

FINANCIAL STATEMENTS & NOTES



CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

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MANAGEMENT'S REPORT

The audited consolidated financial statements of Pembina Pipeline Corporation (the "Company" or "Pembina") are the responsibility of Pembina's management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report. In the preparation of these financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management's Assessment of Internal Control over Financial Reporting

Management is responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting, 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 Issuers' Annual and Interim Filings*.

Under the supervision and with the participation of the President and Chief Executive Officer ("CEO") and the Senior Vice President and Chief Financial Officer ("CFO"), management has conducted an evaluation of Pembina's internal control over financial reporting 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 Board of Directors of Pembina (the "Board") is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee, which consists of five non-management directors. The Audit Committee meets periodically with management and the internal and external auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

KPMG LLP, the independent auditors, have audited Pembina's consolidated financial statements and the effectiveness of internal control over financial reporting as of December 31, 2022 in accordance with the standards of the Public Company Accounting Oversight Board (United States). The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings.

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.

"J. Scott Burrows"
J. Scott Burrows
President and Chief Executive Officer

"Cameron J. Goldade"
Cameron J. Goldade
Senior Vice President and Chief Financial Officer

February 23, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Pembina Pipeline Corporation

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Pembina Pipeline Corporation and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of earnings and comprehensive income, changes in equity, and cash flows for each of the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of the recoverable amount of the Marketing & New Ventures operating segment

As discussed in Note 8 to the consolidated financial statements, the goodwill balance as of December 31, 2022 was \$4,557 million and the carrying amount of goodwill allocated to the Marketing & New Ventures operating segment was \$1,439 million. For the purpose of the impairment test, goodwill has been allocated to the Company's operating segments which represents the lowest level within the Company at which the goodwill is monitored for management purposes. As discussed in Note 3 to the consolidated financial statements, the Company performs goodwill impairment testing on an annual basis and whenever events or changes in circumstances indicate that the carrying value of an operating segment exceeds its recoverable amount. The recoverable amounts were determined using a fair value less costs of disposal approach which is based on a discounted cash flow model.

We identified the evaluation of the recoverable amount of the Marketing & New Ventures operating segment as a critical audit matter. A high degree of subjective auditor judgment was required to evaluate the significant revenue assumptions such as projected commodity volumes and pricing and long-term growth rate (collectively, forecasted cash flow assumptions) and the discount rate used in the discounted cash flow model. Changes to those assumptions could have had a significant impact on the determination of the recoverable amount of the Marketing & New Ventures operating segment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter, including controls related to the determination of the forecasted cash flow assumptions and the discount rate used in the calculation of the recoverable amount. We evaluated the Company's projected commodity pricing assumptions by comparing to publicly available forward price curves. We compared the Company's historical forecasted results to actual historical results to assess the Company's ability to accurately forecast and to assess the long-term growth rate. We evaluated the Company's forecasted cash flow assumptions by comparing them to actual historical results. In addition, we involved a valuation professional with specialized skills and knowledge, who assisted in:

- testing the recoverable amount for the operating segment using the operating segment's forecasted cash flow assumptions and discount rate, and comparing the result to the Company's calculated recoverable amount
- evaluating the discount rate used in the valuation for the operating segment by comparing the inputs against publicly available market data for comparable entities and assessing the resulting discount rate
- evaluating the historical and forecasted cash flow multiples implied in the valuation for the operating segment by comparing them against publicly available historical and forecasted cash flow multiples for comparable entities.

Evaluation of the fair value of the Gas Processing Business contributed to Pembina Gas Infrastructure Inc.

As discussed in Note 9 and 10 to the consolidated financial statements, the Company completed a transaction to create a new jointly controlled entity, Pembina Gas Infrastructure Inc. ("PGI"). The cost of the Company's investment in PGI includes \$2.8 billion for the fair value of its contribution of the Gas Processing Business, which is also the fair value of the PGI shares received in consideration. The \$2.8 billion fair value of the shares of PGI was determined by reference to the \$3.6 billion fair value of the Gas Processing Business, adjusted for cash and a contingent receivable. The fair value of the Gas Processing Business was determined using discounted cash flow models.

We identified the evaluation of the fair value of the Gas Processing Business as a critical audit matter. A high degree of subjective auditor judgment was required to evaluate the forecasted revenue and contract renewal rate assumptions and the discount rate used in the discounted cash flow model. Minor changes to those assumptions could have had a significant impact on the Company's assessment of the fair value of the Gas Processing Business.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter, including controls related to the determination of the forecasted revenue and contract renewal rate assumptions and the discount rate used in the determination of the fair value of the Gas Processing Business. We evaluated the Company's forecasted revenue from existing customers by comparing to the acquired assets' historical actual results, as well as by comparing contractual revenue details to signed contracts to assess the accuracy of the Company's forecast. In addition, we involved a valuation professional with specialized skills and knowledge, who assisted in:

- evaluating the contract renewal rates used by the Company by examining existing contract terms and assessing future contract renewal expectations based on industry knowledge and experience from comparable market transactions
- evaluating the methodologies used by the Company to determine the fair value and testing the accuracy of the calculations of fair value
- evaluating the methodologies used by the Company to determine the discount rate in addition to comparing the inputs to publicly available market data for comparable entities and assessing the resulting discount rate
- evaluating the forecasted cash flow multiples implied in the fair value of the Gas Processing Business by comparing them to publicly available historical and forecasted cash flow multiples for comparable entities.

Evaluation of the fair value of the intangible assets of PGI

As discussed in Note 10 to the consolidated financial statements, the Company completed a transaction to create a new jointly controlled entity, PGI. Acquisitions of interests in joint ventures that meet the definition of a business involve the application of the acquisition method of accounting in order to apply the equity method of accounting post-acquisition. The cost of the Company's investment in PGI of \$4.2 billion was allocated to PGI's net assets on the acquisition date based on their fair values. The fair value of the intangible assets acquired was determined using a discounted cash flow model.

We identified the evaluation of the fair value of the intangible assets acquired as a critical audit matter. A high degree of subjective auditor judgment was required to evaluate the forecasted revenue and contract renewal rate assumptions and discount rate used in the discounted cash flow models. Minor changes to those assumptions could have had a significant impact on the Company's future share of PGI's equity accounted profits or losses due to differences in future depreciation and amortization and asset or goodwill impairment.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter, including controls related to forecasted revenue and contract renewal rate assumptions and the discount rate used in the determination of the fair value of PGI's intangible assets. We evaluated forecasted revenue from PGI's existing customers by comparing to the acquired assets' historical actual results, as well as by comparing contractual revenue details to signed contracts to assess the accuracy of the Company's forecast. In addition, we involved a valuation professional with specialized skills and knowledge, who assisted in:

- evaluating the contract renewal rates used by the Company by examining existing contract terms and assessing future contract renewal expectations based on industry knowledge and experience from comparable market transactions
- evaluating the methodologies used by the Company to determine the fair value of intangible assets and testing the accuracy of the calculations of fair value
- evaluating the methodologies used by the Company to determine the discount rate in addition to comparing the inputs to publicly available market data for comparable entities and assessing the resulting discount rate.

KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 1997.

