	112	27
Oil Sands revenue ⁽¹⁾⁽²⁾	111	115	(4)
Pipelines revenue ⁽¹⁾	686	606	80
Operating expenses ⁽¹⁾	205	147	58
Depreciation and amortization included in operations	104	101	3
Share of profit from equity accounted investees	44	29	15
Gross profit	421	387	34
Reportable segment earnings (loss) before tax	295	(70)	365
Adjusted EBITDA ⁽³⁾	548	548	—
Volumes (mboe/d) ⁽⁴⁾	2,593	2,571	22
Distributions from equity accounted investees	96	51	45

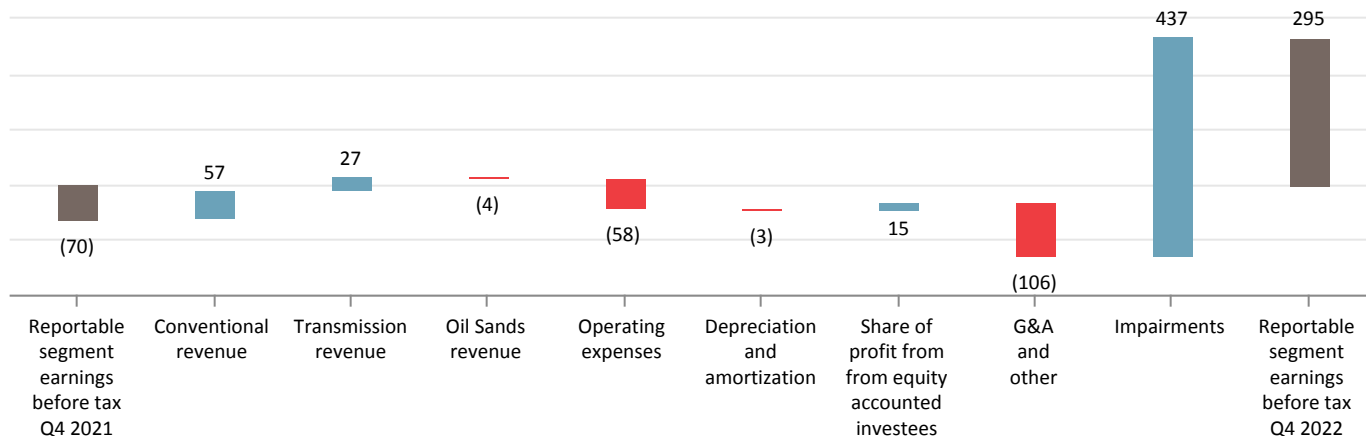
Change in Results

Conventional revenue⁽¹⁾⁽²⁾	▲	Increase largely due to higher volumes on the Peace Pipeline system resulting from increased upstream activity, combined with higher tolls largely due to inflation and higher recoverable power costs.
Transmission revenue⁽¹⁾⁽²⁾	▲	Increase primarily due to higher volumes on the Cochin Pipeline due to increased demand resulting from wider condensate price differentials between Western Canada and the U.S. Gulf Coast and the higher U.S. dollar exchange rate.
Oil Sands revenue⁽¹⁾⁽²⁾	●	Consistent with the prior period. Lower revenue related to recoverable costs on the Horizon Pipeline system due to a timing difference of when the revenue was recognized in 2022 compared to the fourth quarter of 2021, largely offset by higher recoverable power costs on the Syncrude Pipeline.
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 as well as an increase in integrity spending primarily on the Peace Pipeline system.
Share of profit from equity accounted investees	▲	Increase primarily due to higher contributions from Alliance as a result of lower interest expense due to its debt re-financing in the fourth quarter of 2021.
Reportable segment earnings (loss) before tax	▲	Increase largely due to \$437 million in impairments recognized during the fourth quarter of 2021 related to certain Oil Sands assets compared to nil recognized in the fourth quarter of 2022, combined with higher volumes on the Peace Pipeline system and on the Cochin Pipeline, higher tolls due to inflation, higher contributions from Alliance, and the impact of the higher U.S. dollar exchange rate, partially offset by the Ruby settlement provision, lower revenue related to recoverable costs on the Horizon pipeline system, and higher integrity spending and long-term incentives. Refer to the "Selected Equity Accounted Investee Information" section for further details on Ruby.
Adjusted EBITDA⁽³⁾	●	Consistent with the prior period. Due to the same items impacting reportable segment earnings (loss) before tax, discussed above, net of the decrease in impairments and the Ruby settlement provision, largely offset by lower adjusted EBITDA from Ruby. Included in adjusted EBITDA is \$83 million (2021: \$80 million) related to Alliance and nil (2021: \$14 million) related to Ruby.
Volumes (mboe/d)⁽⁴⁾	▲	Increase largely driven by higher volumes on the Peace Pipeline system resulting from increased upstream activity, combined with higher deferred revenue volumes recognized in the fourth quarter of 2022, higher volumes on AEGS due to third-party outages and planned turnarounds in the fourth quarter of 2021, and higher volumes on the Cochin Pipeline, partially offset by lower volumes on the Ruby Pipeline. Volumes include 147 mboe/d (2021: 144 mboe/d) related to Alliance and nil (2021: 60 mboe/d) related to Ruby.
Distributions from equity accounted investees	▲	\$95 million (2021: \$51 million) from Alliance. The increase in distributions from Alliance are due to the same factors impacting share of profit from equity accounted investees discussed above.

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



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽²⁾⁽⁵⁾



⁽¹⁾ Includes inter-segment transactions. See Note 19 to the Consolidated 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.

⁽⁵⁾ Other includes other expense and net finance costs.

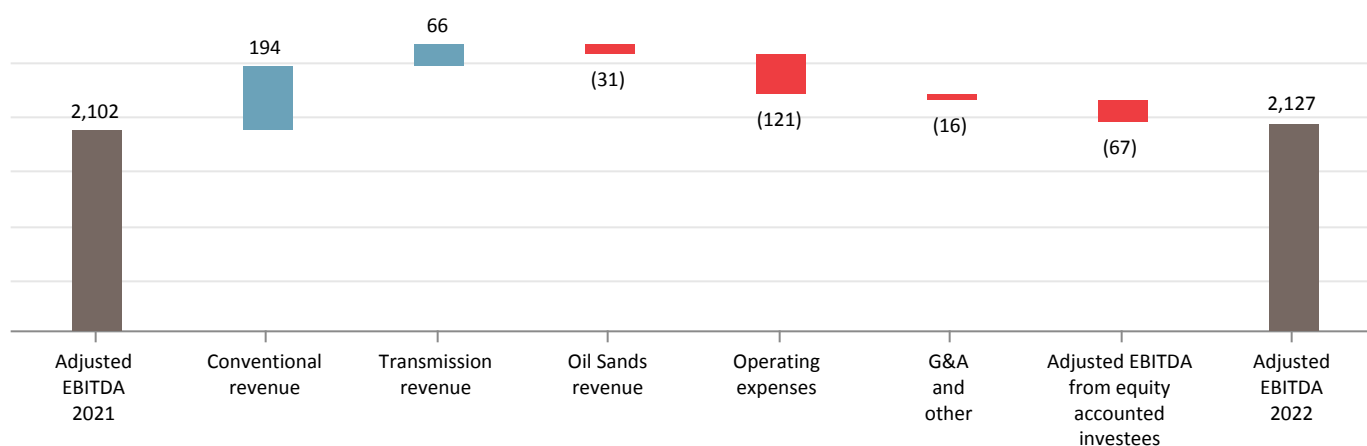
Financial Overview for the 12 Months Ended December 31

Results of Operations

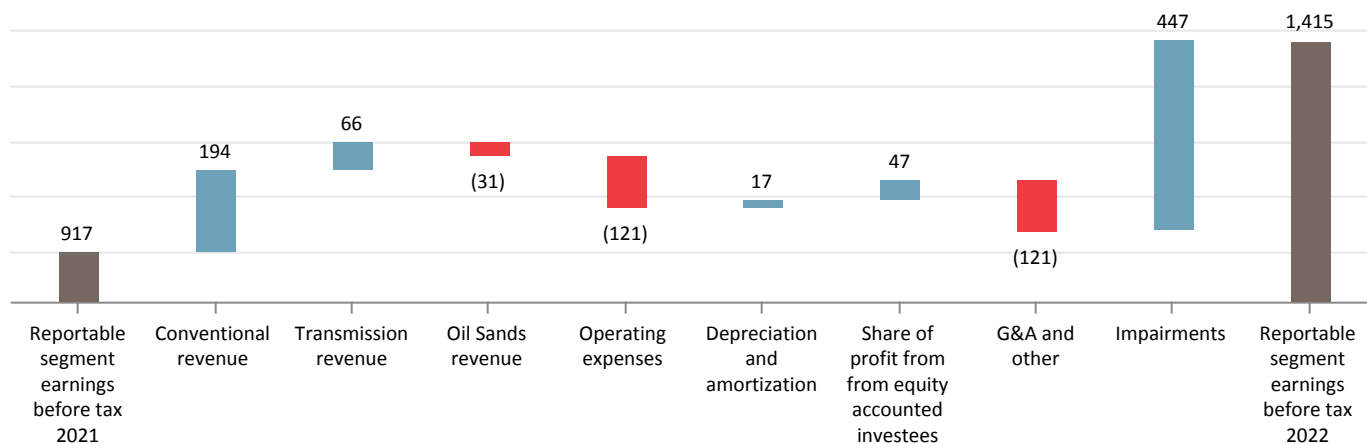
(\$ millions, except where noted)	2022	2021	Change
Conventional revenue ⁽¹⁾⁽²⁾	1,604	1,410	194
Transmission revenue ⁽¹⁾⁽²⁾	493	427	66
Oil Sands revenue ⁽¹⁾⁽²⁾	411	442	(31)
Total revenue ⁽¹⁾	2,508	2,279	229
Operating expenses ⁽¹⁾	677	556	121
Depreciation and amortization included in operations	396	413	(17)
Share of profit from equity accounted investees	171	124	47
Gross profit	1,606	1,434	172
Reportable segment earnings before tax	1,415	917	498
Adjusted EBITDA ⁽³⁾	2,127	2,102	25
Volumes (mboe/d) ⁽⁴⁾	2,524	2,586	(62)
Distributions from equity accounted investees	343	226	117

Change in Results			
Conventional revenue⁽¹⁾⁽²⁾	▲	Increase largely due to higher volumes on the Peace Pipeline resulting from increased upstream activity, combined with higher tolls largely due to inflation and higher recoverable costs on the Western Pipeline and Peace Pipeline system.	
Transmission revenue⁽¹⁾⁽²⁾	▲	Increase primarily due to higher volumes on the Cochin Pipeline due to increased demand resulting from wider condensate price differentials between Western Canada and the U.S. Gulf Coast, the higher U.S. dollar exchange rate, and higher volumes on the Vantage Pipeline due to planned outages during the third quarter of 2021.	
Oil Sands revenue⁽¹⁾⁽²⁾	▼	Decrease largely due to contract expirations on the Nipisi and Mitsue Pipeline systems as a result of the expiration of contracts during the fourth quarter of 2021, partially offset by higher recoverable costs on the Syncrude Pipeline and on the Horizon Pipeline system.	
Operating expenses⁽¹⁾	▼	Increase largely due to an increase in power costs, the majority of which are recoverable, as a result of the higher power pool price during 2022, combined with higher recoverable geotechnical costs primarily related to the Western Pipeline and higher integrity spending largely on the Peace Pipeline system, partially offset by lower operating expense associated with the Nipisi and Mitsue Pipeline systems due to expiration of contracts during the fourth quarter of 2021.	
Depreciation and amortization included in operations	▲	Decrease primarily due to fewer asset retirements in 2022 compared to 2021 and a smaller asset base resulting from the impairment of certain Oil Sands assets in the fourth quarter of 2021.	
Share of profit from equity accounted investees	▲	Increase primarily due to higher revenue from Alliance as a result of a wider AECO-Chicago natural gas price differential, which increased demand and resulted in higher interruptible tolls, combined with higher margins realized on the sale of linepack inventory in 2022, the higher U.S. dollar exchange rate, and lower interest expenses as a result of its debt re-financing in the fourth quarter of 2021, partially offset by lower contributions from Ruby. Refer to the "Selected Equity Accounted Investee Information" section for further details on Ruby.	
Reportable segment earnings before tax	▲	Increase largely due to \$447 million in impairments recognized during 2021 primarily related to certain Oil Sands assets compared to nil in 2022, combined with higher volumes on the Peace Pipeline system and on the Cochin Pipeline, higher tolls due to inflation, higher contributions from Alliance, the impact of the higher U.S. dollar exchange rate, and lower depreciation expense, partially offset by the Ruby settlement provision, contract expirations on the Nipisi and Mitsue Pipeline systems, lower contributions from Ruby, and higher integrity spending, legal and long-term incentives.	
Adjusted EBITDA⁽³⁾	▲	Increase primarily due to the same items impacting reportable segment earnings before tax, net of the decrease in impairments, the Ruby settlement provision, and the lower depreciation expense. Included in adjusted EBITDA is \$323 million (2021: \$282 million) related to Alliance and \$15 million (2021: \$125 million) related to Ruby.	
Volumes (mboe/d)⁽⁴⁾	▼	Decrease largely driven by lower volumes on the Ruby Pipeline and contract expirations on the Nipisi and Mitsue Pipeline systems, partially offset by higher volumes on the Peace Pipeline system and Drayton Valley Pipeline resulting from increased upstream activity, and higher volumes on the Cochin Pipeline. Volumes include 144 mboe/d (2021: 142 mboe/d) related to Alliance and 14 mboe/d (2021: 83 mboe/d) related to Ruby.	
Distributions from equity accounted investees	▲	\$342 million (2021: \$212 million) from Alliance and nil (2021: \$13 million) from Ruby. The increase in distributions is due to the same factors impacting share of profit from equity accounted investees discussed above.	

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



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽²⁾⁽⁵⁾



⁽¹⁾ Includes inter-segment transactions. See Note 19 to the Consolidated 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.

⁽⁵⁾ Other includes other expense and net finance costs.

Financial and Operational Overview

(\$ millions, except where noted)	3 Months Ended December 31						12 Months Ended December 31					
	2022			2021			2022			2021		
	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾
Pipelines⁽³⁾												
Conventional	1,024	266	314	959	238	298	959	1,026	1,208	908	894	1,100
Transmission	593	4	177	616	74	172	589	278	679	642	292	714
Oil Sands	976	26	58	996	(382)	78	976	121	250	1,036	(269)	288
General & administrative ⁽⁴⁾	—	(1)	(1)	—	—	—	—	(10)	(10)	—	—	—
Total	2,593	295	548	2,571	(70)	548	2,524	1,415	2,127	2,586	917	2,102

⁽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.

⁽⁴⁾ Includes general & administrative expenses related to engineering & construction, systems & operations, and business development within the Pipelines Division. These expenses were included at the asset level in 2021 and elevated to the divisional level as at January 1, 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
NEBC Montney Infrastructure	February 2021
Phase VII Peace Pipeline Expansion	June 2022
Phase IX Peace Pipeline Expansion	December 2022

The following outlines the projects and new developments within Pipelines:

The Phase IX Peace Pipeline Expansion was completed on-budget and was placed into service in December 2022. Phase IX was constructed to debottleneck the corridor north of Gordondale, Alberta, upgrade a pump station, convert existing batching pipelines into single product lines, and add a new Wapiti-to-Kakwa pump station.

Phase VIII Peace Pipeline Expansion		
Capital Budget: \$530 million	In-service Date: First half of 2024	Status: On time, trending on 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. Most procurement activities are complete or nearing completion with expected costs consistent with the announced project budget. Pipe manufacturing is underway and construction commenced at several locations in the fourth quarter of 2022.		

⁽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 December 31

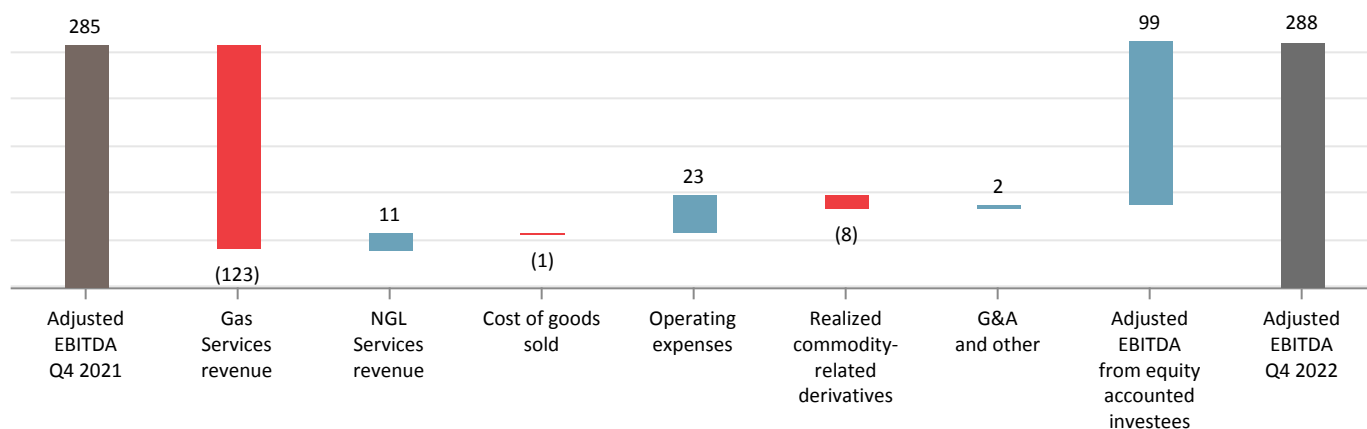
Results of Operations

(\$ millions, except where noted)	2022	2021	Change
Gas Services revenue ⁽¹⁾⁽²⁾	49	172	(123)
NGL Services revenue ⁽¹⁾⁽²⁾	188	177	11
Facilities revenue ⁽¹⁾	237	349	(112)
Operating expenses ⁽¹⁾	104	127	(23)
Cost of goods sold ⁽¹⁾	—	(1)	1
Depreciation and amortization included in operations	34	56	(22)
Realized gain on commodity-related derivative financial instruments	—	(8)	8
Unrealized (gain) loss on commodity-related derivative financial instruments	(2)	24	(26)
Share of profit from equity accounted investees	49	21	28
Gross profit	150	172	(22)
Reportable segment earnings before tax	145	164	(19)
Adjusted EBITDA ⁽³⁾	288	285	3
Volumes (mboe/d) ⁽⁴⁾	799	866	(67)
Distributions from equity accounted investees	110	40	70