Calgary, Canada
February 23, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Pembina Pipeline Corporation

Opinion on Internal Control Over Financial Reporting

We have audited Pembina Pipeline Corporation's (and subsidiaries') (the "Company") internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company has maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2022 and 2021, the related consolidated statements of earnings and comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements), and our report dated February 23, 2023 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting included in Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
February 23, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31		
(\$ millions)	2022	2021
Assets		
Current assets		
Cash and cash equivalents	94	43
Trade receivables and other (Note 5)	912	812
Inventory (Note 6)	269	376
Derivative financial instruments (Note 24)	87	14
	1,362	1,245
Non-current assets		
Property, plant and equipment (Note 7)	15,518	18,193
Intangible assets and goodwill (Note 8)	6,131	6,238
Investments in equity accounted investees (Note 10)	7,370	4,622
Right-of-use assets (Note 13)	518	581
Finance lease receivables (Note 13)	219	211
Deferred tax assets (Note 11)	261	257
Derivative financial instruments (Note 24)	42	81
Other assets	54	28
	30,113	30,211
Total assets	31,475	31,456
Liabilities and equity		
Current liabilities		
Trade payables and other (Note 12)	1,254	1,063
Loans and borrowings (Note 14)	600	1,000
Dividends payable	—	115
Lease liabilities	79	88
Contract liabilities (Note 17)	56	71
Derivative financial instruments (Note 24)	57	53
	2,046	2,390
Non-current liabilities		
Loans and borrowings (Note 14)	9,405	9,645
Subordinated hybrid notes (Note 14)	595	594
Lease liabilities	596	635
Decommissioning provision (Note 15)	259	412
Contract liabilities (Note 17)	138	220
Deferred tax liabilities (Note 11)	2,507	3,011
Other liabilities	140	186
	13,640	14,703
Total liabilities	15,686	17,093
Equity		
Attributable to shareholders	15,729	14,303
Attributable to non-controlling interest	60	60
Total equity	15,789	14,363
Total liabilities and equity	31,475	31,456

See accompanying notes to the audited consolidated financial statements

Approved on behalf of the Board of Directors:

"Maureen E. Howe"
Maureen E. Howe
 Director

"Henry W. Skyes"
Henry W. Skyes
 Director

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

For the years ended December 31		
<i>(\$ millions, except per share amounts)</i>	2022	2021
Revenue (Note 17)	11,611	8,627
Cost of sales (Note 19)	8,877	6,134
(Gain) Loss on commodity-related derivative financial instruments (Note 24)	(28)	127
Share of profit from equity accounted investees (Note 10)	361	281
Gross profit	3,123	2,647
General and administrative	399	306
Other expense (income)	129	(248)
Gain on Pembina Gas Infrastructure Transaction (Note 9)	(1,110)	—
Impairment expense	—	474
Results from operating activities	3,705	2,115
Net finance costs (Note 18)	486	450
Earnings before income tax	3,219	1,665
Current tax expense (Note 11)	227	286
Deferred tax expense (Note 11)	21	137
Income tax expense (Note 11)	248	423
Earnings	2,971	1,242
Other comprehensive income (loss), net of tax (Note 23 & 24)		
Exchange gain (loss) on translation of foreign operations	295	(18)
Impact of hedging activities	3	10
Re-measurement of defined benefit asset or liability (Note 21)	15	34
Total comprehensive income attributable to shareholders	3,284	1,268
Earnings attributable to common shareholders, net of preferred share dividends (Note 20)	2,842	1,098
Earnings per common share – basic (dollars) (Note 20)	5.14	2.00
Earnings per common share – diluted (dollars) (Note 20)	5.12	1.99
Weighted average number of common shares (millions)		
Basic	553	550
Diluted	554	551

See accompanying notes to the audited consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(\$ millions)	Attributable to Shareholders of the Company					Non-Controlling Interest	Total Equity
	Common Share Capital	Preferred Share Capital	Deficit	AOCI ⁽¹⁾	Total		
December 31, 2021	15,678	2,517	(3,920)	28	14,303	60	14,363
Total comprehensive income							
Earnings	—	—	2,971	—	2,971	—	2,971
Other comprehensive income (Note 23)	—	—	—	313	313	—	313
Total comprehensive income	—	—	2,971	313	3,284	—	3,284
Transactions with shareholders of the Company (Note 16)							
Part VI.1 tax on preferred shares	—	(9)	—	—	(9)	—	(9)
Repurchase of common shares	(204)	—	(129)	—	(333)	—	(333)
Preferred shares redemption	—	(300)	—	—	(300)	—	(300)
Share-based payment transactions	319	—	—	—	319	—	319
Dividends declared – common	—	—	(1,409)	—	(1,409)	—	(1,409)
Dividends declared – preferred	—	—	(126)	—	(126)	—	(126)
Total transactions with shareholders of the Company	115	(309)	(1,664)	—	(1,858)	—	(1,858)
December 31, 2022	15,793	2,208	(2,613)	341	15,729	60	15,789
December 31, 2020	15,644	2,946	(3,637)	2	14,955	60	15,015
Total comprehensive income							
Earnings	—	—	1,242	—	1,242	—	1,242
Other comprehensive income (Note 23)	—	—	—	26	26	—	26
Total comprehensive income	—	—	1,242	26	1,268	—	1,268
Transactions with shareholders of the Company (Note 16)							
Part VI.1 tax on preferred shares	—	(9)	—	—	(9)	—	(9)
Repurchase of common shares	(13)	—	(4)	—	(17)	—	(17)
Preferred shares redemption	—	(420)	—	—	(420)	—	(420)
Share-based payment transactions	47	—	—	—	47	—	47
Dividends declared – common	—	—	(1,386)	—	(1,386)	—	(1,386)
Dividends declared – preferred	—	—	(135)	—	(135)	—	(135)
Total transactions with shareholders of the Company	34	(429)	(1,525)	—	(1,920)	—	(1,920)
December 31, 2021	15,678	2,517	(3,920)	28	14,303	60	14,363