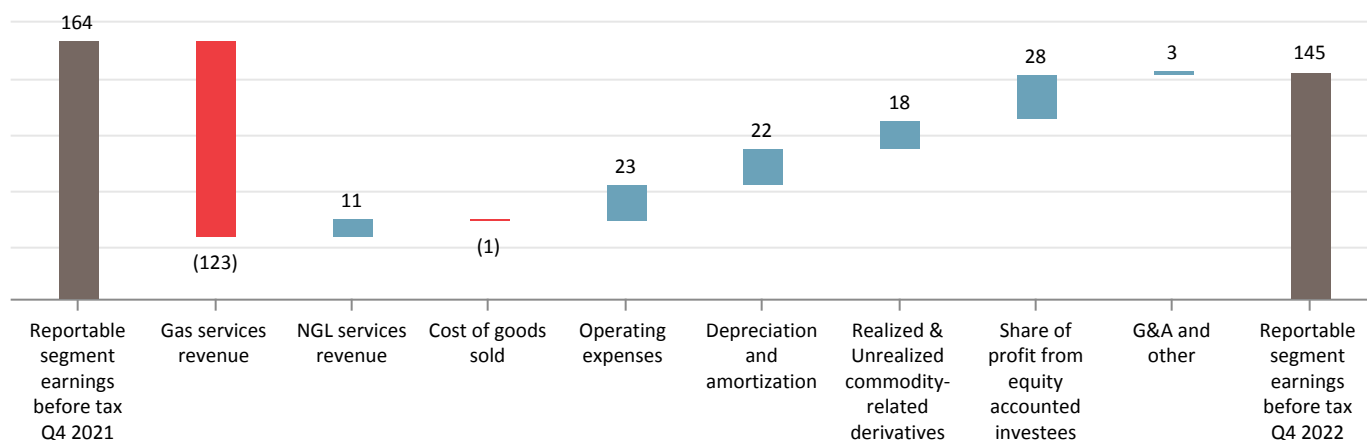
Changes in Results

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 of August 15, 2022 as part of the PGI Transaction. The revenue from these assets is included in share of profit. Refer to the "About Pembina – Pembina Gas Infrastructure" section of this MD&A.
NGL Services revenue⁽¹⁾⁽²⁾	▲	Increase primarily due to higher recoveries as a result of higher power and fuel costs and higher volumes at the Redwater Complex.
Operating expenses⁽¹⁾	▲	Decrease largely due to the PGI Transaction, partially offset by an increase in power and fuel costs, the majority of which are recoverable, as a result of higher power pool prices and AECO prices in the fourth quarter of 2022.
Depreciation and amortization included in operations	▲	Decrease primarily due to a smaller asset base following the PGI Transaction.
Realized and unrealized (gain) loss 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, income tax expense, and depreciation resulting from the PGI assets recorded at fair value, compared to the contributions in 2021 when Pembina owned a 45 percent interest in Veresen Midstream.
Reportable segment earnings before tax	▼	Decrease primarily due to lower contribution from Gas Services resulting from the change in ownership of Pembina's formerly wholly-owned Field-based Gas Processing Assets as part of the PGI Transaction, partially offset by contributions from PGI, a gain on commodity-related derivatives compared to a loss in the fourth quarter of 2021, and lower depreciation.
Adjusted EBITDA⁽³⁾	●	Consistent with the prior period. The contributions from certain PGI gas processing assets, including the Hythe Gas Plant, the Dawson Assets, the Cutbank Complex and the Resthaven Facility are offset by the lower contribution from Gas Services. Included in adjusted EBITDA is nil (2021: \$53 million) related to Veresen Midstream and \$153 million (2021: nil) related to PGI.
Volumes (mboe/d)⁽⁴⁾	▼	Decrease primarily due to the disposition of Pembina's interest in the E1 and E6 assets on October 1, 2022, partially offset by the volumes at the ETC operating plants recognized by Pembina following the PGI Transaction and higher volumes at the Hythe Gas Plant and on the Dawson assets, combined with higher volumes at the Redwater complex due to a third-party outage in the fourth quarter of 2021 and at Younger. Volumes include 336 mboe/d (2021: nil) related to PGI and nil (2021: 90 mboe/d) related to Veresen Midstream.
Distributions from equity accounted investees	▲	\$109 million (2021: nil) from PGI, \$1 million (2021: \$1 million) from Fort Corp, and no distributions (2021: \$39 million) from Veresen Midstream. The increase in distributions is due to the same factors impacting share of profit from equity accounted investees discussed above.

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



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽²⁾⁽⁵⁾



⁽¹⁾ Includes inter-segment transactions. See Note 19 to the Consolidated 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.

⁽⁵⁾ Other includes other expense and net finance costs.

Financial Overview for the 12 Months Ended December 31

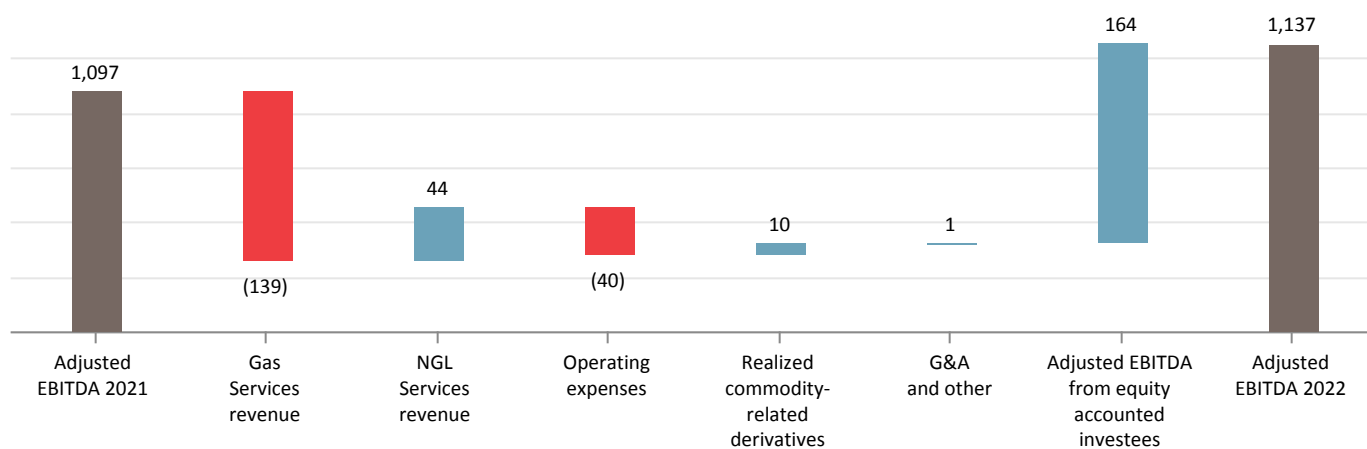
Results of Operations

(\$ millions, except where noted)	2022	2021	Change
Gas Services revenue ⁽¹⁾⁽²⁾	536	675	(139)
NGL Services revenue ⁽¹⁾⁽²⁾	732	688	44
Facilities revenue ⁽¹⁾	1,268	1,363	(95)
Operating expenses ⁽¹⁾	511	471	40
Cost of goods sold ⁽¹⁾	6	6	—
Depreciation and amortization included in operations	196	214	(18)
Realized gain on commodity-related derivative financial instruments	(20)	(10)	(10)
Unrealized gain on commodity-related derivative financial instruments	(50)	(38)	(12)
Share of profit from equity accounted investees	108	80	28
Gross profit	733	800	(67)
Reportable segment earnings before tax	1,804	732	1,072
Adjusted EBITDA ⁽³⁾	1,137	1,097	40
Volumes (mboe/d) ⁽⁴⁾	859	870	(11)
Distributions from equity accounted investees	196	135	61

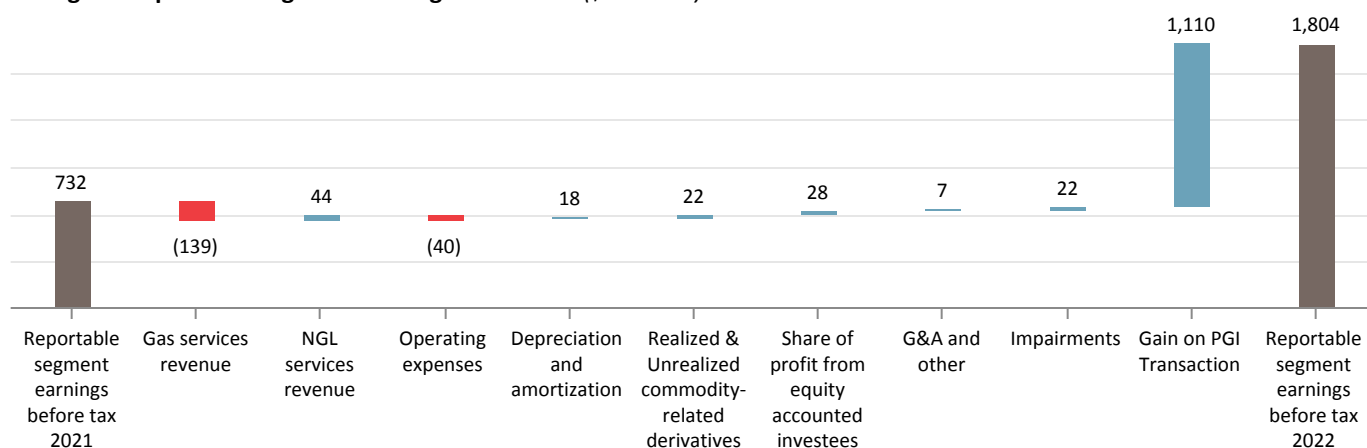
Changes in Results

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 of August 15, 2022 as part of the PGI Transaction. The revenue from these assets is included in share of profit. Refer to the "About Pembina – Pembina Gas Infrastructure" section of this MD&A. This is partially offset by higher recoveries as a result of higher power and fuel costs.
NGL Services revenue⁽¹⁾⁽²⁾	▲	Increase primarily due to higher recoveries at the Redwater complex as a result of higher power and fuel costs and the Prince Rupert Terminal being placed into service in March 2021.
Operating expenses⁽¹⁾	▼	Increase largely due to an increase in power and fuel costs, the majority of which are recoverable, as a result of higher power pool prices and higher AECO prices during 2022 and higher integrity costs, partially offset by lower operating expenses due to the PGI Transaction.
Depreciation and amortization included in operations	▲	Decrease primarily due to a smaller asset base following the PGI Transaction, partially offset by higher asset retirements in 2022, combined with the Prince Rupert Terminal being placed into service in March 2021.
Realized and unrealized gain on commodity-related derivatives	▲	Pembina had certain gas processing fees tied to AECO prices and the increase in the AECO price resulted in gains recognized up until the completion of the PGI Transaction, at which point Pembina transferred the commodity-related derivatives 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, an unrealized loss on commodity-related derivatives, and income tax expense, compared to the contributions in 2021 when Pembina owned a 45 percent interest in Veresen Midstream.
Reportable segment earnings before tax	▲	Increase primarily due to the \$1.1 billion gain recognized on the PGI Transaction in the third quarter of 2022, contributions from PGI, and a \$21 million impairment charge recognized on Pembina's interest in Fort Corp. in 2021 compared to nil in 2022, partially offset by lower contribution from Gas Services resulting from the change in ownership of Pembina's formerly wholly-owned Field-based Gas Processing Assets as part of the PGI Transaction, and higher integrity costs.
Adjusted EBITDA⁽³⁾	▲	Increase primarily due to the contributions from certain PGI gas processing assets, including the Hythe Gas Plant, the Dawson Assets, the Cutbank Complex, and the Resthaven Facility, and realized gains on commodity-related derivatives recognized during the period, partially offset by lower contributions from Gas Services and higher integrity costs. Included in adjusted EBITDA is \$135 million (2021: \$201 million) related to Veresen Midstream and \$230 million (2021: nil) related to PGI.
Volumes (mboe/d)⁽⁴⁾	▼	Decrease primarily due to the disposition of Pembina's interest in the E1 and E6 assets on October 1, 2022, partially offset by the volumes at the ETC operating plants recognized by Pembina following the PGI Transaction and higher volumes at the Hythe Gas Plant and on the Dawson assets, combined with higher volumes at Younger. Volumes include 57 mboe/d (2021: 87 mboe/d) related to Veresen Midstream and 126 mboe/d (2021: nil) related to PGI.
Distributions from equity accounted investees	▲	\$66 million (2021: \$131 million) from Veresen Midstream, \$125 million (2021: nil) from PGI, and \$5 million (2021: \$4 million) from Fort Corp. The increase in distributions is due to the same factors impacting share of profit from equity accounted investees discussed above.

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



Change in Reportable Segment Earnings Before Tax (\$ millions)⁽²⁾⁽⁵⁾



⁽¹⁾ Includes inter-segment transactions. See Note 19 to the Consolidated 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.

⁽⁵⁾ Other includes other expense and net finance costs.

Financial and Operational Overview

(\$ millions, except where noted)	3 Months Ended December 31						12 Months Ended December 31					
	2022			2021			2022			2021		
	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings Before Tax	Adjusted EBITDA ⁽²⁾
Facilities⁽³⁾												
Gas Services	588	82	182	677	85	172	653	1,506	706	669	420	640
NGL Services	211	65	108	189	79	113	206	305	438	201	312	457
General & administrative ⁽⁴⁾	—	(2)	(2)	—	—	—	—	(7)	(7)	—	—	—
Total	799	145	288	866	164	285	859	1,804	1,137	870	732	1,097

⁽¹⁾ Revenue volumes in mboe/d, with natural gas volumes converted to mboe/d from MMcf/d at a 6:1 ratio. See the "Abbreviations" section 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 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.

⁽⁴⁾ Includes general & administrative expenses related to engineering & construction and business development within the Facilities operating segment. These expenses were included at the asset level in 2021 and elevated to the divisional level as at January 1, 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
Hythe Developments	March 2021
Prince Rupert Terminal	March 2021
Vancouver Wharves Expansion	June 2021
Empress Cogeneration Facility	November 2022

During the fourth quarter, Pembina closed the previously announced transaction with Plains Midstream Canada ULC ("Plains") to sell Pembina's minority interest in certain assets currently part of the Empress NGL Extraction Facility, namely, the Empress I Plant, Empress I Expansion Plant, and the Empress VI Plant (collectively "E1 and E6") in consideration for a long-term processing agreement that provides Pembina the right to first priority for 750 mmcf/d of extraction capacity at all Plains-operated assets at Empress. In future periods, the financial impact associated with the processing agreement will be reported within the Marketing & New Ventures segment.

Subsequent to the fourth quarter, Pembina sanctioned construction of a new 55,000 bpd propane-plus fractionator ("RFS IV") at its existing Redwater fractionation and storage complex (the "Redwater Complex"). The project includes additional rail loading capacity at the Redwater Complex. RFS IV is expected to cost approximately \$460 million and will leverage the design, engineering, and operating best practices of its existing facilities. Subject to regulatory and environmental approvals, RFS IV is expected to be in service in the first half of 2026.

RFS IV		
Capital Budget: \$460 million	In-service Date(2): First half of 2026	Status: Recently Announced
RFS IV is a 55,000 barrel per day, propane-plus fractionator at the Redwater Complex. 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.

Marketing & New Ventures

Financial Overview for the Three Months Ended December 31

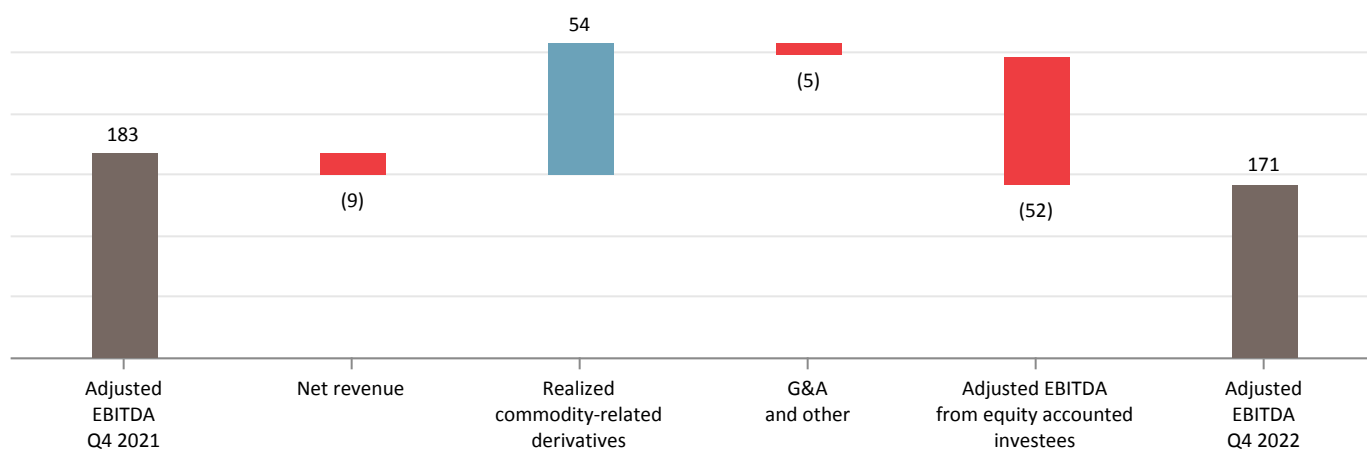
Results of Operations

(\$ millions, except where noted)	2022	2021	Change
Marketing revenue ⁽¹⁾	1,921	1,750	171
Cost of goods sold ⁽¹⁾	1,734	1,554	180
Net revenue ⁽¹⁾⁽²⁾	187	196	(9)
Depreciation and amortization included in operations	10	12	(2)
Realized (gain) loss on commodity-related derivative financial instruments	(10)	44	(54)
Unrealized loss (gain) on commodity-related derivative financial instruments	61	(54)	115
Share of (loss) profit from equity accounted investees	(14)	33	(47)
Gross profit	112	227	(115)
Reportable segment earnings before tax	96	220	(124)
Adjusted EBITDA ⁽²⁾	171	183	(12)
Volumes (mboe/d) ⁽³⁾	193	193	—
Distributions from equity accounted investees	29	37	(8)

Change in Results

Net revenue ⁽¹⁾⁽²⁾	▼	Decrease largely due to lower NGL margins as a result of lower propane prices and higher input natural gas prices and transportation costs, partially offset by higher margins on crude oil resulting from the higher prices across the crude oil complex.
Realized (gain) loss on commodity-related derivatives	▲	The realized gain is primarily due to a \$16 million gain (2021: \$47 million loss) on NGL-based derivative instruments due to the change in NGL market prices during the fourth quarter of 2022.
Unrealized loss (gain) on commodity-related derivatives	▼	Unrealized loss on commodity-related derivatives primarily due to losses on NGL-based derivatives and renewable power purchase agreements due to the increase in the forward prices for natural gas and the decrease in the forward prices for power during the fourth quarter of 2022, combined with contracts maturing in the period.
Share of (loss) profit from equity accounted investees	▼	Decrease largely due to a realized loss on commodity-related derivatives at Aux Sable related to Rich Gas premiums and gas supply and transport tied to AECO prices for the fourth quarter of 2022, combined with cancellation costs associated with CKPC.
Reportable segment earnings before tax	▼	Decrease largely due to losses on commodity-related derivatives for the fourth quarter of 2022 compared to gains recognized during the fourth quarter of 2021, lower contribution from Aux Sable, and lower margins on NGL sales, partially offset by higher margins on crude oil sales.
Adjusted EBITDA ⁽²⁾	▼	Decrease largely due to the same items impacting reportable segment earnings before tax, discussed above, net of the unrealized loss on commodity-related derivatives and net finance income. Included in adjusted EBITDA is a loss of \$12 million (2021: \$38 million) related to Aux Sable.
Volumes (mboe/d) ⁽³⁾	●	Consistent with the prior period. Revenue volumes include 35 mboe/d (2021: 35 mboe/d) related to Aux Sable.
Distributions from equity accounted investees	▼	\$29 million (2021: \$37 million) from Aux Sable. Decrease largely due to the same factors impacting share of (loss) profit from equity accounted investees discussed above excluding the cancellation costs associated with CKPC.

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



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



⁽¹⁾ Includes inter-segment transactions. See Note 19 to the Consolidated Financial Statements.