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

See accompanying notes to the audited consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31		
(\$ millions)	2022	2021
Cash provided by (used in)		
Operating activities		
Earnings	2,971	1,242
Adjustments for:		
Share of profit from equity accounted investees (Note 10)	(361)	(281)
Distributions from equity accounted investees (Note 10)	673	461
Depreciation and amortization	683	723
Impairment expense	—	474
Gain on Pembina Gas Infrastructure Transaction (Note 9)	(1,110)	—
Unrealized gain on commodity-related derivative financial instruments (Note 24)	(133)	(73)
Net finance costs (Note 18)	486	450
Net interest paid (Note 18)	(447)	(418)
Income tax expense (Note 11)	248	423
Taxes paid	(334)	(355)
Share-based compensation expense (Note 22)	126	100
Share-based compensation payment	(45)	(32)
Other	(5)	36
Change in non-cash operating working capital	177	(100)
Cash flow from operating activities	2,929	2,650
Financing activities		
Net increase (decrease) in bank borrowings (Note 14)	339	(623)
Proceeds from issuance of long-term debt, net of issue costs (Note 14)	—	1,587
Repayment of long-term debt	(1,000)	(600)
Repayment of lease liability	(85)	(87)
Exercise of stock options	310	16
Repurchase of common shares (Note 16)	(333)	(17)
Redemption of preferred shares (Note 16)	(300)	(420)
Common share dividends paid (Note 16)	(1,525)	(1,386)
Preferred share dividends paid (Note 16)	(126)	(135)
Cash flow used in financing activities	(2,720)	(1,665)
Investing activities		
Capital expenditures	(605)	(658)
Contributions to equity accounted investees (Note 10)	(95)	(335)
Cedar acquisition	—	(41)
Net proceeds from disposition (Note 9)	609	—
Proceeds from sale of assets	31	—
Receipt of finance lease payments	13	11
Interest paid during construction (Note 18)	(21)	(25)
Changes in non-cash investing working capital and other	(86)	9
Cash flow used in investing activities	(154)	(1,039)
Change in cash and cash equivalents	55	(54)
Effect of movement in exchange rates on cash held	9	16
Cash and cash equivalents, beginning of period	43	81
Cash and cash equivalents, end of period	107	43
Long-term restricted cash included in other assets (Note 15)	13	—
Short-term cash and cash equivalents, end of period	94	43

See accompanying notes to the audited consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Pembina Pipeline Corporation ("Pembina" or the "Company") is a Calgary-based, leading transportation and midstream service provider serving North America's energy industry. The audited consolidated financial statements ("Consolidated Financial Statements") include the accounts of Pembina, its subsidiary companies, partnerships and any investments in associates and joint arrangements as at and for the year ended December 31, 2022.

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. Pembina's integrated assets and commercial operations along the majority of the hydrocarbon value chain allow it to offer a full spectrum of midstream and marketing services to the energy sector.

2. BASIS OF PREPARATION

The Consolidated Financial Statements are presented in Canadian dollars, Pembina's functional currency, with all values presented in millions, unless otherwise indicated.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies applied in preparation of the Consolidated Financial Statements are set out below in Note 3 and have been applied consistently to all periods presented.

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

The Consolidated Financial Statements were authorized for issue by Pembina's Board of Directors on February 23, 2023.

a. Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis with some exceptions, as detailed in the accounting policies set out below.

b. Basis of Consolidation

These Consolidated Financial Statements include the results of the Company and its subsidiaries together with its interests in joint arrangements.

i) Subsidiaries

Subsidiaries are entities, including unincorporated entities such as partnerships, controlled by Pembina. The financial results of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by Pembina.

When there is a loss of control of a subsidiary in a transaction with a joint venture, the Company derecognizes the assets and liabilities of the subsidiary and other components of equity. However, there is an accounting policy choice to recognize the entirety of any resulting gain or loss in earnings on loss of control or to recognize the gain or loss only to the extent of the unrelated investor's interest in the joint venture. Pembina has elected to recognize the full gain in its entirety. As a result, any interest retained in the former subsidiary is measured at fair value when control is lost.

Non-controlling interests represent existing outside owned equity interests in a subsidiary. The non-controlling interests were recognized at fair value on the acquisition date and are presented as a separate component of equity. The equity interests bear conditional non-discretionary distributions and will continue to be held as a non-controlling interest in equity at their acquisition date fair value until derecognition, either when the conditions are met for reclassification from equity to financial liabilities, or when the equity interests are cancelled or on a loss of control of the relevant subsidiary.

ii) Joint Arrangements

Joint arrangements represent arrangements where Pembina has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Pembina recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses from the date that joint control commences until the date that joint control ceases. These have been incorporated in the financial statements under the appropriate headings.

Joint ventures are accounted for using the equity method of accounting and are initially recognized at cost, or fair value if acquired as part of a business combination. Joint ventures are adjusted thereafter for the post-acquisition change in the Company's share of the equity accounted investees' net assets. Pembina's Consolidated Financial Statements include its share of the equity accounted investees' profit or loss and comprehensive income, or income equal to preferred distributions for certain preferred share interests in equity accounted investees, until the date that joint control ceases. When Pembina's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that Pembina has an obligation or has made payments on behalf of the investee. Distributions from and contributions to investments in equity accounted investees are recognized when received or paid.

After application of the equity method, Pembina determines whether it is necessary to recognize an impairment loss on its equity accounted investees. At each reporting date, Pembina determines whether there is objective evidence that the equity accounted investment is impaired. If there is such evidence, Pembina calculates the amount of the impairment as the difference between the recoverable amount of the equity accounted investment and its carrying value, and then recognizes the loss within share of profit of equity accounted investees in the Consolidated Statement of Earnings and Comprehensive Income.

Acquisition of an incremental ownership in a joint arrangement where Pembina maintains joint control is recorded at cost or fair value if acquired as part of a business combination. Where Pembina has a partial disposal, including a deemed disposal, of a joint arrangement and maintains joint control, the resulting gains or losses are recorded in earnings at the time of disposal.

iii) Transactions Eliminated on Consolidation

Balances and transactions, and any revenue and expenses arising from transaction with or between subsidiaries are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with investments in equity accounted investees, other than on their formation, are eliminated against the investment to the extent of Pembina's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iv) Foreign Currency

Transactions in foreign currencies are translated to Pembina's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pembina's functional currency at the exchange rate at that date, with exchange differences recognized in earnings.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of subsidiaries, and investments in equity accounted investees, whose functional currencies are other than Canadian dollars are translated into Canadian dollars at the foreign exchange rate at the balance sheet date, while revenues and expenses of such subsidiaries are translated using average monthly foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation of subsidiaries and investments in equity accounted investees with a functional currency other than the Canadian dollar are included in other comprehensive income.

c. Use of Estimates and Judgments

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 Pembina Gas Infrastructure Inc. ("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.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits and short-term investments with original maturities of ninety days or less, which are used by Pembina in the management of its short-term commitments. Certain demand deposits are subject to contractual restrictions on use and are therefore included in long-term other assets on the balance sheet.

Bank overdrafts that are repayable on demand and form an integral part of Pembina's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

b. Inventories

Inventories are measured at the lower of cost and net realizable value and consist primarily of crude oil, natural gas liquids ("NGL") and spare parts that are expected to be used within one year of the year-end date. The cost of inventories is determined using the weighted average costing method and includes direct purchase costs and when applicable, costs of production, extraction, fractionation, and transportation. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling costs. All changes in the value of inventories are reflected in earnings.

c. Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, Pembina has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

i) Non-Derivative Financial Assets

Pembina initially recognizes loans, receivables, advances to related parties and deposits on the date that they are originated. All other financial assets are recognized on the trade date at which Pembina becomes a party to the contractual provisions of the instrument.

Pembina derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Pembina is recognized as a separate asset or liability. On derecognition, the difference between the carrying amount of the financial asset and the consideration received is recognized in earnings.

Pembina classifies non-derivative financial assets into the following categories:

Financial Assets at Amortized Cost

A financial asset is classified in this category if the asset is held within a business model whose objective is to collect contractual cash flows on specified dates that are solely payments of principal and interest. At initial recognition, financial assets at amortized cost are recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method less any expected credit losses that will be realized and impairment loss allowances. Pembina's non-derivative financial assets measured at amortized cost include cash and cash equivalents, trade receivables and other, finance lease receivables, and other assets.

Financial Assets at Fair Value Through Other Comprehensive Income

A financial asset is classified in this category if the asset is held within a business model whose objective is met by both collecting contractual cash flows and selling financial assets. Pembina did not have any financial assets classified at fair value through other comprehensive income during the years covered in these financial statements.

Financial Assets at Fair Value Through Earnings

A financial asset is classified in this category if it is not classified as a financial asset at amortized cost or a financial asset at fair value through other comprehensive income, or it is an equity instrument designated as such on initial recognition. At initial recognition, and subsequently, these financial assets are recognized at fair value. Pembina did not have any financial assets classified at fair value through earnings during the years covered in these financial statements.

ii) Non-Derivative Financial Liabilities

Pembina initially recognizes financial liabilities on the trade date at which Pembina becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Pembina derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the difference between the carrying value of the liability and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in earnings.

Pembina records a modification or exchange of an existing liability as a derecognition of the financial liability if the terms are substantially different, resulting in a difference of more than 10 percent when comparing the present value of the remaining cash flows of the existing liability to the present value of the discounted cash flows under the new terms using the original effective interest rate.

If a modification to an existing liability causes a revision to the estimated payments of the liability but is not treated as a derecognition, Pembina adjusts the gross carrying amount of the liability to the present value of the estimated contractual cash flows using the instrument's original effective interest rate, with the difference recorded in earnings.

Pembina's non-derivative financial liabilities are comprised of: trade payables and accrued liabilities, taxes payable, dividends payable, loans and borrowings, lease liabilities and other liabilities.

iii) Common Share Capital

Common shares and share options are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. When the company repurchases its own common shares, share capital is reduced by the average carrying value of the shares repurchased. The excess of the purchase price over the average carrying value is recognized as an increase in deficit. Shares are cancelled upon repurchase.

iv) Preferred Share Capital

Preferred shares are classified as equity because they bear discretionary dividends and do not contain any obligations to deliver cash or other financial assets. Discretionary dividends are recognized as equity distributions on approval by Pembina's Board of Directors. Incremental costs directly attributable to the issue of preferred shares are recognized as a deduction from equity, net of any tax effects.

v) Derivative Financial Instruments and Hedge Accounting

Pembina holds derivative financial instruments to manage its interest rate, commodity, power costs and foreign exchange risk exposures. Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value with changes recognized immediately in earnings, unless hedge accounting is applied.

Pembina applies hedge accounting to certain financial instruments that qualify for and are designated for hedge accounting treatment. At inception of a designated hedging relationship, formal documentation is prepared and includes the risk management objective and strategy for undertaking the hedge, identification of the hedged item and the hedging instrument, the nature of the risk being hedged and how Pembina will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item.

For derivatives that are designated and qualified cash flow hedges, the effective portion of changes in fair value is accumulated in other comprehensive income. The amount accumulated is reclassified to earnings in the same period or periods during which the hedged expected future cash flows occur. Any ineffective portion of changes in fair value of hedges are recorded in earnings.

For non-derivative financial liabilities designated as hedging instruments in a hedge of the net investment in foreign operations, the effective portion of foreign exchange gains and losses arising on translation of the financial liability is recognized in other comprehensive income. Any ineffective portion of the foreign exchange gains and losses arising from the translation of the financial liability is recognized immediately in earnings. The amount accumulated in other comprehensive income is reclassified to earnings on disposal of the foreign operation.

Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies for hedge accounting or the hedging instrument is sold or terminated.

d. Assets Held for Sale

Non-current assets, or disposal groups comprised of assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continued use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or employee benefit assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in earnings.

Assets or disposal groups that are classified as held-for-sale and initially recognized as part of a business combination are initially measured at fair value less costs to sell. Any difference between the fair value less costs to sell of the disposal group and the values of the underlying assets and liabilities is allocated on a pro-rata basis, except that no reduction in value is assigned to inventories, financial assets, deferred tax assets, or employee benefit assets.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

e. Property, Plant and Equipment

i) Recognition and Measurement

Items of property, plant and equipment are measured initially at cost, or at fair value if acquired as part of a business combination. Thereafter, property, plant and equipment are recorded net of accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, estimated decommissioning provisions and borrowing costs on qualifying assets.

Cost may also include any gain or loss realized on foreign currency transactions directly attributable to the purchase or construction of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognized in earnings.

ii) Subsequent Costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Pembina, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and recorded as depreciation expense. The costs of maintenance and repair of the property, plant and equipment are recognized in earnings as incurred.

iii) Depreciation

Depreciation is based on the remaining undepreciated cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately. Land and linefill are not depreciated. Depreciation commences only once an asset is available for use.

Depreciation is recognized in earnings over an asset's useful life on a straight line or declining balance basis, which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. An asset's useful life is determined as the lower of its physical life and economic life. Estimated useful lives are based on management's assumptions and estimates of the physical useful lives of the assets, the economic lives, which maybe associated with the reserve lives and commodity type of the production area, in addition to the estimated residual value. Useful lives over which costs should be depreciated may be impacted by changes in Pembina's strategy, process or operations as a result of climate change, access to global markets and energy transition.

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

f. Intangible Assets

i) Goodwill

Goodwill is measured at cost less accumulated impairment losses.

Goodwill relating to equity accounted investees is included in the carrying amount of the investment and is not tested for impairment separately.

ii) Other Intangible Assets

Other intangible assets acquired individually by Pembina are initially recognized and measured at cost, or at fair value if acquired as part of a business combination. Thereafter, intangible assets with finite useful lives are recorded net of accumulated amortization and accumulated impairment losses. Other intangible assets include purchase and sales contracts, customer relationships and certain software costs.

iii) Subsequent Expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred.

iv) Amortization

Amortization is based on the cost of an asset less its residual value.

Amortization is recognized in earnings on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. Amortization is included in cost of sales and general and administrative expense.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

g. Leases

A specific asset is the subject of a lease if a contract conveys the right to control the use of that identified asset for a period of time in exchange for consideration. This determination is made at inception of a contract or on the acquisition date if acquired as assumed as part of a business combination, and is reassessed when the terms and conditions of the contract are amended.

At inception or on reassessment of a contract that contains a lease component, Pembina allocates contract consideration to the lease and non-lease components based on the components' relative stand-alone prices. The consideration allocated to the lease components is recognized in accordance with the policies for lessee and lessor leases, as described below. The consideration allocated to non-lease components is recognized in accordance with their nature.

i) Lessee

Leased assets are recognized as right-of-use assets, with corresponding lease liabilities recognized on the statement of financial position at the lease commencement date.

Right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset and restore the site of an underlying asset to the condition required by the terms of the lease, less any lease incentives received. Right-of-use assets are subsequently depreciated over the lease term on a straight-line basis, and adjusted for remeasurements of the lease liability. The right-of-use assets are included in CGUs for the purposes of impairment testing.