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

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

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

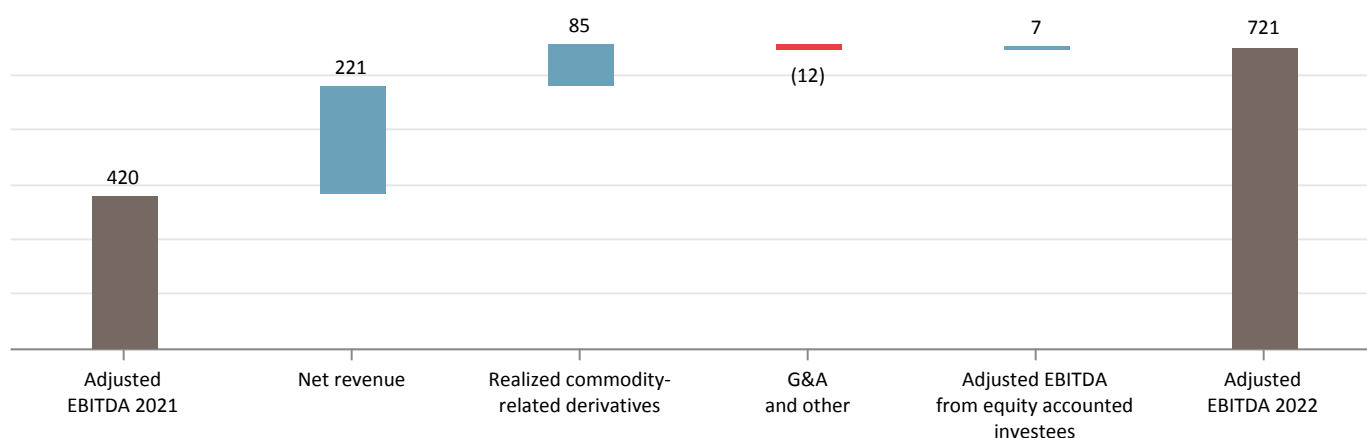
Financial Overview for the 12 Months Ended December 31

Results of Operations

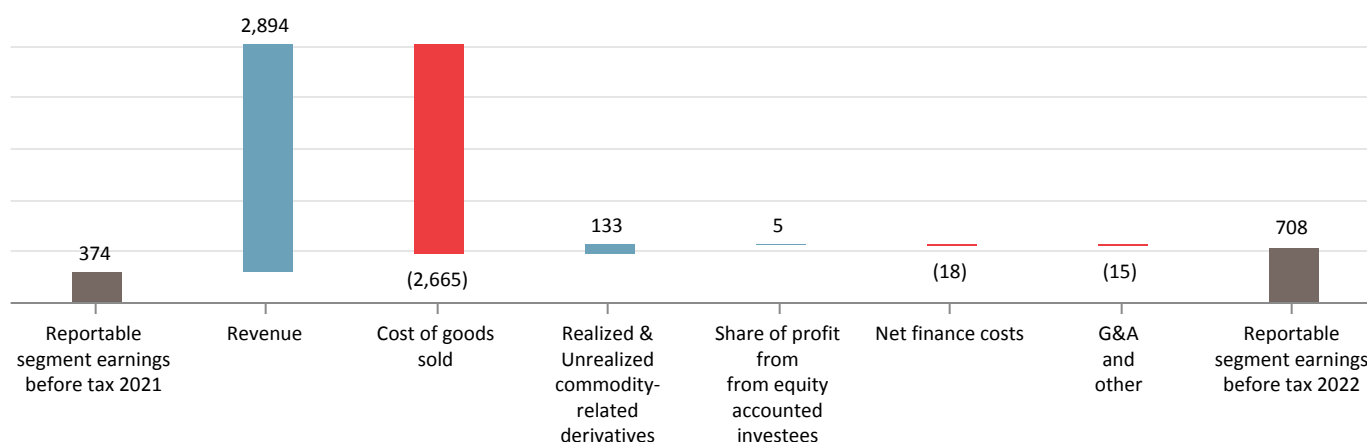
(\$ millions, except where noted)	2022	2021	Change
Marketing revenue ⁽¹⁾	8,471	5,577	2,894
Cost of goods sold ⁽¹⁾	7,682	5,017	2,665
Net revenue ⁽¹⁾⁽²⁾	789	560	229
Depreciation and amortization included in operations	44	50	(6)
Realized loss on commodity-related derivative financial instruments	125	210	(85)
Unrealized gain on commodity-related derivative financial instruments	(83)	(35)	(48)
Share of profit from equity accounted investees	82	77	5
Gross profit	785	412	373
Reportable segment earnings before tax	708	374	334
Adjusted EBITDA ⁽²⁾	721	420	301
Volumes (mboe/d) ⁽³⁾	190	190	—
Distributions from equity accounted investees	134	100	34

Change in Results		
Net revenue⁽¹⁾⁽²⁾	▲	Higher margins on crude oil sales as a result of the higher prices across the crude oil complex contributed to a significant year-over-year increase for the marketing business, combined with contributions from natural gas marketing, where higher margins resulted from the increase in Chicago natural gas prices, partially offset by lower NGL margins as a result of higher input natural gas prices and transportation costs.
Realized loss on commodity-related derivatives	▲	The realized loss is primarily due to a \$90 million (2021: \$32 million) loss on crude oil-based derivative instruments and a \$37 million (2021: \$171 million) loss on NGL-based derivative instruments due to the change in NGL and crude oil market prices during 2022.
Unrealized gain on commodity-related derivatives	▲	Unrealized gain on commodity-related derivatives primarily due to gains on NGL-based derivatives and renewable power purchase agreements resulting from newly added contracts, partially offset by 2021 contracts maturing in the period.
Share of profit from equity accounted investees	●	Consistent with the prior period. Higher revenues at Aux Sable as a result of a wider AECO-Chicago natural gas price differential during 2022 and higher NGL margins were largely offset by a realized loss on commodity-related derivatives for the period and cancellation costs associated with CKPC.
Reportable segment earnings before tax	▲	Increase largely due to higher margins on crude oil and natural gas sales, lower realized losses and higher unrealized gains on commodity-related derivatives for the period compared to 2021, and a higher contribution from Aux Sable, partially offset by lower NGL margins and higher net finance costs related to foreign exchange losses in the period compared to gains in 2021.
Adjusted EBITDA⁽²⁾	▲	Increase largely due to the same items impacting reportable segment earnings before tax, discussed above, net of the unrealized gains on commodity-related derivatives, and higher net finance costs. Included in adjusted EBITDA is \$116 million (2021: \$100 million) related to Aux Sable.
Volumes (mboe/d)⁽³⁾	●	Consistent with the prior period. Revenue volumes include 36 mboe/d (2021: 36 mboe/d) related to Aux Sable.
Distributions from equity accounted investees	▲	\$134 million (2021: \$100 million) from Aux Sable. Increase 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⁽⁴⁾ (\$ millions)



⁽¹⁾ Includes inter-segment transactions. See Note 19 to the Consolidated Financial Statements.

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

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

⁽⁴⁾ Other includes other expense, depreciation & amortization, and impairment expense.

Financial and Operational Overview

	3 Months Ended December 31						12 Months Ended December 31					
	2022			2021			2022			2021		
(\$ millions, except where noted)	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾	Volumes ⁽¹⁾	Reportable Segment Earnings (Loss) Before Tax	Adjusted EBITDA ⁽²⁾
Marketing & New Ventures⁽³⁾												
Marketing	193	98	177	193	225	185	190	729	746	190	390	431
New Ventures ⁽⁴⁾	—	(2)	(6)	—	(5)	(2)	—	(21)	(25)	—	(16)	(11)
Total	193	96	171	193	220	183	190	708	721	190	374	420

⁽¹⁾ Marketed NGL volumes in mboe/d. Marketed NGL volumes. 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

⁽⁴⁾ Pembina's marketing activities and projects, refer to Pembina's AIF for the year ended December 31, 2022.

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 First 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, achieving higher prices for Canadian producers, contributing to lower overall emissions, and enhancing global energy security. Given 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. The Environmental Assessment ("EA") was referred to the B.C. Ministers of Environment and Energy and Mines on November 16, 2022, and the decisions of the B.C. Ministers as well as the federal Minister of Environment and Climate Change are expected to be received in the first quarter of 2023.

As with most of Pembina's assets, 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 guardrails. Cedar LNG is in active commercial discussions with potential counterparties, all of which are investment grade, for long-term commitments, and is working towards the signing of definitive agreements prior to a final investment decision. Work with EPC contractors in the development of the floating LNG Facility continues. The four current work streams – engineering, regulatory, commercial discussions, and financing – are expected to converge for a final investment decision to be made by the third quarter of 2023.

Pembina and TC Energy Corporation ("TC Energy") continue to develop the Alberta Carbon Grid ("ACG"), a carbon transportation and sequestration platform that will enable Alberta-based industries to effectively manage their greenhouse gas emissions, contribute positively to Alberta's lower-carbon economy, and create sustainable long-term value for Pembina and TC Energy stakeholders. In 2022, the Government of Alberta announced that ACG was successfully chosen to move to the next stage of the province's carbon capture utilization and storage process in the Industrial Heartland. In 2022, Pembina and TC Energy progressed surface and sub-surface engineering and planning, continued with ongoing engagement with customers and stakeholders, and recently signed an evaluation agreement with the Government of Alberta. 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. The long-term vision is to annually transport and store up to 20 million tonnes of CO₂ through several hubs across Alberta.

⁽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 December 31

Results of Operations⁽¹⁾

(\$ millions, except where noted)	2022	2021	Change
General and administrative	93	57	36
Other expense	2	26	(24)
Net finance costs	109	97	12
Reportable segment loss before tax	(206)	(181)	(25)
Adjusted EBITDA ⁽²⁾	(82)	(46)	(36)

Change in Results			
General and administrative	▼	Increase primarily due to higher long-term incentive costs driven by Pembina's performance relative to peers and the change in Pembina's share price, and higher consulting fees.	
Other expense	▲	Decrease primarily due to lower restructuring costs recognized during the period compared to the fourth quarter of 2021.	
Net finance costs	▼	Increase primarily due to higher interest on long-term debt as a result of higher interest rates during the period and lower interest income.	
Reportable segment loss before tax	▼	Decrease primarily due to higher long-term incentive costs, consulting fees, and interest expense, partially offset by lower restructuring costs, discussed above.	
Adjusted EBITDA⁽²⁾	▼	Decrease primarily due to higher long-term incentive costs and consulting fees, discussed above.	

⁽¹⁾ Includes inter-segment eliminations.

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

Financial Overview for the 12 Months Ended December 31

Results of Operations⁽¹⁾

(\$ millions, except where noted)	2022	2021	Change
General and administrative	285	233	52
Other expense (income)	4	(268)	272
Net finance costs	418	394	24
Reportable segment loss before tax	(708)	(358)	(350)
Adjusted EBITDA ⁽²⁾	(239)	(186)	(53)

Change in Results			
General and administrative	▼	Increase primarily due to higher long-term incentive costs driven by Pembina's performance relative to peers and the change in Pembina's share price, and higher consulting fees and salaries and wages.	
Other expense (income)	▼	Decrease in other income is primarily due to the receipt of the \$350 million Arrangement Termination Payment in the third quarter of 2021, partially offset by lower restructuring costs and lower acquisition costs.	
Net finance costs	▼	Increase primarily due to higher interest on long-term debt as a result of higher interest rates during 2022 and lower interest income, partially offset by lower interest expense associated with tax settlements.	
Reportable segment loss before tax	▼	Decrease primarily due to the proceeds received from the Arrangement Termination Payment in the third quarter of 2021, combined with higher long-term incentive costs, consulting fees, interest expense and salaries and wages, discussed above, partially offset by lower restructuring costs and acquisition costs, discussed above.	
Adjusted EBITDA⁽²⁾	▼	Decrease primarily due to higher long-term incentive costs, consulting fees, and salaries and wages costs, discussed above.	

⁽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

As at December 31 (\$ millions)	2022	2021
Working capital ⁽¹⁾	(684)	(1,145)
Variable rate debt ⁽²⁾⁽³⁾		
Senior unsecured credit facilities	771	910
Variable rate bank debt swapped to fixed	(338)	(316)
Total variable rate loans and borrowings outstanding (weighted average interest rate of 5.9% (2021: 1.1%))	433	594
Fixed rate debt ⁽²⁾		
Senior unsecured medium-term notes	9,200	9,700
Variable rate bank debt swapped to fixed	338	316
Total fixed rate loans and borrowings outstanding (weighted average interest rate of 3.9% (2021: 3.9%))	9,538	10,016
Total loans and borrowings outstanding	9,971	10,610
Cash and unutilized debt facilities	2,181	2,469
Subordinated hybrid notes (weighted average interest rate of 4.8% (2021: 4.8%))	600	600

⁽¹⁾ As at December 31, 2022, working capital included \$600 million (2021: \$1.0 billion) associated with the current portion of long-term debt.

⁽²⁾ Face value.

⁽³⁾ Includes U.S. \$250 million variable rate debt outstanding at December 31, 2022 (2021: 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 this MD&A 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 December 31, 2022, Pembina's credit facilities consisted of: an unsecured \$1.5 billion (2021: \$2.5 billion) revolving credit facility, which includes a \$750 million (2021: \$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 (2021: nil) sustainability linked revolving credit facility, which matures in June 2026 (the "SLL Credit Facility"); an unsecured U.S. \$250 million (2021: U.S. \$250 million) non-revolving term loan, which matures in May 2025; and an operating facility of \$20 million (2021: \$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.

Financing Activity

On March 14, 2022, Pembina's \$50 million senior unsecured medium term notes, series 3A, matured and were fully repaid.

On July 27, 2022, Pembina replaced its \$2.5 billion revolving credit facility with two credit facilities: an unsecured \$1.0 billion SLL Credit Facility that has a term of four years, maturing June 2026 and an amendment and restatement of the revolving facility into an unsecured \$1.5 billion revolving credit facility, which includes a \$750 million accordion feature and matures in June 2027.

In 2022, Pembina fully repaid and cancelled its non-revolving term loan for a total repayment of \$500 million.

On October 24, 2022, Pembina's \$450 million senior unsecured medium term notes, series 2, matured and were fully repaid.

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 December 31, 2022
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 December 31, 2022 (2021: 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 \$168 million (2021: \$100 million) were held as at December 31, 2022, 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 further information.

Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

Pembina had the following contractual obligations outstanding as at December 31, 2022:

Contractual Obligations ⁽¹⁾ (\$ millions)	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	After 5 years
Leases ⁽²⁾	906	104	175	143	484
Long-term debt ⁽³⁾	16,355	1,092	2,150	2,184	10,929
Construction commitments ⁽⁴⁾	710	423	53	28	206
Other	690	144	142	93	311
Total contractual obligations	18,661	1,763	2,520	2,448	11,930

⁽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 45 and 194 mbpd of NGL each year up to and including 2031. Power purchase agreements range from one to 24 years and involve the purchase of power from electrical service providers. Pembina has secured up to 76 megawatts per day each year up to and including 2046.

⁽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⁾ Includes required maintenance and/or turnarounds and 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.

As a result of the disposition of Pembina's Field-based Gas Processing Assets on August 15, 2022, Pembina's construction commitments were reduced by \$264 million. Refer to the "About Pembina – Pembina Gas Infrastructure" section for further details on the PGI Transaction.

Off-Balance Sheet Arrangements

As at December 31, 2022, 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 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 December 31, 2022, Pembina had \$198 million (2021: \$135 million) in letters of credit issued.

5. SHARE CAPITAL

Common Shares

On March 8, 2022, 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 expires on March 9, 2023 and Pembina expects to file a notice of intention with the TSX to renew the NCIB to purchase up to five percent of its outstanding common shares, subject to approval of the TSX.

The following table summarizes Pembina's share repurchases under its NCIB:

For the years ended December 31 (<i>millions, except as noted</i>)	2022	2021
Number of common shares repurchased for cancellation (<i>thousands</i>)	7,154	450
Average price per share	\$46.55	\$37.77
Total cost ⁽¹⁾	333	17

⁽¹⁾ Total cost includes \$204 million (2021: \$13 million) charged to share capital and \$129 million (2021: \$4 million) charged to deficit.

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.

In connection with the closing of the PGI Transaction on August 15, 2022, Pembina's Board of Directors approved a \$0.0075 per common share increase to its monthly common share dividend rate from \$0.21 to \$0.2175 per common share per month, commencing with the dividend paid on October 14, 2022.

On December 5, 2022, Pembina announced that it was moving from its current practice of paying monthly dividends to a quarterly common share dividend payment, following the monthly December 2022 dividend. Quarterly dividend payments are expected to be made on the last business day of March, June, September and December to shareholders of record on the 15th day of the corresponding month, if, as and when declared by the Board of Directors.

Subsequent to the end of the year, 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.

Preferred Shares

On August 31, 2022, Pembina announced that it did not intend to exercise its right to redeem the eight million Cumulative Redeemable Rate Reset Class A Preferred Shares, Series 15 shares (the "Series 15 Class A Preferred Shares") outstanding on September 30, 2022. The annual dividend rate for the Series 15 Class A Preferred Shares for the five-year period from and including September 30, 2022 to, but excluding, September 30, 2027 is 6.164 percent.

On November 15, 2022, Pembina redeemed all of the 12 million issued and outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 23 (the "Series 23 Class A Preferred Shares") for a redemption price equal to \$25.00 per Series 23 Class A Preferred Share. The total redemption price for the Series 23 Class A Preferred Shares was \$300 million.

Subsequent to the end of the year, 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.

Subsequent to the end of the year, 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 will be 6.302 percent.

Subsequent to the end of the year, 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 will have 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, will be 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 and 21 Class A Preferred Shares are payable quarterly on the first day of March, June, September and December, if, as and when declared by the Board of Directors of Pembina. Dividends on the Series 15, 17 and 19 Class A Preferred Shares are payable on the last day of March, June, September and December in each year, if, as and when declared by the Board of Directors of Pembina. Dividends on the Series 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.

Outstanding Share Data

Issued and outstanding (<i>thousands</i>) ⁽¹⁾	February 16, 2023
Common shares	550,336
Stock options	11,837
Stock options exercisable	7,380
Series 1 Class A Preferred Shares	10,000
Series 3 Class A Preferred Shares	6,000
Series 5 Class A Preferred Shares	10,000
Series 7 Class A Preferred Shares	10,000
Series 9 Class A Preferred Shares	9,000
Series 15 Class A Preferred Shares	8,000
Series 17 Class A Preferred Shares	6,000
Series 19 Class A Preferred Shares	8,000
Series 21 Class A Preferred Shares	16,000
Series 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 December 31		12 Months Ended December 31	
	2022	2021	2022	2021
Pipelines	78	123	342	475
Facilities	39	34	153	136
Marketing & New Ventures	6	6	59	21
Corporate and other projects	20	13	51	26
Total capital expenditures ⁽¹⁾	143	176	605	658

⁽¹⁾ Includes \$38 million for the three months ended December 31, 2022 (2021: \$28 million) and \$160 million for the twelve months ended December 31, 2022 (2021: \$77 million) related to non-recoverable sustainment activities.