The lease liability is initially measured at the present value of the lease payments, discounted using the rate Pembina would be required to pay to borrow over a similar term with a similar security to obtain an asset of a similar value to the right-of-use asset, or using the interest rate implicit in the lease if readily determinable. Lease payments used in the calculation of the lease liability exclude variable payments unless those payments are in-substance fixed. Lease payments in an optional renewal period are included in the lease liability if Pembina is reasonably certain to exercise such option. Management applies its best estimate with respect to the likelihood of exercising renewal, extension and termination options in determining the lease term. The lease liability is subsequently increased by interest expense on the lease liability and decreased by lease payments made.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimated guaranteed residual value to be paid, a previously-variable payment becoming in-substance fixed, or a change in the assessment of whether a purchase option, extension option or termination option is reasonably certain to be exercised. A corresponding adjustment is made to the right of use asset when a liability is remeasured, or the adjustment is recorded in earnings if the right of use asset has been reduced to zero.

Pembina has elected to apply the recognition exemptions for short-term and low value leases. Pembina recognizes lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) Lessor

Lessor leases are classified as either operating leases or finance leases according to the substance of the contract at contract inception. Leases transferring substantially all of the risks incidental to asset ownership are classified as finance leases, while all other leases are classified as operating leases. Subleases are classified as either operating or finance leases in reference to the right-of-use asset arising from the head lease.

Finance lease receivables acquired in a business combination are initially recognized at an amount equal to the fair value of the underlying leased assets. Finance lease receivables outside of a business combination are initially measured at the net present value of the future lease payments and the unguaranteed residual values of the underlying assets, discounted using the interest rate implicit in the lease. Finance income is subsequently recognized using the interest rate implicit in the lease. Operational finance lease income generated from physical assets in the normal course of operations is recorded as a component of revenue. All other finance lease income is recorded in net finance costs.

Lease payments received for finance leases include both the finance income and a principal repayment of the finance lease receivable. Payments related to the principal repayment are not recognized in earnings and are classified as investing cashflows in the Consolidated Statements of Cash Flows.

Lease payments from operating leases are recognized in revenue on either a straight-line basis or a systematic basis representative of the pattern of economic benefit transfer, and are fully recognized in earnings and operating cash flows in the Consolidated Statements of Cash Flows.

h. Impairment

i) Non-Derivative Financial Assets

Impairment of financial assets carried at amortized cost is assessed using the lifetime expected credit loss of the financial asset at initial recognition and throughout the life of the financial asset, except where credit risk has not increased significantly since initial recognition, in which case impairment is assessed at the 12 month expected credit loss of the financial asset at the reporting date.

Impairment losses are recognized in earnings and reflected as a reduction in the related financial asset.

ii) Non-Financial Assets

The carrying amounts of Pembina's non-financial assets, other than: inventory, assets arising from employee benefits and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually in connection with the annual goodwill impairment test.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into CGUs, the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. CGUs may incorporate integrated assets from multiple operating segments. For the purpose of goodwill impairment testing, CGUs are aggregated to the operating segment level, which reflects the lowest level at which goodwill is monitored for management purposes. Goodwill acquired in a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset, CGU or group of CGUs exceeds its estimated recoverable amount.

The recoverable amount of an asset, CGU or group of CGUs is the greater of its value in use and its fair value less costs of disposal. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, CGU or group of CGUs.

Pembina's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset has been allocated.

Impairment losses are recognized in earnings. Impairment losses recognized in respect of a CGU (group of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment is tested for impairment as a single asset when there is objective evidence that the equity accounted investee may be impaired, unless the equity accounted investee does not generate cash inflows that are largely independent of those from other assets of the entity in which case it is combined in a CGU with the related assets.

i. Employee Benefits

i) Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in earnings in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Defined Benefit Pension Plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution plan. Pembina's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value of any plan assets. The discount rate used to determine the present value is established by referencing market yields on high-quality corporate bonds on the measurement date with cash flows that match the timing and amount of expected benefits.

The calculation is performed, at a minimum, every three years by a qualified actuary using the actuarial cost method. The actuarial valuation is prepared using management's best estimates with respect to longevity, discount and inflation rates, compensation increases, market returns on plan assets, retirement and termination rates. When the calculation results in a benefit to Pembina, the recognized asset is limited to the present value of economic benefits available in the form of future expenses payable from the plan, any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in Pembina. An economic benefit is available to Pembina if it is realizable during the life of the plan or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in earnings immediately.

Pembina recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income and expenses related to defined benefit plans in earnings.

Pembina recognizes gains or losses on the termination or settlement of a defined benefit plan when the termination or settlement occurs. The gain or loss on termination comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognized.

iii) Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if Pembina has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iv) Share-Based Payment Transactions

For equity settled share-based payment plans ("options"), the fair value of the share-based payment at grant date is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service conditions at the vesting date.

For cash settled share-based payment plans, the fair value of the amount payable to employees is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as an expense in earnings.

j. Provisions

A provision is recognized if, as a result of a past event, Pembina has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. With regards to these potential obligations, Pembina considers environmental laws, regulations and interpretations by regulatory authorities in determining expected cash flows. Updates to those laws and regulations, including those related to climate change, access to global markets and energy transition, could impact the estimate. Provisions are measured at each reporting date based on the best estimate of the settlement amount. Where the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount rate is recognized as accretion in finance costs.

i) Decommissioning Provision

Pembina's activities give rise to certain dismantling, decommissioning, environmental reclamation and remediation obligations at the end of an asset's economic life. A provision is made for the estimated cost of site restoration and capitalized as part of the cost of the underlying asset to which the provision relates. Based on the long-term nature of the decommissioning provision, the most significant uncertainties in estimating the provision are the determination of whether a present obligation exists, the discount and inflation rates used, the costs that will be incurred, the timing of when these costs will occur and the impact of climate change, access to global markets and energy transition.

Decommissioning obligations are measured at the present value, based on a credit-adjusted risk-free rate, of management's best estimate of what is reasonably expected to be incurred to settle the obligation at the end of an asset's economic life. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the credit-adjusted risk-free rate and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion in finance costs whereas increases or decreases due to changes in the estimated future cash flows or credit adjusted risk-free rate are added to or deducted from the cost of the related asset. When a re-measurement of the decommissioning provision relates to a retired asset, the amount is recorded in earnings.

k. Revenue

i) Take-or-Pay

Pembina provides transportation, gas processing, fractionation, terminalling, and storage services under take-or-pay contracts. In a take-or-pay contract, Pembina is entitled to a minimum fee for the firm service promised to a customer over the contract period, regardless of actual volumes transported, processed, terminalled, or stored. This minimum fee can be represented as a set fee for an annual minimum volume, or an annual minimum revenue requirement. In addition, these contracts may include variable consideration for operating costs that are flowed through to the customer. In determining the amount of consideration to be allocated to performance obligations that are not sold on a stand-alone basis, management estimates the stand-alone selling price of each performance obligation under the contract, taking into consideration the location and volume of goods and services being provided, the market environment, and customer specific considerations.

Pembina satisfies its performance obligations and recognizes revenue for services under take-or-pay commitments when volumes are transported, processed, terminalled, or stored. Make-up rights may arise when a customer does not fulfill their minimum volume commitment in a certain period, but is allowed to use the delivery of past or future volumes to meet this commitment. These make-up rights are subject to expiry and have varying conditions associated with them. When contract terms allow a customer to exercise their make-up rights using firm volume commitments, revenue is not recognized until these make-up rights are used, expire, or management determines that it is remote that they will be utilized. If Pembina bills a customer for unused service in an earlier period and the customer utilizes available make-up rights, Pembina records a refund liability for the amount to be returned to the customer through an annual adjustment process. For contracts where no make-up rights exist, revenue is recognized to take-or-pay levels once Pembina has an enforceable right to payment for the take-or-pay volumes. Make-up rights generally expire within a contract year, and a majority of the related contract years follow the calendar year.

When customers are transporting, processing, terminalling, or storing volumes below their take-or-pay commitments early in a contract year, and the customer has the right to exercise make up rights against future firm volume commitments, the timing of revenue recognition may not be even throughout the year. Where Pembina has a right to invoice to take-or-pay levels throughout the contract year, revenue is deferred and a contract liability is recorded for the volumes invoiced that were not utilized by the customer. Once the customer has used its make-up rights or it is determined to be remote that a customer will use them, the previously deferred revenue is recognized. In these instances, there will be a deferral of revenue in early quarters of the year, with subsequent recognition occurring in later quarters although there is no impact on cash flows.

For certain arrangements where the customer does not have make-up rights, where the make-up rights have been determined to be insignificant, and for cost of service agreements, revenue is recognized using the practical expedient to recognize revenue in an amount equal to Pembina's right to invoice. For these arrangements, the consideration Pembina is entitled to invoice in each period is representative of the value provided to the customer.

When up-front payments or non-cash consideration is received in exchange for future services to be performed, revenue is deferred as a contract liability and recognized over the period the performance obligation is expected to be satisfied. Non-cash consideration is measured at the fair value of the non-cash consideration received.

ii) Fee-for-Service

Fee-for-service revenue includes firm contracted revenue that is not subject to take-or-pay commitments and interruptible revenue. Pembina satisfies its performance obligations for transportation, gas processing, fractionation, terminalling, and storage as volumes of product are transported, processed, fractionated, terminalled, or stored. Revenue is based on a contracted fee and consideration is variable with respect to volumes. Payment is due in the month following Pembina's provision of service.

iii) Product Sales

Pembina's performance obligation in a product sale is to transfer distinct products to the customer. Pembina satisfies its performance obligation on product sales when the customer obtains control of the product.

In certain product sales contracts, Pembina transfers products to a customer in an agency capacity only. In determining whether Pembina is the principal or agent in product sale transactions, Pembina assesses whether it controls the product before it is transferred to the customer. Control of a product is not necessarily held by the party with legal title, but by the party with the rights to the remaining economic benefits of the product prior to it being transferred. In situations where Pembina acquires the product from a third party shortly before transfer to the customer, or where Pembina purchases NGL mix product before selling specification grade component products back to the customer, determining whether Pembina controls the product requires significant judgment. This determination includes assessing whether Pembina or another party is primarily responsible for fulfilling the promise to provide the specified product, if Pembina is subject to inventory risk on the product, and if Pembina has the discretion to establish the price for the specified product. If Pembina does not have control prior to transferring the product to the customer and is acting in an agency capacity, Pembina presents revenue on a net basis.

For product sales, revenue is recognized using the practical expedient to recognize revenue in an amount equal to Pembina's right to invoice as the consideration Pembina is entitled to invoice in each period is representative of the value provided to the customer.

I. Government Grants

Government grants are recognized in earnings as other income on a systematic basis over the periods in which Pembina recognizes expenses for the related costs for which the grant is intended to compensate. Government grants are recognized only when there is reasonable assurance that Pembina will comply with the conditions attached to the grant, and the grant will be received.

m. Finance Income and Finance Costs

Finance income comprises interest income on funds deposited and invested, interest income on advances to related parties, gains on non-commodity-related derivatives measured at fair value through earnings and foreign exchange gains that are not recognized in other comprehensive income. Interest income is recognized as it accrues in earnings, using the effective interest rate method.

Finance costs comprise of interest expense on loans and borrowings and lease liabilities, accretion on provisions, losses on non-commodity-related derivatives and foreign exchange losses.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognized in earnings using the effective interest rate method.

n. Income Tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in earnings except to the extent that they relate to a business combination, or items that are recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings;
- temporary differences relating to investments in subsidiaries and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which Pembina expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset, and they relate to income taxes levied by the same taxation authority on either: i) the same taxable entity; or ii) different taxable entities where the intent is to settle current tax liabilities and assets on a net basis, or where tax liabilities and assets will be realized simultaneously in each future period.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax, Pembina takes into account income tax exposures and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes Pembina to change its judgment regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

o. Earnings Per Common Share

Pembina presents basic and diluted earnings per common share ("EPS") data for its common shares. Basic EPS is calculated by dividing the earnings attributable to common shareholders of Pembina by the weighted average number of common shares outstanding during the period. To calculate earnings attributable to common shareholders, earnings are adjusted for accumulated preferred dividends. Diluted EPS is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all potentially dilutive common shares, which comprise share options granted to employees. Only outstanding share options that will have a dilutive effect are included in fully diluted EPS calculations.

The dilutive effect of share options is determined by assuming that outstanding share options at the end of the period have been converted at the beginning of the period or at the time issued if issued during the year. Amounts charged to earnings relating to the outstanding share options are added back to earnings for the diluted EPS calculations. The shares issued upon conversion are included in the denominator of basic EPS calculations for the date of issue.

p. Segment Reporting

An operating segment is a component of Pembina that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly and were reassessed following the creation of PGI by Pembina's President and Chief Executive Officer ("CEO"), Senior Vice President and Chief Financial Officer ("CFO") and other Senior Vice Presidents ("SVPs") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO, CFO and other SVPs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

q. New Standards and Interpretations Not Yet Adopted

The IASB 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.

4. DETERMINATION OF FAIR VALUES

Several of Pembina's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When measuring fair value, Pembina uses observable market data to the extent possible. Fair value measurements are categorized into levels in a fair value hierarchy based on the degree to which inputs are observable and significant.

Level 1: Unadjusted quoted prices are available in active markets for identical assets or liabilities as the reporting date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Level 3 valuations use unobservable inputs, such as a financial forecast developed using the entity's own data for expected cash flows and risk adjusted discount rates, to measure fair value to the extent that relevant observable inputs are not available. The unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. In developing unobservable inputs, Pembina's own data is used and adjusted for reasonably available information that would be used by other market participants.

For level 2 valued financial instruments, management makes assumptions and estimates value based on observable inputs such as quoted forward prices, time value and volatility factors. For level 3 valued financial instruments, management uses estimates of financial forecasts, expected cash flows and risk adjusted discount rates to measure fair value.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property, Plant and Equipment

The fair value of property, plant and equipment recognized as a result of a business combination or transferred from a customer is based on market values when available, an income approach, or depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

When the recoverable value of an item of property, plant and equipment is estimated for impairment purposes, fair value is determined using comparable market transactions if available, or using a combination of internal and external estimates of the value that the assets could be sold for in an orderly manner.

ii) Equity Investments

When the recoverable value of the Company's equity investments is estimated for impairment purposes, fair value is determined using comparable market transactions if available, or using estimates of the discounted cash flows a market participant would expect to derive from the use and eventual sale of the investments.

iii) Derivative Financial Instruments

Pembina's derivative financial instrument fair value measurements are categorized in Level 2 and Level 3 of the fair value hierarchy. Further information about the methods used and assumptions made in determining fair values is disclosed in Note 24 to the Consolidated Financial Statements.