In both 2022 and 2021, Pipeline capital expenditures continued to be largely related to Pembina's Peace Pipeline system expansion projects. Pipeline capital expenditures in 2022 also included slope mitigation on the Syncrude and Horizon Pipeline systems. In 2022, Facilities capital expenditures were primarily related to continued expansion at the Empress Co-generation Facility. In 2021, Facilities capital expenditures were largely related to the expansion at Empress and the Prince Rupert Terminal. Marketing & New Ventures capital expenditures primarily related to the purchase of linefill for the Phase VII Peace Pipeline expansion in 2022 and offshore LNG activities in 2021. Corporate capital expenditures in 2021 and 2022 relate mainly to information technology infrastructure and systems development.

Contributions to Equity Accounted Investees

(\$ millions)	3 Months Ended December 31		12 Months Ended December 31	
	2022	2021	2022	2021
Alliance	4	299	4	299
Aux Sable	1	1	3	2
Veresen Midstream	—	—	13	29
PGI	32	—	49	—
Cedar LNG	9	5	26	5
Total	46	305	95	335

Alliance contributions in 2021 were the result of early note redemptions in December 2021. Contributions to Veresen Midstream and PGI in 2022 (and Veresen Midstream in 2021) were to fund general capital expenditures. Contributions made to Cedar LNG in 2022 were to fund front-end engineering and design capital expenditures.

7. SELECTED QUARTERLY INFORMATION

Selected Quarterly Operating Information

(mboe/d)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Volumes⁽¹⁾⁽²⁾								
Pipelines								
Conventional Pipelines	1,024	977	937	897	959	918	892	862
Transmission Pipelines	593	577	564	621	616	595	685	674
Oil Sands Pipelines	976	977	975	975	996	1,050	1,050	1,051
Facilities								
Gas Services	588	686	664	675	677	660	662	677
NGL Services	211	207	204	201	189	188	211	218
Total	3,392	3,424	3,344	3,369	3,437	3,411	3,500	3,482

⁽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.

Deferred Take-or-pay Revenue

(\$ millions)	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Pipelines								
Opening balance	15	27	24	3	21	32	22	3
Revenue deferred	48	55	49	47	43	48	45	42
Revenue recognized	(60)	(67)	(46)	(26)	(61)	(59)	(35)	(23)
Ending take-or-pay contract liability balance	3	15	27	24	3	21	32	22
Facilities								
Opening balance	—	—	1	—	—	3	1	—
Revenue deferred	—	—	2	1	—	—	2	1
Revenue recognized	—	(1)	—	—	—	(3)	—	—
Transfers to liabilities related to assets held for sale	—	3	(3)	—	—	—	—	—
Disposition ⁽¹⁾	—	(2)	—	—	—	—	—	—
Ending take-or-pay contract liability balance	—	—	—	1	—	—	3	1

⁽¹⁾ Refer to Note 9 to the Consolidated Financial Statements for further information.

Quarterly Financial Information

(\$ millions, except where noted)								
	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	2,699	2,779	3,095	3,038	2,560	2,149	1,902	2,016
Net revenue ⁽¹⁾	1,043	1,030	1,020	1,154	1,084	961	894	999
Operating expenses	240	225	211	193	206	187	186	182
Realized (gain) loss on commodity-related derivative financial instruments	(10)	19	49	47	36	43	33	88
Share of profit from equity accounted investees	79	123	74	85	83	75	52	71
Gross profit	681	874	711	857	785	682	550	630
Earnings	243	1,829	418	481	80	588	254	320
Earnings per common share – basic (dollars)	0.39	3.24	0.70	0.81	0.08	1.01	0.39	0.51
Earnings per common share – diluted (dollars)	0.39	3.23	0.69	0.81	0.08	1.01	0.39	0.51
Cash flow from operating activities	947	723	604	655	697	913	584	456
Cash flow from operating activities per common share – basic (dollars)	1.72	1.30	1.09	1.19	1.27	1.66	1.06	0.83
Adjusted cash flow from operating activities ⁽¹⁾	690	588	683	700	734	786	538	582
Adjusted cash flow from operating activities per common share – basic (dollars) ⁽¹⁾	1.25	1.07	1.23	1.27	1.33	1.43	0.98	1.06
Common shares outstanding (millions):								
Weighted average – basic	551	554	554	551	550	550	550	550
Weighted average – diluted	553	556	557	552	551	551	551	550
End of period	550	552	555	552	550	550	550	550
Common share dividends declared	359	354	349	347	346	347	347	346
Dividends per common share	0.65	0.64	0.63	0.63	0.63	0.63	0.63	0.63
Preferred share dividends declared	32	31	32	31	33	31	35	36
Capital expenditures	143	131	152	179	176	209	146	127
Contributions to equity accounted investees	46	24	6	19	305	18	—	12
Distributions from equity accounted investees	235	138	145	155	128	106	112	115
Adjusted EBITDA ⁽¹⁾	925	967	849	1,005	970	850	778	835

⁽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;
- Higher number of common shares as a result of option exercises, partially offset by share repurchases; and
- 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; and
- The Ruby Settlement Agreement in the fourth quarter of 2022 with Ruby Pipeline, L.L.C. ("the Ruby Subsidiary") which provides for the payment 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).

Selected Quarterly Market Pricing

	2022				2021			
(\$ average)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
WTI (USD/bbl)	82.64	91.56	108.41	94.29	77.19	70.50	66.07	57.84
FX (USD/CAD)	1.36	1.31	1.28	1.27	1.26	1.25	1.23	1.27
AECO Natural Gas (CAD/GJ)	5.29	5.50	5.95	4.35	4.68	3.15	2.70	2.77
Station 2 Natural Gas (CAD/GJ)	3.06	2.94	6.45	4.46	3.51	3.22	2.84	2.92
Chicago Citygate Natural Gas (USD/mmbtu)	5.86	7.86	6.97	5.74	5.87	3.40	2.74	2.61
Mt Belvieu Propane (USD/gal)	0.80	1.08	1.25	1.31	1.25	1.06	0.87	0.90
Pembina volume-weighted average share price	45.61	46.17	49.11	43.21	40.27	39.69	38.54	35.18

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 December 31, 2022. 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.

As at December 31 (\$ millions) ⁽¹⁾	2022	2021
Pipelines ⁽²⁾	672	642
Facilities ⁽³⁾	2,694	1,214
Marketing & New Ventures	—	1
Total	3,366	1,857

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

⁽²⁾ Balance includes \$322 million (2021: \$300 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 (2021: nil), Pembina's ownership share of \$550 million (2021: nil) of loans and borrowings on a PGI credit facility funding the construction of the KAPS project, which will be extinguished upon the closing of the sale of KAPS in the second quarter of 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.

On August 15, 2022, PGI closed \$4.75 billion of syndicated credit facilities consisting of a \$3.9 billion unsecured non-revolving term loan facility which matures August 2027, a \$250 million unsecured revolving credit facility, which includes a \$300 million accordion feature and matures August 2025, a \$50 million unsecured operating credit facility which matures August 2024, and a \$550 million unsecured revolving credit facility which matures August 2024 to fund the construction of the KAPS project (collectively, the "PGI Credit Facilities"). There are no mandatory principal repayments due over the term of the PGI Credit Facilities, with the exception of the prepayment of the \$550 million unsecured revolving credit facility in connection with certain specified dispositions. Proceeds of the credit facilities were primarily used to fund a portion of the PGI Transaction including the repayment of Veresen Midstream's and ETC's credit facilities.

On August 15, 2022, Veresen Midstream repaid \$2.6 billion of outstanding debt on its syndicated credit facilities. The credit facilities were cancelled upon repayment as part of the PGI Transaction.

Between August 30, 2022, and October 28, 2022, PGI entered into floating-to-fixed interest rate swaps with a notional value of \$1.95 billion. The floating debt is priced at CAD-BA-CDOR. The interest rate swaps mature July 2027. The weighted average hedge rate for the total notional amount is 3.66 percent.

On December 16, 2022, Alliance completed an extension on its unsecured credit agreement, for a weighted average tenor of 2.9 years, comprising of a \$315 million non-revolving term loan facility, a \$30 million revolving facility and operating facility, a U.S. \$250 million non-revolving term loan facility, and a U.S. \$30 million revolving facility and operating facility, which now matures on December 10, 2025.

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 December 31, 2022, Pembina's various equity accounted investees held letters of credit totaling \$75 million (2021: \$73 million) primarily in respect of customer trade receivables.

9. OTHER

Selected Annual Financial Information

(\$ millions, except where noted)	2022	2021	2020
Revenue	11,611	8,627	5,953
Earnings (loss)	2,971	1,242	(316)
Per common share - basic (dollars)	5.14	2.00	(0.86)
Per common share - diluted (dollars)	5.12	1.99	(0.86)
Total assets	31,475	31,456	31,416
Total non-current liabilities	13,640	14,703	14,620
Common share dividends declared (\$ per share)	2.55	2.52	2.52
Preferred share dividends declared	126	135	151

See the "Quarterly Financial Information" section for the factors impacting the years ended December 31, 2022 and 2021. The increase in revenues, earnings and earnings per common share (basic and diluted) between 2020 and 2021 were largely due to the recovery in demand for commodities and global energy prices in 2021, combined with lower impairments recognized in 2021 largely related to certain Oil Sands assets compared to impairments recognized during the fourth quarter of 2020 associated with its investments in Ruby, CKPC and the assets associated with Jordan Cove, and the results from new assets going into service, partially offset by the deferred tax recovery on impairments in 2020 and higher losses on commodity-related derivative financial instruments in 2021.

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 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 plus flow-through costs. Pembina also bills PGI for payments made by Pembina, on behalf of PGI, to third parties. Services provided to PGI in 2022 totaled \$106 million. PGI provides Pembina with extraction services under long-term fee-for-service arrangements, with total services received by Pembina from PGI in 2022 of \$11 million. As at December 31, 2022, trade receivables and other includes \$41 million due from PGI.

Veresen Midstream

Until August 15, 2022, Pembina provided management services to Veresen Midstream for a fixed fee of \$18 million per year plus flow-through costs. Pembina also provided transportation services to Veresen Midstream under long-term fee-for-service arrangements. Total services provided to Veresen Midstream in 2022 totaled \$35 million (2021: \$50 million).

Ruby

As at December 31, 2022, Pembina had 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 Pipeline 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 in 2022 totaled \$104 million (2021: \$95 million).

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 December 31, 2022, 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 24 to the Consolidated Financial Statements.

Pension Plan

Pembina maintains defined contribution plans and defined benefit pension plans for employees and retirees. The defined benefit plans include a funded registered plan for all qualified employees and an unfunded supplemental retirement plan for those employees affected by the Canada Revenue Agency maximum pension limits. At the end of 2022, the pension plans carried a net asset of \$6 million (2021: net obligation of \$6 million). At December 31, 2022, plan obligations amounted to \$218 million (2021: \$274 million) compared to plan assets of \$224 million (2021: \$268 million). In 2022, the pension plans' expense was \$23 million (2021: \$30 million). Pembina's contributions to the pension plans totaled \$15 million in 2022 (2021: \$23 million).

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

Pembina maintains disclosure controls and procedures ("DC&P") designed to provide reasonable assurance that information required to be disclosed in Pembina's annual filings, interim filings and other reports filed or submitted by it under applicable securities laws is recorded, processed, summarized and reported accurately and in the time periods specified under such securities laws, and include controls and procedures designed to ensure such information is accumulated and communicated to Pembina's management, including its certifying officers, as appropriate to allow timely decisions regarding required disclosure. As at December 31, 2022, an evaluation of the effectiveness of the design and operation of Pembina's DC&P, as defined in Rule 13a – 15(e) and 15(d) – 15(e) under the United States *Securities Exchange Act of 1934*, as amended (the "Exchange Act") and National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109"), was carried out by management, including the President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"). Based on the evaluation, the CEO and CFO have concluded that the design and operation of Pembina's DC&P were effective as at December 31, 2022 to ensure that material information relating to Pembina is made known to the CEO and CFO by others.

It should be noted that while the CEO and CFO believe that Pembina's DC&P provide a reasonable level of assurance that they are effective, they do not expect that Pembina's DC&P will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Annual Report on Internal Control over Financial Reporting

Pembina maintains internal control over financial reporting which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a – 15(e) and 15(d) – 15(e) under the Exchange Act and NI 52-109.

Under the supervision and with the participation of our CEO and our CFO, management has conducted an evaluation of the effectiveness of our internal control over financial reporting, as at December 31, 2022 based on the framework set forth in Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on management's assessment as at December 31, 2022, the CEO and CFO have concluded that Pembina's internal control over financial reporting is effective.

Due to its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of Pembina's financial statements would be prevented or detected. Further, the evaluation of the effectiveness of internal control over financial reporting was made as at a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate.

The effectiveness of internal control over financial reporting as at December 31, 2022 was audited by KPMG LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Public Accounting Firm, which is included in the Consolidated Financial Statements.

Changes in Internal Control over Financial Reporting

There has been no change in Pembina's internal control over financial reporting that occurred during the year ended December 31, 2022 that has materially affected, or are reasonably likely to materially affect, Pembina's internal control over financial reporting.

10. ACCOUNTING POLICIES & ESTIMATES

Changes in Accounting Policies

The accounting policies used in preparing the Consolidated Financial Statements are described in Note 3. There were no new accounting standards or amendments to existing standards adopted in the 12 months ended December 31, 2022 that have a material impact on Pembina's financial statements.

New Standards and Interpretations Not Yet Adopted

The International Accounting Standards Board has issued the following standard and amendments to existing standards that are effective for periods on or after January 1, 2023, with early application permitted. Assessment of the impacts of these standards is ongoing, however, to date, no material impacts on Pembina's Consolidated Financial Statements have been identified.

- Definition of Accounting Estimates (Amendments to IAS 8);
- Disclosure Initiative – Accounting Policies (Amendments to IAS 1);
- IFRS 17 *Insurance Contracts*;
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)⁽¹⁾; and
- Non-current Liabilities with Covenants (Amendments to IAS 1)⁽¹⁾.

⁽¹⁾ Effective for periods beginning on or after January 1, 2024.

Critical Accounting Judgments and Estimates

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

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

Impacts of Geopolitical Events in Eastern Europe and the Ongoing Impact of the COVID-19 Pandemic

Geopolitical events in Eastern Europe and continuing events and conditions related to the COVID-19 pandemic are driving significant volatility in commodity prices and currencies, disruption of business operations and a significant increase in economic uncertainty and inflation. Management applied its judgment in determining the impact of the significant uncertainties created by these events and conditions when using estimates and judgments as well as when assessing fair values of assets and liabilities in the Consolidated Financial Statements.

The following judgments and estimation uncertainties are those management considers material to the Consolidated Financial Statements:

Judgments

(i) Impairment of Non-Financial Assets

Assessment of impairment of non-financial assets is based on management's judgment of whether or not events or changes in circumstances indicate that the carrying value of an asset, investment, cash generating unit ("CGU") or group of CGUs may exceed its recoverable amount. The determination of a CGU is based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. When an impairment test is performed, the carrying value of a CGU or group of CGUs is compared to its recoverable amount, defined as the greater of fair value less costs of disposal and value in use. As such, the asset composition of a CGU or group of CGUs directly impacts both the carrying value and recoverability of the assets included therein.

(ii) Joint Control Over Joint Arrangements

The determination of joint control requires judgment about the influence Pembina has over decisions about the relevant activities of an arrangement and the extent of the benefits it obtains based on the facts and circumstances of the arrangement during the reporting period. Joint control exists when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Ownership percentage alone may not be a determinant of joint control.

Estimates

(i) Deferred Taxes

The calculation of the deferred tax asset or liability is based on assumptions about the timing of many taxable events and the enacted or substantively enacted rates anticipated to be applicable to income in the years in which temporary differences are expected to be realized or reversed. Deferred income tax assets are recognized to the extent that it is probable that the deductible temporary differences will be recoverable in future periods, and estimates and judgment are used in assessing the recognition. Estimates including, but not limited to, the timing of reversal and future taxability may differ on actual realization, and may result in an income tax charge or credit in future periods.

(ii) Impairment of Non-Financial Assets

In determining the recoverable amount of a CGU, a group of CGUs or an individual asset, management uses its best estimates of future cash flows, including considerations related to climate change, access to global markets and energy transition, and assesses discount rates to reflect management's best estimate of a rate that reflects a current market assessment of the time value of money and the specific risks associated with the underlying assets and cash flows.

(iii) Acquisition of an interest in a Joint Venture

Acquisitions of interests in joint ventures that meet the definition of a business involve application of the acquisition method of accounting in order to apply the equity method post-acquisition. The determination of fair value often requires management to make judgments about future possible events. The assumptions with respect to the fair value of consideration exchanged and intangible assets require the most judgment. Estimates of future cash flows, forecast revenue, contract renewal rates, and discount rates are made in determining the fair values of the businesses contributed to the joint venture and Pembina's share of the fair value of assets acquired and liabilities assumed. Changes in these assumptions or estimates used in determining the fair values of the businesses contributed or Pembina's share of acquired assets and liabilities could impact the amounts assigned to the investment in PGI, the gain on the disposition, as well as the assets, liabilities, intangible assets, goodwill and deferred taxes in the in-substance purchase price equation for the investment in PGI. Future earnings can be affected as a result of changes in Pembina's share of the joint venture's equity accounted profits or losses due to differences in future depreciation and amortization, asset or goodwill impairment.

11. RISK FACTORS

Pembina's value proposition is based on balancing economic benefit against risk. Where appropriate, Pembina will seek to reduce risk. Pembina continually works to mitigate the impact of potential risks to its business by identifying all significant risks so that they can be appropriately managed. To assist with identifying and managing risk, Pembina has implemented a comprehensive Risk Management Program. The risks that may affect the business and operation of Pembina and its operating subsidiaries are described at a high level within this MD&A and more fully within Pembina's AIF, an electronic copy of which is available at www.pembina.com or on Pembina's SEDAR profile at www.sedar.com and which is filed under Form 40-F on Pembina's EDGAR profile at www.sec.gov. Further, additional discussion about counterparty risk, market risk, liquidity risk and additional information on financial risk management can be found in Note 24 of the Consolidated Financial Statements.

Risks Inherent in Pembina's Business

Commodity Price Risk

Pembina's business is exposed to commodity price volatility and a substantial decline in the prices of these commodities could adversely affect its financial results.

Certain of the transportation contracts or tolling arrangements with respect to Pembina's pipeline assets do not include take-or-pay commitments from crude oil and gas producers and, as a result, Pembina is exposed to volume risk with respect to those assets. A decrease in volumes transported can directly and adversely affect Pembina's revenues and earnings. The demand for, and utilization of, Pembina's pipeline assets may be impacted by factors such as changing market fundamentals, capacity bottlenecks, operational incidents, regulatory restrictions, system maintenance, weather and increased competition. Market fundamentals, such as commodity prices and price differentials, natural gas and gasoline consumption, alternative energy sources and global supply disruptions outside of Pembina's control can impact both the supply of and demand for the commodities transported on Pembina's pipelines. See "*Reserve Replacement, Throughput and Product Demand*" below.

Pembina's Marketing business includes activities related to product storage, terminalling, and hub services. These activities expose Pembina to certain risks relating to fluctuations in commodity prices and, as a result, Pembina may experience volatility in revenue and impairments related to the book value of stored product with respect to these activities. Primarily, Pembina enters into contracts to purchase and sell crude oil, condensate, NGL and natural gas at floating market prices and, as a result, the prices of products that are marketed by Pembina are subject to volatility as a result of factors such as seasonal demand changes, extreme weather conditions (the severity of which could increase due to climate change), market inventory levels, general economic conditions, the availability and price of transportation logistics, changes in commodity markets and other factors. Pembina manages its risk exposure by balancing purchases and sales to secure less volatile margins.