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

iv) Non-Derivative Financial Assets and Liabilities

The fair value of non-derivative financial assets and liabilities is determined on initial recognition, on a recurring basis, or for disclosure purposes. Fair values of financial assets at amortized cost are calculated based on the present value of estimated future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For other financial liabilities where market rates are not readily available, a risk adjusted market rate is used which incorporates the nature of the instrument as well as the risk associated with the underlying cash payments.

v) Share-Based Compensation Transactions

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

The fair value of the long-term share unit award incentive plan and associated distribution units are measured based on the volume-weighted average price of Pembina's shares for the 20 days ending December 31, 2022.

5. TRADE RECEIVABLES AND OTHER

As at December 31 <i>(\$ millions)</i>	2022	2021
Trade and accrued receivables from customers	696	743
Other receivables	51	30
Income tax receivable	73	—
Prepayments	32	32
Advances to related parties	18	—
Related party receivables	42	7
Total trade receivables and other	912	812

6. INVENTORY

As at December 31 <i>(\$ millions)</i>	2022	2021
Crude oil and NGL	184	276
Materials, supplies and other	85	100
Total inventory	269	376

7. PROPERTY, PLANT AND EQUIPMENT

(\$ millions)	Land and Land Rights	Pipelines	Facilities and Equipment	Cavern Storage and Other	Assets Under Construction ⁽¹⁾	Total
Cost						
Balance at December 31, 2020	429	9,206	8,907	1,993	1,109	21,644
Additions and transfers	28	92	469	144	(177)	556
Change in decommissioning provision	—	8	25	6	—	39
Foreign exchange adjustments	—	(5)	2	—	—	(3)
Dispositions and other	(1)	(22)	(19)	(59)	(17)	(118)
Balance at December 31, 2021	456	9,279	9,384	2,084	915	22,118
Additions and transfers	22	703	264	83	(499)	573
Disposition (Note 9)	(1)	(475)	(2,440)	(104)	(20)	(3,040)
Change in decommissioning provision	—	(17)	(84)	(18)	—	(119)
Other	(2)	(56)	(201)	(31)	(29)	(319)
Foreign exchange	6	61	26	—	—	93
Balance at December 31, 2022	481	9,495	6,949	2,014	367	19,306
Depreciation						
Balance at December 31, 2020	21	1,547	1,118	409	—	3,095
Depreciation	5	192	232	82	—	511
Impairment	—	283	85	12	—	380
Dispositions and other	—	(7)	(14)	(40)	—	(61)
Balance at December 31, 2021	26	2,015	1,421	463	—	3,925
Depreciation	6	194	211	78	—	489
Disposition (Note 9)	—	(85)	(384)	(38)	—	(507)
Other	—	(37)	(63)	(19)	—	(119)
Balance at December 31, 2022	32	2,087	1,185	484	—	3,788
Carrying amounts						
Balance at December 31, 2021	430	7,264	7,963	1,621	915	18,193
Balance at December 31, 2022	449	7,408	5,764	1,530	367	15,518
Assets subject to operating leases						
December 31, 2021	8	297	466	163	—	934
December 31, 2022	41	629	509	156	—	1,335

⁽¹⁾ At December 31, 2022, the movement in Assets Under Construction includes \$14 million in assets transferred to finance lease receivables (2021: \$90 million).

Property, Plant and Equipment Dispositions

On October 1, 2022, Pembina disposed of its interest in the assets comprising the Empress I Plant, Empress I Expansion Plant (collectively, "the E1 assets"), and the Empress VI Plant ("E6 assets") to Plains Midstream Canada ULC ("Plains") in exchange for a processing agreement that provides Pembina the right to first priority for gas processing at all Plains-operated assets at Empress. The carrying value of the E1 and E6 assets disposed of is \$86 million. The processing agreement is treated as an intangible asset with a useful life of 50 years and was measured at fair value.

On August 15, 2022, Pembina contributed a portion of its field-based gas processing assets to PGI. Refer to Note 9 for further information on the disposition of these assets.

Property, Plant and Equipment Under Construction

For the year ended December 31, 2022, included in additions and transfers are capitalized borrowing costs related to the construction of new pipelines or facilities amounting to \$21 million (2021: \$25 million), with capitalization rates ranging from 3.81 percent to 4.17 percent (2021: 3.60 percent to 3.81 percent).

Depreciation

Pipeline assets, facilities and equipment are depreciated using the straight-line method over three to 75 years with the majority of assets depreciated over 40 years. Cavern storage and other assets are depreciated using the straight-line method over three to 40 years with the majority of assets depreciated over 40 years. These rates are established to depreciate remaining net book value over the shorter of their useful lives or economic lives.

8. INTANGIBLE ASSETS AND GOODWILL

(\$ millions)	Intangible Assets				Total Goodwill & Intangible Assets
	Goodwill	Purchase and Sale Contracts and Other	Customer Relationships	Total	
Cost					
Balance at December 31, 2020	4,694	261	1,869	2,130	6,824
Additions	—	26	—	26	26
Dispositions and other	(1)	1	(8)	(7)	(8)
Balance at December 31, 2021	4,693	288	1,861	2,149	6,842
Additions	—	138	—	138	138
Disposition (Note 9)	(153)	(23)	(66)	(89)	(242)
Foreign exchange adjustments	17	1	48	49	66
Balance at December 31, 2022	4,557	404	1,843	2,247	6,804
Amortization					
Balance at December 31, 2020	—	180	304	484	484
Amortization	—	7	93	100	100
Impairment	—	1	23	24	24
Dispositions and other	—	1	(5)	(4)	(4)
Balance at December 31, 2021	—	189	415	604	604
Amortization	—	9	84	93	93
Disposition (Note 9)	—	(8)	(22)	(30)	(30)
Foreign exchange adjustments	—	—	6	6	6
Balance at December 31, 2022	—	190	483	673	673
Carrying amounts					
Balance at December 31, 2021	4,693	99	1,446	1,545	6,238
Balance at December 31, 2022	4,557	214	1,360	1,574	6,131

Intangible assets have a finite useful life and are amortized using the straight-line method over 8 to 50 years.

The aggregate carrying amount of goodwill allocated to each operating segment is as follows:

As at December 31	2022	2021
(\$ millions)		
Pipelines	2,722	2,714
Facilities	396	540
Marketing & New Ventures	1,439	1,439
Total goodwill	4,557	4,693

Goodwill Impairment Testing

For the purpose of impairment testing, goodwill is allocated to Pembina's operating segments which represent the lowest level within Pembina at which goodwill is monitored for management purposes. Annually, impairment testing for goodwill is performed in the fourth quarter.