Notwithstanding Pembina's management of price and quality risk, marketing margins for commodities can vary and have varied significantly from period to period in the past. This variability could have an adverse effect on the results of Pembina's Marketing business and its overall results of operations. To assist in reducing this inherent variability in its Marketing business, Pembina has invested, and will continue to invest, in assets that have a fee-based revenue component.

Pembina is also exposed to potential price declines and decreasing frac spreads between the time Pembina purchases NGL feedstock and sells NGL products. Frac spread is the difference between the revenue from the sale of NGL if removed from a gas stream and the value such NGL would have had if left in the gas stream and sold at natural gas prices. Frac spreads can change significantly from period to period depending on the relationship between NGL and natural gas prices (the "frac spread ratio"), absolute commodity prices, transport differentials and changes in the Canadian to U.S. dollar exchange rate. In addition to the frac spread ratio changes, there is also a differential between NGL product prices and crude oil prices which can change margins realized for midstream products. The amount of profit or loss made on the extraction portion of the business will generally increase or decrease with frac spreads. This exposure could result in variability of cash flow generated by the Marketing business, which could affect Pembina and the cash dividends that Pembina is able to distribute.

Regulation and Legislation

Legislation in Alberta and British Columbia, the jurisdictions from which most products transported by Pembina are produced, exists to ensure that producers have fair and reasonable opportunities to produce, process and market their reserves.

Regulatory authorities in Alberta and British Columbia may declare the operator of a pipeline a common carrier of crude oil, NGL or natural gas. Common carriers must not discriminate between producers who seek access to the pipeline. Regulatory authorities may also establish conditions under which the common carrier must accept and carry product, including the tariffs that may be charged. Producers and shippers may also apply to the appropriate regulatory authorities for a review of tariffs, and such tariffs may then be regulated if it is proven that the tariffs are not just and reasonable. The potential for direct regulation of tariffs for pipelines other than the Alliance Pipeline and the Cochin Pipeline (the tolls and tariffs of which are otherwise subject to CER oversight) and certain pipelines owned by Pembina's subsidiaries in British Columbia (the tolls and tariffs of which are otherwise subject to BCUC oversight), while considered remote by Pembina, could result in tariff levels that are less advantageous to Pembina and could impair the economic operation of such pipeline systems.

The AER is the primary regulatory body that oversees Pembina's Alberta-issued energy development permits, with some minor exceptions. Certain of Pembina's subsidiaries own pipelines in British Columbia, which are regulated by the BCER and the BCUC, and pipelines that cross provincial or international boundaries, which are regulated by the CER and/or the FERC and PHMSA. Certain of Pembina's operations and expansion projects are subject to additional regulations and, as Pembina's operations expand throughout Canada and North America, Pembina may be required to comply with the requirements of additional regulators and legislative bodies, including the IAAC, the BCEAO, the Ontario Energy Regulator, the Ontario Ministry of Natural Resources and Forestry, the Ontario Ministry of the Environment, Conservation and Parks, the Saskatchewan Ministry of Energy and Resources and Regulatory Services (Oil and Gas) under Manitoba Natural Resources and Northern Development.

In the U.S., FERC regulates interstate natural gas pipelines and the transportation of crude oil, NGL and refined products in interstate commerce. Under the NGA, FERC regulates the construction, extension, and abandonment of interstate natural gas pipelines and the rates, terms and conditions of service and other aspects of the business of interstate natural gas pipelines. Interstate natural gas pipelines rates, terms and conditions of service are filed at FERC and publicly available. Under the ICA, FERC regulates the rates, terms and conditions of the transportation in interstate commerce of crude oil, NGLs and refined products. Pipeline safety is regulated by the PHMSA, which sets standards for the design, construction, pressure testing, operation and maintenance, corrosion control, training and qualification of personnel, accident reporting and record keeping. The Office of Pipeline Safety, within the PHMSA, inspects and enforces the pipeline safety regulations across the U.S. All regulations and environmental, safety and economic compliance obligations are subject to change at the initiative of FERC, PHMSA or other United States Federal agencies with jurisdiction over aspects of the operations of pipelines, including environmental, economic and safety regulations. Changes by FERC in its regulations or policies could adversely impact Pembina's natural gas pipelines, making the construction, extension, expansion or abandonment of such pipelines more costly, causing delay in the permitting of such projects or impacting the likelihood of success of completion of such projects. Similarly, changes in FERC's regulations or policies could adversely impact the rates that Pembina's FERC-regulated pipelines are able to charge and how such pipelines do business, whether such pipelines are regulated by FERC pursuant to the NGA or the ICA. Pembina continually monitors existing and changing regulations in all jurisdictions in which it currently operates, or into which it may expand in the future, and the potential implications to its operations; however, Pembina cannot predict future regulatory changes, and any such compliance and regulatory changes in any one or multiple jurisdictions could have a material adverse impact on Pembina, its financial results and its Shareholders.

In 2019, the federal government overhauled the environmental assessment and federal energy regulation regime in Canada. The National Energy Board ("NEB") and NEB Act were replaced by the CER and the CER Act. Similarly, the *Canadian Environmental Assessment Act, 2012* (Canada) ("CEAA") was replaced by the *Impact Assessment Act* (Canada) ("IAA") and the Canadian Environmental Assessment Agency was replaced by the new IAAC as the authority responsible for conducting all federal impact assessments (formerly "environmental assessments") for certain designated projects under the IAA. The list of designated projects which are subject to mandatory assessment under the IAA is similar to the list under the CEAA; however, the length of new pipelines for which an impact assessment is required has been increased from 40 km to 75 km. The IAA also contains a broader project assessment process than under the CEAA and provides for enhanced consultation with groups that may be affected by proposed projects, while also expanding the scope of factors and considerations that are required to be taken into account under the project assessment process. The CER continues to oversee approved federal, interprovincial and international energy projects in a manner similar to the former regime under the NEB, with new projects being referred to a review panel under the IAA. On July 16, 2020, the federal government published the Strategic Assessment of Climate Change ("SACC") under the provisions for such assessments in the IAA. The SACC imposes the new requirements regarding GHG emissions planning on projects subject to the IAA and has also been incorporated in legacy assessments begun under the CEAA but concluded by the IAAC.

Relatively few projects have been subject to the new federal impact assessment regime to date and Pembina continues to actively monitor developments in this area. To the extent these changes lengthen the review timeline for projects or expand the scope of the matters to be considered, the new regime could materially impact the amount of time and capital resources required by Pembina to seek and obtain approval to construct and operate international or interprovincial pipelines or other projects designated pursuant to the IAA project list or ministerial designation powers under the IAA. Indications are that the SACC and new guidance which is yet to be released on a "best in class" approach to GHG emissions requirements will strictly limit GHG emissions from IAA-regulated projects, in support of the federal government's net-zero by 2050 goal discussed under "*Environmental Costs and Liabilities*" below. The ongoing development of the CER Act and IAA regime could therefore materially and directly impact Pembina's business and financial results, and could indirectly affect Pembina's business and financial results by impacting the financial condition and growth prospects of its customers and, ultimately, production levels and throughput on Pembina's pipelines and in its facilities. The uncertainty surrounding the impact of the IAA is currently heightened because, on May 10, 2022, the Alberta Court of Appeal held that the IAA is unconstitutional. The federal government has appealed this decision to the Supreme Court of Canada, with a hearing currently scheduled for March 2023. Pembina continues to monitor these developments.

In addition to the direct regulation of pipelines and midstream facilities, Pembina's business and operations may also be adversely affected by changes in regulations or policies that regulate upstream and/or downstream activities, including, but not limited to, land sales, exploration, development and retail and consumer uses. Pembina's business and financial condition may also be influenced by federal and foreign legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada), the *Investment Canada Act* (Canada) and equivalent legislation in foreign jurisdictions.

There can be no assurance that changes to income tax laws, regulatory and environmental laws or policies and government incentive programs relating to the pipeline or crude oil and natural gas industry will not adversely affect Pembina or the value of its securities.

Operational Risks

Operational risks include, but are not limited to: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities, information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); releases at truck terminals and hubs; releases associated with the loading and unloading of potentially harmful substances onto rail cars and trucks; adverse sea conditions (including storms and rising sea levels) and releases or spills from shipping vessels loaded at Pembina's marine terminal; failure to maintain adequate supplies of spare parts; operator error; labour disputes; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third-party systems or refineries, which may prevent the full utilization of Pembina's facilities and pipelines; and catastrophic events, including, but not limited to, those related to climate change and extreme weather events, including fires, floods and other natural disasters, explosions, train derailments, earthquakes, widespread epidemics or pandemic outbreaks (including the COVID-19 pandemic), acts of civil protest or disobedience, terrorism or sabotage, and other similar events, many of which are beyond the control of Pembina and all of which could result in operational disruptions, damage to assets, related releases or other environmental issues, and delays in construction, labour and materials. Pembina may also be exposed from time to time to additional operational risks not stated in the immediately preceding sentence. In addition, the consequences of any operational incident (including as a result of adverse sea conditions) at Vancouver Wharves and the Prince Rupert Terminal or involving a vessel receiving products from Vancouver Wharves or the Prince Rupert Terminal, may be even more significant as a result of the complexities involved in addressing leaks and releases occurring in the ocean or along coastlines and/or the repair of marine terminals. Any leaks, releases or other incidents involving such vessels, or other similar operators along the West Coast, could result in significant harm to the environment, curtailment of, or disruptions of and/or delays in, offshore shipping activity in the affected areas, including Pembina's ability to effectively carry on operations at Vancouver Wharves and the Prince Rupert Terminal. The occurrence or continuance of any of the foregoing events could increase the cost of operating Pembina's assets or reduce revenue, thereby impacting earnings. Additionally, facilities and pipelines are reliant on electrical power for their operations. A failure or disruption within the local or regional electrical power supply or distribution or transmission systems could significantly affect ongoing operations. Further, a significant increase in the cost of power or fuel could have a materially negative effect on the level of profit realized in cases where the relevant contracts do not provide for recovery of such costs.

Pembina is committed to preserving customer and shareholder value by proactively managing operational risk through safe and reliable operations. Senior managers are responsible for the supervision of operational risk by ensuring appropriate policies, procedures and systems are in place within their business units and internal controls are operating efficiently. Pembina also has an extensive program to manage pipeline system integrity, which includes the development and use of in-line inspection tools and various other leak detection technologies. Pembina's maintenance, inspection, excavation and repair programs are focused on risk mitigation and, as such, integrity maintenance programs are developed and resources are directed to areas based on continual risk assessments and infrastructure is replaced or repaired as required to ensure that Pembina's assets are operated safely and reliably. Pembina carries insurance coverage with respect to some, but not all, casualty occurrences in amounts customary for similar business operations, which coverage may not be sufficient to compensate for all casualty occurrences. In addition, Pembina has a comprehensive Security Management Program designed to reduce security-related risks.

Inflation

The general rate of inflation impacts the economies and business environments in which Pembina operates. In response to sustained, elevated global inflationary pressures resulting from, among other things, the COVID-19 pandemic and the conflict between Ukraine and Russia, major central banks, including the Bank of Canada and the U.S. Federal Reserve, increased benchmark interest rates multiple times throughout 2022 and in early 2023 and may continue to raise them again in the future. Increased inflation and any economic conditions resulting from additional governmental attempts to reduce inflation, including the imposition of higher interest rates or wage and price controls, may negatively impact levels of demand for Pembina's services and cost of inputs, and could, accordingly, have a negative impact on Pembina's business, financial condition and results of operations. Higher interest rates as a result of inflation could negatively impact the Company's borrowing costs, which could, in turn, have a negative impact on Pembina's cash flow and ability to service obligations under its debt securities and other debt obligations, and impact Pembina's ability to sanction new projects.

Completion and Timing of Expansion Projects

The successful completion of Pembina's growth and expansion projects is dependent on a number of factors outside of Pembina's control, including the impact of general economic, business and market conditions, availability of capital on terms and rates acceptable to Pembina, receipt of regulatory approvals, reaching long-term commercial arrangements with customers in respect of certain portions of the expansions, construction schedules, commissioning difficulties or delays and costs that may change depending on supply, demand and/or inflation, labour, materials and equipment availability, contractor non-performance, acts of civil protest or disobedience, terrorism or sabotage, weather conditions, cost of engineering services, and change in governments that granted the requisite regulatory approvals. There is no certainty, nor can Pembina provide any assurance, that necessary regulatory approvals will be received on terms that maintain the expected return on investment associated with a specific project, or at all, or that satisfactory commercial arrangements with suppliers or customers will be entered into on a timely basis, or at all, or that third parties will comply with contractual obligations in a timely manner. Factors such as special interest group opposition, Indigenous, landowner and other stakeholder consultation requirements, civil protest or disobedience, changes in shipper support, and changes to the legislative or regulatory framework could all have an impact on meeting contractual and regulatory milestones. As a result, the cost estimates and completion dates for Pembina's major projects may change during different stages of the project. Greenfield and early stage projects face additional challenges, including securing leases, easements, rights-of-way, permits and/or licenses from landowners or governmental authorities allowing access for such purposes, as well as Indigenous consultation requirements. Accordingly, actual costs and construction schedules may vary from initial estimates and these differences can be significant, and certain projects may not proceed as planned, or at all. Further, there is a risk that maintenance will be required more often than currently planned or that significant maintenance capital projects could arise that were not previously anticipated.

Under most of Pembina's construction and operating agreements, the Company is obligated to construct the facilities and pipelines regardless of delays and cost increases and Pembina bears the risk for any cost overruns. Future agreements entered into with customers with respect to expansions may contain similar conditions. While Pembina is not currently aware of any significant undisclosed cost overruns with respect to its current projects at the date hereof, any such cost overruns may adversely affect the economics of particular projects, as well as Pembina's business operations and financial results, and could reduce Pembina's expected return on investment which, in turn, could reduce the level of cash available for dividends and to service obligations under Pembina's debt securities and other debt obligations.

See "*General Risk Factors – Additional Financing and Capital Resources*" and "*Customer Contracts*" below.

Possible Failure to Realize Anticipated Benefits of Corporate Strategy

Pembina evaluates the value proposition for new investments, acquisitions and divestitures on an ongoing basis. Planning and investment analysis is highly dependent on accurate forecasting assumptions and, to the extent that these assumptions do not materialize, financial performance may be lower or more volatile than expected. Volatility in the economy, change in cost estimates, failure to obtain regulatory approvals and permits, project scoping and risk assessment could result in decreased returns and loss in profits for Pembina.

As part of its ongoing strategy, Pembina may complete acquisitions of assets or other entities in the future. Achieving the benefits of completed and future acquisitions depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Pembina's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Pembina. In particular, large scale acquisitions may involve significant pricing and integration risk. The integration of acquired businesses and entities requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may also result in the loss of key employees and the disruption of ongoing business, customer and employee relationships, which may adversely affect Pembina's ability to achieve the anticipated benefits of any acquisitions. Acquisitions may also expose Pembina to additional risks, including risks relating to entry into markets or businesses in which Pembina has little or no direct prior experience, increased credit risks through the assumption of additional debt, costs and contingent liabilities and exposure to liabilities of the acquired business or assets.

As part of its value proposition evaluation, Pembina may also desire to divest assets to optimize its operations and financial performance. Pembina may, however, be unable to sell certain assets or, if Pembina is able to sell certain assets, it may not receive the optimal or desired amount of proceeds from such asset sales. Additionally, the timing to close any asset sales could be significantly different than Pembina's expected timeline.

See "*General Risk Factors – Additional Financing and Capital Resources*" below.

Joint Ownership and Third-Party Operators

Certain of Pembina's assets are jointly owned and are governed by partnership or shareholder agreements entered into with third-parties. As a result, certain decisions relating to these assets require the approval of a simple majority of the owners, while others require unanimous approval of the owners. In addition, certain of these assets are operated by unrelated third-party entities. The success of these assets is, to some extent, dependent on the effectiveness of the business relationship and decision-making among Pembina and the other joint owner(s) and the expertise and ability of any third-party operators to operate and maintain the assets. While Pembina believes that there are prudent governance and other contractual rights in place, there can be no assurance that Pembina will not encounter disputes with joint owners or that assets operated by third parties may not perform as expected. Such events could impact operations or cash flows of these assets or cause them to not operate as Pembina expects which could, in turn, have a negative impact on Pembina's business operations and financial results, and could reduce Pembina's expected return on investment, thereby reducing the level of cash available for dividends and to service obligations under Pembina's debt securities and other debt obligations.

Reserve Replacement, Throughput and Product Demand

Pembina's pipeline revenue is based on a variety of tolling arrangements, including fee-for-service, cost-of-service agreements and market-based tolls. As a result, certain pipeline revenue is heavily dependent upon throughput levels of crude oil, condensate, NGL and natural gas. Future throughput on crude oil, NGL and natural gas pipelines and replacement of crude oil and natural gas reserves in the service areas will be dependent upon the activities of producers operating in those areas as they relate to exploiting their existing reserve bases and exploring for and developing additional reserves, and technological improvements leading to increased recovery rates. Similarly, the volumes of natural gas processed through Pembina's gas processing assets depends on the production of natural gas in the areas serviced by the gas processing business and associated pipelines. Without reserve additions, or expansion of the service areas, volumes on such pipelines and in such facilities would decline over time as reserves are depleted. As crude oil and natural gas reserves are depleted, production costs may increase relative to the value of the remaining reserves in place, causing producers to shut-in production or seek out lower cost alternatives for transportation. If, as a result, the level of tolls collected by Pembina decreases, cash flow available for dividends to Shareholders and to service obligations under Pembina's debt securities and Pembina's other debt obligations could be adversely affected.

Over the long-term, the ability and willingness of shippers to continue production will also depend, in part, on the level of demand and prices for crude oil, condensate, NGL and natural gas in the markets served by the crude oil, NGL and natural gas pipelines and gas processing and gathering infrastructure in which Pembina has an interest. Producers may shut-in production at lower product prices or higher production costs.

Global economic events may continue to have a substantial impact on the prices of crude oil, condensate, NGL and natural gas. Pembina cannot predict the impact of future supply/demand or economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel efficiency and energy generation in the energy and petrochemical industries or future demand for and prices of natural gas, crude oil, condensate and NGL. A lower commodity price environment will generally reduce drilling activity and, as a result, the demand for midstream infrastructure could decline. Producers in the areas serviced by Pembina may not be successful in exploring for and developing additional reserves or achieving technological improvements to increase recovery rates and lower production costs during periods of lower commodity prices, which may also reduce demand for midstream infrastructure.

Future prices of these hydrocarbons are determined by supply and demand factors, including weather and general economic conditions as well as economic, political and other conditions in other crude oil and natural gas producing regions, all of which are beyond Pembina's control. The rate and timing of production from proven natural gas reserves tied into gas plants is at the discretion of producers and is subject to regulatory constraints. Producers have no obligation to produce from their natural gas reserves, which means production volumes are at the discretion of producers. Lower production volumes may increase the competition for natural gas supply at gas processing plants, which could result in higher shrinkage premiums being paid to natural gas producers. In addition, lower production volumes may lead to less demand for pipelines and processing capacity and could adversely impact Pembina's ability to re-contract on favourable terms with shippers as current agreements expire.

Pembina's gas processing assets are connected to various third-party trunk line systems. Operational disruptions or apportionment on those third-party systems may prevent the full utilization of Pembina's gas processing assets, which may have an adverse effect on Pembina's business.

Competition

Pembina competes with other pipeline, midstream, marketing and gas processing, fractionation and handling/storage service providers in its service areas as well as other transporters of crude oil, NGL and natural gas. The introduction of competing transportation alternatives into Pembina's service areas could limit Pembina's ability to adjust tolls as it may deem necessary and could result in the reduction of throughput in Pembina's pipelines. Additionally, potential pricing differentials on the components of NGL may result in these components being transported by competing gas pipelines. Pembina is determined to meet, and believes that it is prepared for, these existing and potential competitive pressures, including through agreements which provide for areas of dedication over the geographic areas in which Pembina's pipeline infrastructure is located. Pembina also competes with other businesses for growth and business opportunities, including competition related to potential greenfield development opportunities, which could impact its ability to grow through acquisitions and developments and could impact earnings and cash flow available to pay dividends and to service obligations under Pembina's debt securities and other debt obligations.

Reliance on Principal Customers

Pembina sells services and products to large customers within its area of operations and relies on several significant customers to purchase product for the Marketing business. If for any reason these parties are unable to perform their obligations under the various agreements with Pembina, the revenue and dividends of the Company and the operations of Pembina could be negatively impacted, which could also adversely affect the cash flow available for dividends and to service obligations under Pembina's debt securities and other debt obligations. See "*General Risk Factors – Counterparty Credit Risk*" below.

Customer Contracts

Throughput on Pembina's pipelines is governed by transportation contracts or tolling arrangements with various crude oil and natural gas producers. Pembina is party to numerous contracts of varying durations in respect of its gas gathering, processing and fractionation facilities as well as its terminalling and storage services. Any default by counterparties under such contracts or any expiration or early termination of such contracts or tolling arrangements without renewal or replacement, provided that such contracts are material to Pembina's business and operations, may have an adverse effect on Pembina's business and results from operations and there is no guarantee that any of the contracts that Pembina currently has in place will be renewed at the end of their term, including on terms favourable to Pembina, or replaced with other contracts in the event of early termination. Further, some contracts associated with the services described above are comprised of a mixture of firm and non-firm commitments. The revenue that Pembina earns on non-firm or firm commitments without take-or-pay service is dependent on the volume of crude oil, condensate, NGL and natural gas produced by producers in the relevant geographic areas. Accordingly, lower production volumes in these areas, including for reasons such as low commodity prices, may have an adverse effect on Pembina's revenue, which could also adversely affect the cash flow available for dividends and to service obligations under Pembina's debt securities and other debt obligations.

Risks Relating to Leases and Rights of Way Access

Certain Pembina facilities and associated infrastructure are located on lands leased or licensed from third parties and such leases and licenses must be renewed from time to time. Failure to renew the leases or licenses on terms acceptable to Pembina could significantly reduce the operations of such facilities and could result in related decommissioning costs for Pembina, pursuant to the terms of such leases or licenses. Successful development of new pipelines or extensions to existing pipelines depends in part on securing leases, easements, rights-of-way, permits and/or licenses from landowners or governmental authorities allowing access for such purposes. The process of securing rights-of-way or similar access is becoming more complex, particularly in more densely populated, environmentally sensitive and other areas. The inability to secure such rights-of-way or similar access could have an adverse effect on Pembina's operations and financial results.

Urban Encroachment Near Leases and Rights of Way

Pembina operates certain assets in or near urban areas. Land use decisions made by municipal governments or other authorities may increase or introduce exposure to the public within defined emergency planning zones, particularly for high vapour pressure (HVP) pipelines. This can increase the potential severity and likelihood of public safety impacts should a failure event occur. Urban encroachment may result in incremental capital expenditures to increase pipeline wall thickness and re-route pipelines so that emergency planning zones can be reduced in size or avoid areas of development. Operational pressures may also be required to be lowered, which reduces throughput. These issues could impact the competitiveness of certain assets and Pembina's ability to meet customer demand.

Reputation

Reputational risk is the potential risk that market- or company-specific events, or other factors, could result in the deterioration of Pembina's reputation with key stakeholders. Pembina's business and operations, projects and growth opportunities require us to have strong relationships with key stakeholders, including local communities, Indigenous communities and other groups directly impacted by the Company's activities, as well as governments and government agencies.

The potential for deterioration of Pembina's reputation exists in many business decisions, which may negatively impact Pembina's business and the value of its securities. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory and legal, and technology risks, among others, must all be managed effectively to safeguard Pembina's reputation. Pembina's reputation could also be impacted by the actions and activities of other companies operating in the energy industry, particularly other energy infrastructure providers, over which Pembina has no control. In particular, Pembina's reputation could be impacted by negative publicity related to pipeline incidents, expansion plans or new projects or due to opposition from civilians or organizations opposed to energy, oil sands and pipeline development and, particularly, with transportation of production from oil sands producing regions. Further, Pembina's reputation could be negatively impacted by changing public attitudes towards climate change and the perceived causes thereof, over which the Company has no control. Negative impacts resulting from a compromised reputation, whether caused by Pembina's actions or otherwise, could include revenue loss, reduction in customer base, delays in obtaining regulatory approvals with respect to growth projects, reduced access to capital or decreased value of Pembina's securities and reduced insurance capacity and coverage.

Environmental Costs and Liabilities

Pembina's operations, facilities and petroleum product shipments are subject to extensive national, regional and local environmental, health and safety laws and regulations governing, among other things, discharges to air, land and water, the handling and storage of petroleum products and hazardous materials, waste disposal, the protection of employee health, safety and the environment, and the investigation and remediation of contamination. Pembina's facilities may experience incidents, malfunctions or other unplanned events that may result in spills or emissions and/or result in personal injury, fines, penalties, other sanctions or property damage. Pembina may also incur liability for environmental contamination associated with past and present activities and properties.

Pembina's facilities and pipelines must maintain a number of environmental and other permits from various governmental authorities in order to operate, and these facilities are subject to inspection and audit from time to time. Failure to maintain compliance with regulatory and permit requirements could result in operational interruptions, fines or penalties, or the need to install additional pollution control technology. Licenses and permits must be renewed from time to time and there is no guarantee that a license or permit will be renewed on the same or similar conditions as it was initially granted. There can be no assurance that Pembina will be able to obtain all licenses, permits, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. Further, if at any time regulatory authorities deem any of Pembina's pipelines or facilities unsafe or not in compliance with applicable laws, they may order such facilities to be shut down. Certain significant environmental legislative initiatives that may materially impact Pembina's business and financial results and conditions are outlined below.

On June 29, 2021, the federal government enacted the Canadian Net-Zero Emissions Accountability Act ("Net-Zero Act"), which legislated a federal commitment to achieve net-zero GHG emissions by 2050 and a nearer-term target of the federal government's Nationally Determined Contribution under the Paris Climate Agreement, which currently is a 40-50% GHG emissions reduction by 2030. The upstream crude oil and natural gas industry is expected to contribute a significant amount of the reduction needed to achieve these goals. On March 29, 2022, the federal government released the first plan under the Net-Zero Act, the "2030 Emissions Reduction Plan". The federal government's net-zero strategy includes a number of specific measures described below, but is also expected to affect the decision-making of all federal government bodies, including federal regulators, consistent with, for instance, the application of the SACC to projects subject to the IAA, as described above.

The federal government has mandated a pan-Canadian carbon price pursuant to the GGPPA. The carbon price is \$65 per tonne in 2022, rising by \$15 per tonne per year until 2030 to a then price of \$170 per tonne. The GGPPA establishes a set of minimum national standards for carbon pricing in Canada, which standards apply to provinces that otherwise fail to impose adequate provincial carbon pricing measures. A revised minimum national benchmark released in August 2021 under the GGPPA increased the stringency of the pan-Canadian carbon price and the 2030 Emissions Reduction Plan stated the federal government will explore ways to maintain the carbon price against future legislative changes. In 2021, a majority of the Supreme Court of Canada confirmed that the carbon pricing regime established under the GGPPA is constitutional. The increasing carbon price and any potential future amendments to the GGPPA may impose additional costs on the operations of Pembina and Pembina's customers.

The federal Regulations Respecting Reduction in the Release of Methane and Certain Volatile Organic Compounds (Upstream Oil and Gas Sector) ("Federal Methane Regulations"), which require reduction of fugitive and vented gas emissions from the upstream oil and gas sector, came into force on January 1, 2020. The federal government published a discussion paper in March, 2022 and confirmed that the stringency of the Federal Methane Regulations will increase in order to achieve a reduction of oil and gas methane emissions by at least 75 percent below 2012 levels by 2030. Draft regulations to implement this commitment are expected to be released in early 2023 and finalized in 2024, with effect from 2025 onward. The Federal Methane Regulations may impose additional costs on the operations of Pembina and Pembina's customers.

On June 21, 2022, the federal Clean Fuel Regulations came into force, which will require all producers and importers of gasoline and diesel in Canada to reduce or offset the carbon intensity of the fuels they produce or import. The Clean Fuel Regulations are intended to facilitate a decrease in the carbon intensity of gasoline and diesel used in Canada by approximately 15 percent below 2016 levels by 2030, with reductions beginning in 2023. The potential costs and benefits of the Clean Fuel Regulations to Pembina and its customers are continuing to be assessed.

In the 2030 Emissions Reduction Plan and a discussion paper which followed, the federal government has proposed to cap and reduce oil and gas sector GHG emissions in order to achieve an overall reduction of GHG emissions from the sector of 32% below 2005 levels by 2030. The details of this cap and reduction strategy are still in development and Pembina continues to actively monitor such developments.

Alberta currently satisfies federal requirements with respect to output-based carbon pricing for large emitters but has been and continues to be subject to the federal fuel charge pursuant to the GGPPA as of January 1, 2020.

The Technology Innovation and Emissions Reduction Regulation ("TIER") is Alberta's output-based carbon pricing regime for large emitters. The TIER facilitates emissions reductions relative to facilities that emitted 100,000 tonnes of GHGs or more in 2016 or any subsequent year. The TIER also allows facilities emitting less than 100,000 tonnes of GHGs but more than 2,000 tonnes of GHGs to opt-in and apply to be regulated as an aggregate facility. Facilities which are subject to the TIER are exempt from the federal output-based carbon price included in the GGPPA as the regimes are currently deemed equivalent. This equivalence may be re-evaluated as the federal government increases the stringency of the benchmark under the GGPPA, but the TIER has, to date, kept pace with that benchmark, including through a December 2022 ministerial order confirming that the TIER carbon price will align with the GGPPA carbon price between 2023 and 2030. Amendments to the TIER came into force on January 1, 2023 and include, among other things, the addition of emissions associated with flaring to the regulated emissions of aggregate oil and gas facilities and the annual tightening of emission reduction benchmarks. As at December 31, 2022, Pembina had ten processing facilities, along with three aggregate facilities (as a result of the opt-in option) subject to the TIER. At present, the operational and financial impacts of TIER are minimal and are anticipated to not change substantially over the next few years, subject to any significant increase in carbon price that may be imposed on Alberta pursuant to the GGPPA, the Net-Zero Act or resulting policies. As more facilities expand and increase production, it is anticipated that additional facilities will become subject to the TIER. The potential costs and benefits to Pembina of those facilities under the TIER are continuing to be assessed.

By an equivalency agreement with the federal government, which came into force October 26, 2020, the Federal Methane Regulations do not currently apply in Alberta. The application of the Federal Methane Regulations in Alberta may change in 2025 or earlier as the federal government works to meet its desired GHG emissions reduction targets. The Methane Emission Reduction Regulation came into force in Alberta on January 1, 2020, and, along with certain AER Directives, imposes largely the same constraints as the Federal Methane Regulations. The Federal Methane Regulations apply in Ontario and Manitoba but not currently, by equivalency agreements similar to that in effect in Alberta, in British Columbia or Saskatchewan.

The Government of Alberta, in its climate change legislation and guidelines, has legislated an overall cap on oil sands GHG emissions. The legislated emissions cap on oil sands operations has been set to a maximum of 100 megatonnes in any year. Oil sands operations emitted approximately 83 megatonnes per year as of 2019. This legislated cap may limit oil sands production growth in the future, and its interaction with the proposed federal oil and gas sector emissions cap is unknown at this time.

Pembina is subject to regulation by the AER under the AER's liability management framework, including the Licensee Management Program, the Inventory Reduction Program, the Licensee Liability Rating Program and the Large Facility Liability Management Program. As of December 1, 2021, Directive 088 came into force and will replace the AER's current Licensee Liability Rating Program over time. Directive 088 institutes a wholistic assessment regime with several different regulatory tools not limited to the current use of security deposits. This wholistic regime currently applies to licence transfers and has implemented the Inventory Reduction Program. Under the Inventory Reduction Program, which became effective on January 1, 2022, all licensees that have liability associated with inactive infrastructure are required to spend a specified amount each year on reclamation activities, or post equivalent security with the AER.

Pembina is subject to regulation by the BCER under the new Permittee Capability Assessment program, which became effective on April 1, 2022. The Permittee Capability Assessment program is aligned with the intent of the AER's Directive 088 to assess licensees wholistically. It assesses the overall risk of the licensee by examining both financial health measures and deemed liabilities. Licensees are then required to provide security deposits or reduce their deemed liabilities such that their assessed risk under the Permittee Capability Assessment program is reduced to zero in a given year. Failure to do so may restrict the licensee's ability to transfer licenses or result in enforcement action by the BCER. Pursuant to the *Energy Statutes Amendment Act, 2022* (British Columbia), the BCER will have broadened authority to impose liability for cleanup, restoration and management of oil and gas infrastructure sites on directors or officers of a current or former permittee, or on a "responsible person," which is broadly defined to include those holding a legal or beneficial interest in petroleum or natural gas rights, production or profits associated with the oil and gas activity at issue, among others. These changes introduced by the *Energy Statutes Amendment Act, 2022* (British Columbia) will come into force by future regulation, the timing of which is uncertain.

Policy reviews relating to climate change, liability management and other environmental issues are ongoing in the jurisdictions in which Pembina operates. Through active participation with industry associations and direct engagement with regulatory bodies, Pembina will continue to monitor and assess for material impacts to Pembina's business as regulations and policies continue to be developed.

While Pembina believes its current operations are in material compliance with applicable environmental, health and safety laws, there can be no assurance that substantial costs or liabilities will not be incurred as a result of non-compliance with such laws. Moreover, it is possible that other developments, such as changes in environmental, health and safety laws, regulations and enforcement policies thereunder, including with respect to climate change, claims for damages to persons or property resulting from Pembina's operations, and the discovery of pre-existing environmental liabilities in relation to Pembina's existing or future properties or operations, could result in significant costs and liabilities to Pembina. If Pembina is not able to recover the resulting costs or increased costs through insurance or increased tolls, cash flow available to pay dividends to Shareholders and to service obligations under Pembina's debt securities and Pembina's other debt obligations could be adversely affected.

Changes in environmental, health and safety regulations and legislation, including with respect to climate change, may also impact Pembina's customers and could result in crude oil and natural gas development and production becoming uneconomical, which would impact throughput and revenue on Pembina's systems and in its facilities.

See "*Risk Inherent in Pembina's Business – Reserve Replacement, Throughput and Product Demand*" above.

While Pembina maintains insurance for damage caused by seepage or pollution from its pipelines or facilities in an amount it considers prudent and in accordance with industry standards, certain provisions of such insurance may limit the availability thereof in respect of certain occurrences unless they are discovered within fixed time periods, which typically range from 72 hours to 30 days. Although Pembina believes it has adequate pipeline monitoring systems in place to monitor for a significant spill of product, if Pembina is unaware of a problem or is unable to locate the problem within the relevant time period, insurance coverage may lapse and may not be available.

Abandonment Costs

Pembina is responsible for compliance with all applicable laws and regulations regarding the dismantling, decommissioning, environmental, reclamation and remediation activities associated with abandonment of its pipeline systems and other assets at the end of their economic life, and these abandonment costs may be significant. An accounting provision is made for the estimated cost of site restoration and is capitalized in the relevant asset category. A provision is recognized if, as a result of a past event, Pembina has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Pembina's estimates of the costs of such abandonment or decommissioning could be materially different than the actual costs incurred. For more information with respect to Pembina's estimated net present value of decommissioning obligations, see Note 15 to the Consolidated Financial Statements.

The proceeds from the disposition of certain assets, including in respect of certain pipeline systems and line fill, may be available to offset abandonment costs. Pembina may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund additional reclamation funds to provide for payment of future abandonment costs. Such reserves could decrease cash flow available to pay for dividends to Shareholders and to service obligations under Pembina's debt securities and Pembina's other debt obligations.

To the best of its knowledge, Pembina has complied in all material respects with CER requirements relative to its wholly-owned CER-regulated pipelines for abandonment funding and has completed the compliance-based filings that are required under the applicable CER rules and regulations regarding the abandonment of its pipeline systems and assets. Pembina also has ownership in CER-regulated pipelines including in respect of the Alliance Pipeline, the Tupper pipelines and the Kerrobert pipeline, which are operated by or with its joint venture partners. Pembina and the joint venture partner in each case are responsible for the abandonment funding and the submission of the CER-compliance based filings for those CER-regulated pipelines. Pembina will continue to monitor any regulatory changes prior to the next five-year review and will complete the annual reporting as required by the CER.

Operating and Capital Costs

The operating and capital costs of Pembina's assets may vary considerably from current and forecasted values and rates and represent significant components of the cost of providing service. In general, as equipment ages, costs associated with such equipment may increase over time. In addition, operating and capital costs may increase as a result of a number of factors beyond Pembina's control, including general economic, business and market conditions and supply, demand and/or inflation in respect of required goods and/or services. Dividends may be reduced if significant increases in operating or capital costs are incurred and this may also impact the ability of Pembina to service obligations under its debt securities and other debt obligations.

Although certain operating costs are recaptured through the tolls charged on natural gas volumes processed and crude oil and NGL transported, respectively, to the extent such tolls escalate, producers may seek lower cost alternatives or stop production of their crude oil and/or natural gas.

Hedging Activities

The Company utilizes financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity price, interest rate, cost of power and foreign exchange risks. As an example of commodity price mitigation, the Company actively fixes a portion of its exposure to fractionation margins through the use of derivative financial instruments. Additionally, Pembina's Marketing business is also exposed to variability in quality, time and location differentials for various products, and financial instruments may be used to offset the Company's exposures to these differentials. However, these hedging arrangements may expose the Company to risk of financial loss in certain circumstances. Further, certain hedging arrangements may limit the benefit the Company would otherwise receive from increases in commodity price, decreases in interest rates and changes in foreign exchange rates. The Company does not trade financial instruments for speculative purposes. Commodity price fluctuations and volatility can also impact producer activity and throughput in Pembina's infrastructure, which is discussed in more detail below.

For more information with respect to Pembina's financial instruments and financial risk management program, see Note 24 to the Consolidated Financial Statements.

Risks Relating to NGL by Rail

Pembina's operations include rail loading, offloading and terminalling facilities. Pembina relies on railroads and trucks to distribute its products for customers and to transport raw materials to its processing facilities. Costs for environmental damage, damage to property and/or personal injury in the event of a railway incident involving hydrocarbons have the potential to be significant. At this time, the *Railway Safety Act* (Canada), which governs the operation of railway equipment, does not contemplate regulatory enforcement proceedings against shippers, but consignors and shippers may be subject to regulatory proceedings under the *Transportation of Dangerous Goods Act* (Canada), which specifies, among other things, the obligations of shippers to identify and classify dangerous goods, select appropriate equipment and prepare shipping documentation. While the *Canada Transportation Act* was amended in 2015 to preclude railway companies from shifting liability for third-party claims to shippers by tariff publication alone, major Canadian railways have adopted standard contract provisions designed to implement such a shift. Under various environmental statutes in both Canada and the U.S., Pembina could be held responsible for environmental damage caused by hydrocarbons loaded at its facilities or being carried on its leased rail cars. Pembina partially mitigates this risk by securing insurance coverage, but such insurance coverage may not be adequate in the event of an incident.

Railway incidents in Canada and the U.S. have prompted regulatory bodies to initiate reviews of transportation rules and publish various directives. Regulators in Canada and the U.S. have begun to phase-in more stringent engineering standards for tank cars used to move hydrocarbon products, which require all North American tank cars carrying crude oil or ethanol to be retrofitted and all tank cars carrying flammable liquids to be compliant in accordance with the required regulatory timelines. In addition, in 2020, the Government of Canada directed industry to review and update the rules regarding the transportation of crude oil and liquefied petroleum gas. While most legislative and regulatory changes apply directly to railway companies, costs associated with retrofitting locomotives and rail cars, implementing safety systems, increased inspection and reporting requirements may be indirectly passed on to Pembina through increased freight rates and car leasing costs. In addition, regulators in Canada and the U.S. have implemented changes that impose obligations directly on consignors and shippers, such as Pembina, relating to the certification of product, equipment procedures and emergency response procedures.

In the event that Pembina is ultimately held liable for any damages resulting from its activities relating to transporting NGL by rail, for which insurance is not available, or increased costs or obligations are imposed on Pembina as a result of new regulations, this could have an impact on Pembina's business, operations and prospects and could impact earnings and cash flow available to pay dividends and to service obligations under Pembina's debt securities and other debt obligations.

Risks Related to Diluent Usage in the Oilsands

Oil sands production continues to rely on diluent (primarily condensate) blending to enable transportation of bitumen to markets via pipeline or rail. A shortage, or increase in the price, of diluent may cause oil sands producers' transportation costs to increase, which may result in less demand for the Company's services and have a negative impact on Pembina's financial performance and cash flows. Further, oil sands producers continue to invest in and evaluate technologies and methodologies to reduce the volume of diluent required for product transport. Constraints of diluent supply in the market or increases in diluent costs may accelerate such producers' investments in diluent replacement technologies. A material reduction in diluent demand from oil sands producers, whether as a result of decreased supply, or increased prices, of diluent or due to the successful implementation of diluent reduction technologies, could reduce volumes shipped on Pembina's pipeline assets and reduce demand for capacity at certain of Pembina's facilities particularly for fractionation services, which could, in either case, have a negative impact on Pembina's financial performance and cash flows.

Risk Factors Relating to the Securities of Pembina

Dilution of Shareholders

Pembina is authorized to issue, among other classes of shares, an unlimited number of Common Shares for consideration on terms and conditions as established by the Board of Directors without the approval of Shareholders in certain instances. Existing Shareholders have no pre-emptive rights in connection with such further issuances. Any issuance of Common Shares may have a dilutive effect on existing Shareholders.

Risk Factors Relating to the Activities of Pembina and the Ownership of Securities

The following is a list of certain risk factors relating to the activities of Pembina and the ownership of its securities:

- the level of Pembina's indebtedness from time to time could impair Pembina's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise, which may have an adverse effect on the value of Pembina's securities;
- the uncertainty of future dividend payments by Pembina and the level thereof, as Pembina's dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by Pembina and its subsidiaries, financial requirements for Pembina's operations, the execution of its growth strategy and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends;
- Pembina may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of Pembina which may be dilutive to the holders of Pembina's securities;
- the inability of Pembina to manage growth effectively, and realize the anticipated growth opportunities from acquisitions and new projects, could have an adverse impact on Pembina's business, operations and prospects, which may also have an adverse effect on the value of Pembina's securities; and
- the market value of the Common Shares may deteriorate materially if Pembina is unable to meet its cash dividend targets or make cash dividends in the future.

Market Value of Common Shares and Other Securities

Pembina cannot predict at what price the Common Shares, Class A Preferred Shares or other securities issued by Pembina will trade in the future. Common Shares, Class A Preferred Shares and other securities of Pembina will not necessarily trade at values determined solely by reference to the underlying value of Pembina's assets. One of the factors that may influence the market price of the Common Shares and the Class A Preferred Shares is the annual dividend yield of such securities. An increase in interest rates may lead holders and/or purchasers of Common Shares or Class A Preferred Shares to demand a higher annual dividend yield, which could adversely affect the market price of the Common Shares or Class A Preferred Shares. In addition, the market price for Common Shares and the Class A Preferred Shares may be affected by announcements of new developments, changes in Pembina's operating results, failure to meet analysts' expectations, changes in credit ratings, changes in general market conditions, fluctuations in the market for equity or debt securities and other factors beyond the control of Pembina.

Shareholders are encouraged to obtain independent legal, tax and investment advice with respect to the holding of Common Shares or Class A Preferred Shares and other securities issued by Pembina.

General Risk Factors

Health and Safety

The operation of Pembina's business is subject to hazards of gathering, processing, transporting, fractionating, storing and marketing hydrocarbon products. Such hazards include, but are not limited to: blowouts; fires; explosions; gaseous leaks, including sour natural gas; migration of harmful substances; oil spills; corrosion; and acts of vandalism and terrorism. These hazards may interrupt operations, impact Pembina's reputation, cause loss of life or personal injury to the Company's workers or contractors, result in loss of or damage to equipment, property, information technology systems, related data and control systems or cause environmental damage that may include polluting water, land or air. Further, several of the Company's pipeline systems and related assets are operated in close proximity to populated areas and a major incident could result in injury or loss of life to members of the public. A public safety incident could also result in reputational damage to the Company, material repair costs or increased costs of operating and insuring Pembina's assets.

Additional Financing and Capital Resources

The timing and amount of Pembina's capital expenditures and contributions to equity accounted investees, and the ability of Pembina to repay or refinance existing debt as it becomes due, directly affects the amount of cash available for Pembina to pay dividends. Future acquisitions, expansions of Pembina's assets, other capital expenditures and the repayment or refinancing of existing debt as it becomes due may be financed from sources such as cash generated from operations, the issuance of additional Common Shares, Class A Preferred Shares or other securities (including debt securities) of Pembina and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to Pembina, or at all, to make additional investments, fund future expansions or make other required capital expenditures. During periods of weakness in the global economy, and, in particular, the commodity-related industry sectors, Pembina may experience restricted access to capital and increased borrowing costs. The ability of Pembina to raise capital depends on, among other factors, the overall state of capital markets, Pembina's credit rating, investor demand for investments in the energy industry and demand for Pembina's securities. To the extent that external sources of capital, including the issuance of additional Common Shares, Class A Preferred Shares or other securities or the availability of additional credit facilities, become limited or unavailable on acceptable terms, or at all, due to credit market conditions or otherwise, the ability of Pembina to make the necessary capital investments to maintain or expand its operations, to repay outstanding debt or to invest in assets, as the case may be, may be impaired. To the extent Pembina is required to use operating cash flow to finance capital expenditures or acquisitions or to repay existing debt as it becomes due, the level of dividends payable may be reduced.

Counterparty Credit Risk

Counterparty credit risk represents the financial loss Pembina may experience if a counterparty to a financial instrument or commercial agreement fails to meet its contractual obligations to Pembina in accordance with the terms and conditions of such instruments or agreements with Pembina. Counterparty credit risk arises primarily from Pembina's short-term investments, trade and other receivables, advances to related parties and from counterparties to its derivative financial instruments.

Pembina continues to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions. Pembina may reduce or mitigate its exposure to certain counterparties where it is deemed warranted and permitted under contractual terms. Pembina manages counterparty credit risk through established credit management techniques, including conducting comprehensive financial and other assessments on all high exposure new counterparties. Pembina utilizes various sources of financial, credit and business information in assessing the creditworthiness of a counterparty, including external credit ratings, where available, and, in other cases, detailed financial statement analysis in order to generate an internal credit rating based on quantitative and qualitative factors. The establishment of counterparty exposure limits is governed by a Board-designated counterparty exposure limit matrix which represents the maximum dollar amounts of counterparty exposure by debt rating that can be approved for a particular counterparty.

Financial assurances from counterparties may include guarantees, letters of credit and cash. As at December 31, 2022, letters of credit totaling approximately \$168 million (December 31, 2021: \$100 million) were held primarily in respect of customer trade receivables.

Pembina has typically collected its receivables in full. At December 31, 2022, approximately 98 percent (December 31, 2021: 98 percent) of receivables were current. Pembina has a general lien and a continuing and first priority security interest in, and a secured charge on, all of a shipper's petroleum products in its custody. The risk of non-collection is considered to be low and no material impairment of trade and other receivables has been made as of the date hereof.

Pembina monitors and manages its concentration of counterparty credit risk on an ongoing basis. Pembina also evaluates counterparty risk from the perspective of future exposure with existing or new counterparties that support future capital expansion projects. Pembina believes these measures are prudent and allow for effective management of its counterparty credit risk but there is no certainty that they will protect Pembina against all material losses. As part of its ongoing operations, Pembina must balance its market and counterparty credit risks when making business decisions.

Debt Service

As at December 31, 2022, Pembina had exposure to floating interest rates on approximately \$433 million (2021: \$594 million) in debt. Certain borrowings which occur under floating rates have been swapped to fixed rates using derivative financial instruments.

Pembina and its subsidiaries are permitted to borrow funds to finance the purchase of pipelines and other energy infrastructure assets, to fund capital expenditures or other financial obligations or expenditures in respect of such assets and for working capital purposes. Amounts paid in respect of interest and principal on debt incurred in respect of those assets reduce the amount of cash flow available for dividends on Common Shares. Pembina is also required to meet certain financial covenants under the credit facilities and is subject to customary restrictions on its operations and activities, including restrictions on the granting of security, incurring indebtedness and the sale of its assets. In addition, the borrowing costs under the SLL Credit Facility are based on Pembina's performance relative to a GHG emissions intensity reduction performance target. To the extent that Pembina is unable to meet that GHG emissions intensity reduction performance target, or the annual intermediate GHG emissions intensity reduction targets, Pembina's borrowing costs under the SLL Credit Facility will increase, which may adversely affect Pembina's financial position.

The lenders under Pembina's credit facilities have been provided with guarantees and subordination agreements. If Pembina becomes unable to pay its debt service charges or otherwise commits an event of default, payments to the lenders under its credit facilities will rank in priority to dividends.

Although Pembina believes its existing credit facilities are sufficient for its immediate liquidity requirements, there can be no assurance that the amount available thereunder will be adequate for the future financial obligations of Pembina or that additional funds will be able to be obtained on terms acceptable to Pembina, or at all.

Credit Ratings

Rating agencies regularly evaluate Pembina and base their ratings of Pembina's long-term and short-term debt and Class A Preferred Shares on a number of factors. These factors include Pembina's financial strength as well as factors not entirely within Pembina's control, including conditions affecting the industry in which Pembina operates generally and the wider state of the economy. A credit rating downgrade could also limit Pembina's access to debt and preferred share markets.

Pembina's borrowing costs and ability to raise funds are also directly impacted by its credit ratings. Credit ratings may also be important to suppliers or counterparties when they seek to engage in certain transactions with Pembina. A credit rating downgrade may impair Pembina's ability to enter into arrangements with suppliers or counterparties, engage in certain transactions, limit Pembina's access to private and public credit markets or increase the costs of borrowing under its existing credit facilities. There can be no assurance that one or more of Pembina's credit ratings will not be downgraded.

Reliance on Management, Key Individuals and a Skilled Workforce

Pembina is dependent on senior management and directors of the Company in respect of the governance, administration and management of all matters relating to Pembina and its operations and administration. The loss of the services of key individuals could have a detrimental effect on Pembina. In addition, Pembina's operations require the retention and recruitment of a skilled workforce, including engineers, technical personnel and other professionals. Pembina competes with other companies in the energy industry for this skilled workforce. If the Company is unable to retain current employees and/or recruit new employees of comparable skill, knowledge and experience, Pembina's business and operations could be negatively impacted. The costs associated with retaining and recruiting key individuals and a skilled workforce could adversely affect Pembina's business opportunities and financial results and there is no assurance that Pembina will continue to attract and retain all personnel necessary for the development and operation of its business.

Indigenous Land Claims and Consultation Obligations

Indigenous people have claimed title and rights to a considerable portion of the lands in western Canada. The successful assertion of Indigenous title or other Indigenous rights claims may have an adverse effect on western Canadian crude oil and natural gas production or oil sands development and may result in reduced demand for Pembina's assets and infrastructure that service those areas, which could have a material adverse effect on Pembina's business and operations.

In Canada, the federal and provincial governments (the "Crown") have a duty to consult and, when appropriate, accommodate Indigenous peoples when the interests of the Indigenous peoples may be affected by a Crown action or decision. Crown actions include the decision to issue a regulatory approval relating to activities that may impact Indigenous rights, interests or lands. The Crown may rely on steps undertaken by a regulatory agency to fulfill its duty to consult and accommodate in whole or in part. Therefore, the processes established by regulatory bodies, such as the AER, the BCER, the BCEAO and the CER, often include an assessment of Indigenous rights claims and consultation obligations. While the Crown holds ultimate responsibility for ensuring consultation is adequate, this issue is often a major aspect of regulatory permitting processes. If a regulatory body, or the Crown itself, determines that the duty to consult has not been appropriately discharged relative to the issuance of regulatory approvals required by Pembina, the issuance of such approvals may be delayed or denied, thereby impacting Pembina's Canadian operations.

As described in "*Regulation and Legislation*" above, the CER Act, IAA, and associated amendments to the *Fisheries Act* (Canada) and the *Canadian Navigable Waters Act* (Canada) replaced previously applicable regimes in 2019. A number of the federal regulatory process amendments pertained to the participation of Indigenous groups and the protection of Indigenous and treaty rights. The now-current legislation generally codifies existing law and practice with respect to these matters. For example, decision makers are now expressly required to consider the effects (positive or negative) of a proposed project on constitutionally-protected Indigenous rights, as well as Indigenous peoples themselves, and ensure that consultation is undertaken during the planning phase of impact assessment processes. The legislation also creates a larger role for Indigenous governing bodies in the impact assessment process (enabling the delegation of certain aspects of the impact assessment process to such groups) and requires decision makers to consider Indigenous traditional knowledge in certain cases.

The federal government is advancing recognition of Indigenous rights across Canada. As part of these efforts, the federal government enacted the *United Nations Declaration on the Rights of Indigenous Peoples* ("UNDRIP") Act on June 21, 2021. The purpose of the legislation is to affirm the application of the UNDRIP in Canadian law, but the practical effects of the legislation are yet to be determined as it only requires the government to prepare and implement an action plan for this application, and annually report on its progress. Structurally similar legislation was enacted by British Columbia in 2019; the *Declaration on the Rights of Indigenous Peoples Act* ("DRIPA").

The DRIPA is just one piece of the Government of British Columbia's strategy to include greater First Nation involvement in regulatory decision-making. The recognition of Indigenous rights is also facilitated by the renewed British Columbia *Environmental Assessment Act* (the "EA Act") that came into force in late 2019. The EA Act is designed as a "consent-based" environmental assessment model and is intended to support reconciliation with Indigenous peoples and the implementation of the UNDRIP. The legislation requires the BCEAO to seek participating Indigenous groups' consent with respect to, among other things, the decision to issue an environmental assessment certificate to a given project. While the EA Act does not strictly require consent in most cases, the legislation creates significant participation opportunities for Indigenous groups during environmental assessments. Furthermore, the Government of British Columbia is beginning to explore bilateral "Consent Decision-Making Agreements" under the DRIPA which require First Nation consent for certain resource development projects, with one such agreement announced on June 6, 2022. These developments may increase the time required to obtain regulatory approvals or the risk of such approvals and thereby impact Pembina's operations in British Columbia.

Pembina continues to actively monitor the development of the regulations required to facilitate the implementation of the UNDRIP Act, DRIPA, EA Act and the impact that other federal and provincial government initiatives on Indigenous rights may have on its business.

In addition, Pembina is monitoring the impact of the recent judgments of the Supreme Court of British Columbia with respect to First Nation claims, including the claim brought by the Blueberry River First Nation ("BRFN") against British Columbia relating to the cumulative impact of industrial development within the BRFN treaty area and the claim brought by Saik'uz First Nation and Stellat'en First Nation (collectively "Saik'uz") in nuisance against the Crown and private company Rio Tinto Alcan Inc. The judgments have contributed to the acceleration of the Government of British Columbia's imposition of additional requirements to obtain regulatory approvals for developing pipelines or associated facilities and could cause delays, suspensions, or deferrals in the development of such facilities. They may also impact the current and future activities of producers operating in British Columbia and cause them to decrease production, which could, in turn, reduce such producers' demand for Pembina's existing pipeline capacity and processing assets, and may have an adverse effect on Pembina's business. On January 18, 2023, the Government of British Columbia and BRFN announced that they had reached the Blueberry River First Nations Implementation Agreement in response to the BRFN decision. The agreement creates a framework for how resource development may continue within the BRFN claim area, which includes, among other things, limiting new surface disturbances from oil and gas development in BRFN's claim area to 750 hectares per year while a long-term cumulative effects management regime is developed and implemented. Beyond the BRFN and Saik'uz decisions, at least one First Nation has used DRIPA as justification to challenge British Columbia's mineral tenure regime before the Supreme Court of British Columbia. Pembina continues to actively monitor regulatory developments relating to Indigenous claims in British Columbia; however, Pembina cannot predict future regulatory changes that may arise to address the Court's decisions in these or future cases and any such regulatory changes could impact the operations of Pembina and Pembina's customers.

Potential Conflicts of Interest

Shareholders and other securityholders of Pembina are dependent on senior management and the directors of Pembina for the governance, administration and management of Pembina. Certain directors and officers of Pembina may be directors or officers of entities in competition to Pembina or may be directors or officers of certain entities in which Pembina holds an equity investment in. As such, certain directors or officers of Pembina may encounter conflicts of interest in the administration of their duties with respect to Pembina. Pembina mitigates this risk by requiring directors and officers to disclose the existence of potential conflicts in accordance with Pembina's Code of Ethics Policy and in accordance with the ABCA.

Litigation

In the course of their business, Pembina and its various subsidiaries and affiliates may be subject to lawsuits and other claims, including with respect to Pembina's growth or expansion projects. Defence and settlement costs associated with such lawsuits and claims may be substantial, even with respect to lawsuits and claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal or other proceeding may have a material adverse effect on the financial position or operating results of Pembina.

Changes in Tax Legislation

Tax legislation that Pembina is subject to may be amended (or the interpretation of such legislation may change), retroactively or prospectively, resulting in tax consequences that materially differ from those contemplated by Pembina in the jurisdictions in which Pembina has operations, which may create a risk of non-compliance and re-assessment. While Pembina believes that its tax filing positions are appropriate and supportable, it is possible that governing tax authorities may: (i) amend tax legislation (or its interpretation of such legislation may change), or (ii) successfully challenge Pembina's interpretation of tax legislation, either of which could expose Pembina to additional tax liabilities and may affect Pembina's estimate of current and future income taxes and could have an adverse effect on the financial condition and prospects of Pembina and the distributable cash flow available to pay dividends and to service obligations under Pembina's debt securities and other debt obligations.

Foreign Exchange Risk

Pembina's cash flows, including a portion of its commodity-related cash flows, certain cash flows from U.S.-based infrastructure assets, and distributions from U.S.-based investments in equity accounted investees, are subject to currency risk, arising from the denomination of specific cash flows in U.S. dollars. Additionally, a portion of Pembina's capital expenditures, and contributions or loans to Pembina's U.S.-based investments in equity accounted investees, may be denominated in U.S. dollars. Pembina monitors, assesses and responds to these foreign currency risks using an active risk management program, which may include the exchange of foreign currency for domestic currency at a fixed rate.

Cyber Security

Pembina's infrastructure, technologies and data are becoming increasingly integrated. Such integration creates a risk that the failure of one system, including due to factors such as telecommunication failures, cyber-terrorism, security breaches and intentional or inadvertent user misuse or error, could lead to failure of other systems which may also have an impact on the Company's physical assets and its ability to safely operate such assets. Furthermore, Pembina and its third-party vendors collect and store sensitive data in the ordinary course of business, including personal identification information of employees as well as proprietary business information and that of the Company's customers, suppliers, investors and other stakeholders. Notable cybersecurity threats include unauthorized access to information technology systems due to hacking, viruses, cyber phishing attacks and other causes that can result in service disruptions, system failures and unauthorized access to confidential business information. Due to Pembina's high level of integration, such an attack on the information technology systems of one segment or asset of Pembina could have a material adverse effect on the broader business, operations or financial results of the Company.

As a result of the critical nature of energy infrastructure, the industry has experienced an increasing risk of cyber-attacks. Any breach in the security or failure of Pembina's information technology could result in operational outages, delays, damage to assets or the environment, reputational harm, lost profits, lost data and other adverse outcomes for which Pembina could be held liable, all of which could adversely affect Pembina's reputation, business, operations or financial results. As a result of a cyber-attack or security breach, Pembina could also be liable under laws that protect the privacy of personal information or subject to regulatory penalties.

Political Uncertainty

Political and social events and decisions made in Canada, the U.S. and elsewhere, including changes to federal, provincial, state or municipal governments in Canada and the U.S., may create future uncertainty on global financial and economic markets. This uncertainty may impact the energy industry in Canada and may have an adverse effect on Pembina's business and financial results.

Risks Relating to Breach of Confidentiality

Pembina regularly enters into confidentiality agreements with third parties prior to the disclosure of any confidential information when discussing potential business relationships or other transactions. Breaches of confidentiality could put Pembina at competitive risk and may cause significant damage to its business. There is no assurance that, in the event of a breach of confidentiality, Pembina will be able to obtain equitable remedies from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Concentration of Assets in the Western Canadian Sedimentary Basin

The majority of Pembina's assets are concentrated in the WCSB, which leaves the company exposed to the economic conditions of that area. Pembina mitigates this risk through a diversity of business activities within the area and by owning and operating assets in the U.S.

COVID-19 Related Impacts

In 2022, Pembina's business and operations largely recovered from, and had limited disruption overall as a result of, the impacts of the COVID-19 pandemic. The actions which may be taken in the future by governmental authorities in response to the COVID-19 pandemic may result in, among other things: an overall slowdown in the global economy; a decrease in global energy demand; increased volatility in financial and commodity markets; disruptions to global supply chains; labour shortages; significant impacts to the workforce; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings of individuals, as well as shelter-in-place declarations and quarantine orders; business closures and travel bans; political and economic instability; and civil unrest. The occurrence of new variants of the COVID-19 virus in certain geographic areas, including certain areas in which Pembina operates, and the possibility that a resurgence of the COVID-19 virus or the spread of such new or other variants or mutations thereof may occur in other areas, may result in the re-imposition of certain of the foregoing restrictions or further restrictions by governmental authorities in certain jurisdictions, including certain jurisdictions in which Pembina operates.

Depending on how the COVID-19 pandemic evolves, it may also have the effect of heightening many of the other risks described herein, including the risks relating to Pembina's exposure to commodity prices; the successful completion of Pembina's growth and expansion projects, including the expected return on investment thereof; Pembina's ability to obtain required equipment, materials or labour; Pembina's ability to maintain its credit ratings; restricted access to capital and increased borrowing costs; Pembina's ability to pay dividends and service obligations under its debt securities and other debt obligations; and otherwise complying with the covenants contained in the agreements that govern Pembina's existing indebtedness.

Impacts of Geopolitical Events in Eastern Europe

While Pembina's operations, based solely in North America, have not been, and are unlikely to be, directly impacted, the current conflict between Ukraine and Russia and the international response has, and may continue to have, potential wide-ranging consequences for global market volatility and economic conditions, including energy and commodity prices, which may, in turn, increase inflationary pressures and interest rates. Certain countries, including Canada and the United States, have imposed strict financial and trade sanctions against Russia, which have, and may continue to have, far-reaching effects on the global economy and energy and commodity prices. The short-, medium- and long-term implications of the conflict in Ukraine are difficult to predict with any certainty at this time and there remains uncertainty relating to the potential direct and indirect impact of the conflict on Pembina, and it could have a material and adverse effect on the Company's business, financial condition and results of operations. Depending on the extent, duration, and severity of the conflict, it may have the effect of heightening many of the other risks described herein, including, without limitation, the risks relating to Pembina's exposure to commodity prices; the successful completion of Pembina's growth and expansion projects, including the expected return on investment thereof; supply chains and Pembina's ability to obtain required equipment, materials or labour; cybersecurity risks; inflationary pressures; and restricted access to capital and increased borrowing costs as a result of increased interest rates.

Risks Related to Climate Change

Risks Relating to Changing Investor Sentiment in the Oil and Gas Industry

A number of factors, including the concerns of the effects of the use of fossil fuels on climate change, concerns of the impact of oil and gas operations on the environment, concerns of environmental damage relating to spills of petroleum products during transportation and concerns of Indigenous rights, have affected certain investors' sentiments towards investing in the oil and gas industry. As a result of these concerns, some investors have announced that they are no longer willing to fund or invest in oil and gas properties or companies and/or are reducing the amount of such investments over time. Additionally, companies across all sectors have been subjected to a heightened level of awareness and scrutiny from institutional, retail and public investors with respect to their ESG practices and, as such, issuers are increasingly being required to develop and implement more robust ESG policies and practices. Developing and implementing such policies and practices can involve significant costs and require a significant time commitment from Pembina's Board of Directors, management and employees. Failure to implement the policies and practices expected by investors may result in such investors reducing their investment in Pembina or not investing in Pembina at all. Any reduction in the investor base interested or willing to invest in the oil and gas industry and, more specifically, Pembina may result in limits on Pembina's ability to access capital, increases to the cost of capital, a downgrade in Pembina's credit ratings and outlooks, and a decrease in the price and liquidity of Pembina's securities even if Pembina's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause a decrease in the value of an asset which may result in an impairment charge.

In October 2022, Pembina published its 2021 Sustainability Report which highlights certain of Pembina's ESG policies and practices, including, but not limited to, energy transition, GHG emissions reduction, employee well-being and culture, health and safety, responsible asset management and Indigenous and community engagement. However, certain investors of Pembina may not be satisfied with the degree and/or speed at which Pembina is implementing and bolstering its ESG policies and practices. If Pembina is unable to meet such investors' expectations, Pembina's business, as well as its reputation, could be adversely affected.

Energy Market Transition

Changing consumer preferences, new technologies, government regulation or other external factors may lead to an acceleration away from fossil-based sources of energy, including energy derived from crude oil and natural gas, to renewable and other alternative sources of energy. This may lead to lower global demand for crude oil and natural gas and related commodities and, in turn, may lead to lower prices for crude oil, natural gas and NGL and related commodities. This could negatively impact the Company's producing customers and lead to less demand for Pembina's services, which could negatively impact the revenue the Company receives from, and the value of, its pipelines, facilities and other infrastructure assets, the useful life of those assets and accelerate the timing of decommissioning.

In addition, Pembina may invest in opportunities related to an energy transition, which may involve investments in businesses, operations or assets relating to renewable or other alternative forms of energy. Such investments may involve certain risks and uncertainties in addition to those identified herein in respect of Pembina's existing businesses, operations and assets, including the obligation to comply with additional regulatory and other legal requirements associated with such businesses, operations or assets and the potential requirement for additional sources of capital to make, develop and/or maintain such investments and Pembina's ability to access such sources of capital. In the event Pembina were to complete such investments, there can be no guarantee that Pembina will realize a return on those investments or businesses, operations or assets that is similar to the returns it receives in respect of its existing business, operations and assets or that would offset any loss in revenue from, or the value of, the Company's existing pipeline, facilities and other infrastructure assets resulting from the impact of the potential energy transition. As a result, any such investment could reduce the level of cash available for dividends and to service obligations under Pembina's debt securities and other debt obligations and may also negatively impact the trading price of Pembina's securities.

Greenhouse Gas Emissions and Targets

Among other sustainability goals, Pembina has committed to reducing GHG emissions intensity of its operations by 30 percent by 2030 (based on a 2019 baseline year). The Company's ability to lower GHG emissions in respect of its 2030 emissions intensity reduction target is subject to numerous risks and uncertainties, and Pembina's actions taken to implement these objectives may also expose the Company to certain additional and/or heightened financial and operational risks. A reduction in GHG emissions intensity relies on, among other things, Pembina's ability to implement and improve energy efficiency at all facilities, future development and growth opportunities, development and deployment of new technologies, investment in lower-carbon power and transition to greater use of renewable and lower emission energy sources. In the event that the Company is unable to implement these strategies and technologies as planned without negatively impacting its expected operations or business plans, or in the event that such strategies or technologies do not perform as expected, the Company may be unable to meet its GHG emissions intensity reduction targets or goals on the current timelines, or at all.

In addition, achieving the Company's GHG emissions intensity reductions target and goals could require significant capital expenditures and resources, with the potential that the costs required to achieve such target and goals materially differ from Pembina's original estimates and expectations, which differences may be material. In addition, while the intent is to improve efficiency and increase the use of renewable and lower-carbon energy, the shift in resources and focus towards GHG emissions reduction could have a negative impact on Pembina's operating results. The overall final cost of investing in and implementing a GHG emissions intensity reduction strategy and technologies in furtherance of such strategy, and the resultant change in the deployment of the Company's resources and focus, could have a material adverse effect on Pembina's business, financial condition and results of operations.

Risks Relating to Weather Conditions

Weather conditions (including those associated with climate change) can affect the demand for and price of natural gas and NGL. As a result, changes in weather patterns may affect Pembina's gas processing business. For example, colder winter temperatures generally increase demand for natural gas and NGL used for heating which tends to result in increased throughput volume on the Alliance Pipeline and at the Company's gas processing facilities and higher prices in the processing and storage businesses. Pembina has capacity to handle any such increased volume of throughput and storage at its facilities to meet changes in seasonal demand; however, at any given time, processing and storage capacity is finite.

Weather conditions (including those associated with climate change) may impact Pembina's ability to complete capital projects, repairs or facility turnarounds on time, potentially resulting in delays and increased costs. Weather may also affect access to Pembina's facilities, and the operations and projects of Pembina's customers or shippers, which may impact the supply and/or demand for Pembina's services. With respect to construction activities, in areas where construction can be conducted in non-winter months, Pembina attempts to schedule its construction timetables so as to minimize potential delays due to cold winter weather.

Changes and/or extreme variability in weather patterns, including with respect to the impact on the geophysical environment, as well as increases in the frequency of extreme weather events, such as floods, cyclones, hurricanes, droughts and forest fires, increases the potential risk for Pembina's assets, including operational disruptions, transportation difficulties, supply chain disruptions, employee safety incidents, and damage to assets, which may result in lower revenues, higher costs or project delays.

See also "*Risk Factors – Risks Inherent in Pembina's Business – Environmental Costs and Liabilities*"; and "*Risk Factors – Risks Inherent in Pembina's Business – Reputation*".

12. 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 December 31									
(\$ millions)									
	Pipelines		Facilities		Marketing & New Ventures		Corporate & Inter-segment Eliminations		Total
	2022	2021	2022	2021	2022	2021	2022	2021	2022
Revenue	686	606	237	349	1,921	1,750	(145)	(145)	2,699
Cost of goods sold, including product purchases	—	—	—	(1)	1,734	1,554	(78)	(77)	1,656
Net revenue	686	606	237	350	187	196	(67)	(68)	1,043

12 Months Ended December 31 (\$ millions)							Corporate & Inter-segment Eliminations		Total	
	Pipelines		Facilities		Marketing & New Ventures					
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	2,508	2,279	1,268	1,363	8,471	5,577	(636)	(592)	11,611	8,627
Cost of goods sold, including product purchases	—	—	6	6	7,682	5,017	(324)	(334)	7,364	4,689
Net revenue	2,508	2,279	1,262	1,357	789	560	(312)	(258)	4,247	3,938

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. In addition, Pembina's proportionate share of results from investments in equity accounted investees with a preferred interest is presented in adjusted EBITDA as a 50 percent common interest. These additional adjustments are made to exclude various non-cash and other items that are not reflective of ongoing operations.

Management believes that adjusted EBITDA provides useful information to investors as it is an important indicator of 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 December 31 (\$ millions, except per share amounts)							Corporate & Inter-segment Eliminations		Total	
	Pipelines		Facilities		Marketing & New Ventures					
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Earnings (loss) before income tax	295	(70)	145	164	96	220	(206)	(181)	330	133
Adjustments to share of profit from equity accounted investees and other	41	65	107	36	—	5	—	—	148	106
Net finance costs (income)	6	6	(8)	1	6	3	109	97	113	107
Depreciation and amortization	104	101	34	56	10	12	14	11	162	180
Unrealized (gain) loss on commodity-related derivative financial instruments	—	—	(2)	24	61	(54)	—	—	59	(30)
Transaction costs incurred in respect of acquisitions	—	—	—	—	—	—	—	5	—	5
Impairment charges, transformation and restructuring costs, (gain) loss on disposal of assets and non-cash provisions	102	446	12	4	(2)	(3)	1	22	113	469
Adjusted EBITDA	548	548	288	285	171	183	(82)	(46)	925	970
Adjusted EBITDA per common share – basic (dollars)									1.68	1.76

12 Months Ended December 31 (\$ millions, except per share amounts)							Corporate & Inter-segment Eliminations		Total	
	Pipelines		Facilities		Marketing & New Ventures					
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Earnings before income tax	1,415	917	1,804	732	708	374	(708)	(358)	3,219	1,665
Adjustments to share of profit from equity accounted investees and other	172	286	271	135	25	23	—	—	468	444
Net finance costs	28	29	13	18	27	9	418	394	486	450
Depreciation and amortization	396	413	196	214	44	50	47	46	683	723
Unrealized gain on commodity-related derivative financial instruments	—	—	(50)	(38)	(83)	(35)	—	—	(133)	(73)
Arrangement Termination Payment	—	—	—	—	—	—	—	(350)	—	(350)
Gain on PGI Transaction	—	—	(1,110)	—	—	—	—	—	(1,110)	—
Transaction costs incurred in respect of acquisitions	—	—	(1)	—	—	—	—	31	(1)	31
Impairment charges, transformation and restructuring costs, contract dispute settlement, (gain) loss on disposal of assets and non-cash provisions	116	457	14	36	—	(1)	4	51	134	543
Adjusted EBITDA	2,127	2,102	1,137	1,097	721	420	(239)	(186)	3,746	3,433
Adjusted EBITDA per common share – basic (dollars)									6.78	6.24

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 December 31 (\$ millions)							Marketing & New Ventures		Total	
	Pipelines		Facilities							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Share of profit from equity accounted investees	44	29	49	21	(14)	33	79	83		
Adjustments to share of profit from equity accounted investees:										
Net finance costs (income)	5	26	37	7	(1)	(1)	41	32		
Income tax expense	—	—	13	—	—	—	13	—		
Depreciation and amortization	36	(4)	39	29	7	6	82	31		
Unrealized loss (gain) on commodity-related derivative financial instruments	—	—	11	—	(6)	—	5	—		
Transaction costs incurred in respect of acquisitions	—	—	7	—	—	—	7	—		
Share of earnings in excess of equity interest ⁽¹⁾	—	43	—	—	—	—	—	43		
Total adjustments to share of profit from equity accounted investees	41	65	107	36	—	5	148	106		
Adjusted EBITDA from equity accounted investees	85	94	156	57	(14)	38	227	189		

⁽¹⁾ Pembina's proportionate share of results from investments in equity accounted investees with a preferred interest is presented in adjusted EBITDA as a 50 percent common interest.

12 Months Ended December 31								
<i>(\$ millions)</i>								
	Pipelines		Facilities		Marketing & New Ventures		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Share of profit from equity accounted investees	171	124	108	80	82	77	361	281
Adjustments to share of profit from equity accounted investees:								
Net finance costs	21	72	79	31	—	1	100	104
Income tax expense	—	—	14	—	—	—	14	—
Depreciation and amortization	149	156	138	104	25	22	312	282
Unrealized loss on commodity-related derivative financial instruments	—	—	27	—	—	—	27	—
Transaction costs incurred in respect of acquisitions	—	—	13	—	—	—	13	—
Share of earnings in excess of equity interest ⁽¹⁾	2	58	—	—	—	—	2	58
Total adjustments to share of profit from equity accounted investees	172	286	271	135	25	23	468	444
Adjusted EBITDA from equity accounted investees	343	410	379	215	107	100	829	725

⁽¹⁾ Pembina's proportionate share of results from investments in equity accounted investees with a preferred interest is presented in adjusted EBITDA as a 50 percent common interest.

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 December 31		12 Months Ended December 31	
<i>(\$ millions, except per share amounts)</i>	2022	2021	2022	2021
Cash flow from operating activities	947	697	2,929	2,650
Cash flow from operating activities per common share – basic <i>(dollars)</i>	1.72	1.27	5.30	4.82
Add (deduct):				
Change in non-cash operating working capital	(220)	30	(177)	100
Current tax expense	18	(31)	(227)	(286)
Taxes paid, net of foreign exchange	28	90	334	355
Accrued share-based payment expense	(51)	(20)	(117)	(76)
Share-based compensation payment	—	—	45	32
Preferred share dividends paid	(32)	(32)	(126)	(135)
Adjusted cash flow from operating activities	690	734	2,661	2,640
Adjusted cash flow from operating activities per common share – basic <i>(dollars)</i>	1.25	1.33	4.82	4.80

13. ABBREVIATIONS

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

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

Measurement		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 jointly controlled interest in Grand Valley 1 Limited Partnership wind farm ("Grand Valley")
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, as well as 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 on www.sedar.com for additional descriptions.

14. FORWARD-LOOKING STATEMENTS & INFORMATION

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

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

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

- future levels and sustainability of cash dividends that Pembina intends to pay to its shareholders and the dividend payment dates;
- planning, construction, locations, capital expenditure estimates, schedules, regulatory and environmental applications and anticipated approvals, expected capacity, incremental volumes, completion and in-service dates, rights, sources of product, activities, benefits and operations with respect to new construction of, or expansions on existing, pipelines, systems, gas services facilities, processing and fractionation facilities, terminalling, storage and hub facilities and other facilities or energy infrastructure, as well as the impact of Pembina's new projects on its future financial performance;
- 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;
- 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 RFS IV, the Cedar LNG Project and the Alberta Carbon Grid, 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" herein and 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. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.