Economic uncertainty due to increasing interest rates and volatile commodity prices had minimal impact to Pembina's recoverable amount. The goodwill test was performed and no impairment was identified as it was determined that the recoverable amount for each operating segment exceeded the carrying amount, including goodwill. The recoverable amount was determined using a fair value less costs of disposal approach by discounting each operating segment's expected future cash flows (Level 3). The key assumptions that impact the recoverable amount include the following:

- Cash flows for the first five years are projected based on past experience, actual operating results and the business plan approved by management. Cash flows for Pipelines and Facilities incorporate assumptions regarding contracted volumes and rates, which are based on market expectations. In addition, revenue and cost of product projections for Marketing & New Ventures incorporate assumptions regarding commodity volumes and pricing, which are sensitive to changes in the commodity price environment.
- Cash flows for the remaining years of the useful lives of the assets within each operating segment are extrapolated for periods up to 75 years (2021: 75 years) using a long-term growth rate, except where contracted, long-term cash flows indicate that no growth rate should be applied or a specific reduction in cash flows is more appropriate.
- After-tax discount rates are applied in determining the recoverable amount of operating segments. Discount rates are estimated based on past experience, the risk free rate and average cost of debt, targeted debt to equity ratio, in addition to estimates of the specific operating segment's equity risk premium, size premium, projection risk, asset risk, and betas.

For each operating segment, key assumptions and discount rate sensitivity are presented below:

As at December 31, 2022 (Percent)	Operating Segments		
	Pipelines	Facilities	Marketing & New Ventures
Key assumptions used			
After-tax discount rate	7.4	7.2	9.9
Long-term growth rate	1.5	1.8	2.2
Incremental change in rates that would result in carrying value equal to recoverable amount			
Increase in after-tax discount rate	2.6	2.5	2.5

9. DISPOSITION

On August 15, 2022, Pembina and affiliates of KKR & Co., Inc. (collectively, "KKR") created a new jointly controlled corporation, PGI, a western Canadian gas processing entity, incorporated in Alberta (the "PGI Transaction"). Pembina obtained a 60 percent equity interest in the joint venture and will serve as PGI's operator and manager, while KKR obtained the remaining 40 percent equity interest in PGI.

Pembina contributed to PGI a portion of its 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 "Disposal Group"), as well as its 45 percent equity interest in Veresen Midstream, which were previously included in Pembina's Facilities operating segment. KKR contributed to PGI its 55 percent equity interest in Veresen Midstream to PGI, as well as its 49 percent common share equity interest and its preferred share 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.

As a result of the disposition of the Disposal Group and acquisition of PGI, management reevaluated Pembina's operating segments and determined there were no changes as a result.

Pembina's contribution of its field-based gas processing assets was accounted for as a disposition given that Pembina changed from control of the assets to joint control through PGI. The contribution of Pembina's interest in Veresen Midstream resulted in Pembina retaining joint control through the newly formed PGI and therefore was not considered a disposition.

The assets and liabilities of the Disposal Group were derecognized at their carrying values as at August 15, 2022 as follows:

<i>(\$ millions)</i>	August 15, 2022
Cash and cash equivalents	167
Trade receivables and other	145
Inventory	18
Property, plant and equipment <i>(Note 7)</i>	2,533
Intangible assets and goodwill <i>(Note 8)</i>	212
Derivative financial instruments <i>(Note 24)</i>	113
Total assets	3,188
Trade payables and other	72
Decommissioning provision <i>(Note 15)</i>	20
Contract liabilities <i>(Note 17)</i>	92
Deferred tax liabilities	514
Total liabilities	698

In exchange for the contribution of the field-based gas processing assets contributed to PGI ("Gas Processing Business"), Pembina received \$776 million cash, a \$12 million contingent related party receivable, and shares of PGI. The \$2.8 billion preliminary fair value of the shares of PGI was determined by reference to the \$3.6 billion preliminary fair value of the Gas Processing Business, adjusted for cash and the contingent receivable. The resulting gain on disposition recognized by Pembina is \$1.1 billion.

Pembina engaged an independent valuator to assist with determining the preliminary fair value of the Gas Processing Business and the preliminary fair value of PGI using a discounted cash flow model based on significant assumptions including forecasted revenue and the discount rate. Given the complexity of the PGI Transaction, the valuation of the Gas Processing Business and associated PGI purchase price allocation is not final as Pembina and PGI continue to review and assess acquired contracts and obtain and verify information required to determine the amount of deferred taxes at the transaction date.

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

(\$ millions)	Ownership Interest at December 31 (percent)		Share of Profit from Equity Investments		Investment in Equity Accounted Investees at December 31	
	2022	2021	For the years ended December 31		2022	2021
PGI ⁽¹⁾	60	—	49	—	4,158	—
Alliance	50	50	167	111	2,609	2,686
Aux Sable	42.7 - 50	42.7 - 50	91	77	360	377
Veresen Midstream ⁽²⁾	—	45	51	77	—	1,349
Cedar LNG	49.9	49.9	—	—	155	130
Other ⁽³⁾	50 - 75	50 - 75	3	16	88	80
Total			361	281	7,370	4,622

⁽¹⁾ Refer to Note 9 and to the "PGI Acquisition" section of this note for further information on the acquisition of Pembina's interest in PGI.

⁽²⁾ Pembina owned a 45 percent interest in Veresen Midstream up to the closing of the PGI Transaction on August 15, 2022. As part of the transaction, Pembina contributed its 45 percent interest in Veresen Midstream to PGI.

⁽³⁾ Other includes Pembina's interest in Ruby, CKPC, Grand Valley, and Fort Corp. Pembina owns a 50 percent convertible, cumulative preferred interest in Ruby. Refer to "Financing Activities for Equity Accounted Investees" section below for further details on Ruby.

PGI is a premier gas processing entity in Western Canada positioned to serve customers throughout the Montney and Duvernay trends from central Alberta to northeast British Columbia. Alliance owns and operates a high-pressure natural gas pipeline connecting areas primarily in northern Alberta and northeast British Columbia to delivery points near Chicago, Illinois, which connects to the Aux Sable natural gas liquids extraction facility in Channahon, Illinois. Cedar LNG was formed to construct a floating liquid natural gas processing and export facility in Kitimat, British Columbia.

Investments in equity accounted investees include the unamortized excess of the purchase price over the underlying preliminary net book value of the investee's assets and liabilities at the purchase date, which is comprised of \$1.1 billion (2021: \$223 million) Goodwill and \$1.7 billion (2021: \$2.7 billion) in property, plant and equipment and intangible assets.

Pembina has U.S. \$1.3 billion in Investments in Equity Accounted Investees that is held by entities whose functional currency is the U.S. dollar. The resulting foreign exchange gain for the year ended December 31, 2022 of \$118 million (2021: \$11 million loss) has been included in Other Comprehensive Income.

PGI Acquisition

On August 15, 2022, Pembina acquired a 60 percent equity interest in PGI, a newly formed joint venture that is jointly controlled by Pembina and KKR. Pembina serves as PGI's operator and manager.

Pembina's investment in PGI of \$4.2 billion at August 15, 2022, includes \$2.8 billion for the value of PGI shares received as consideration for its contribution of the Gas Processing Business (refer to Note 9) and \$1.3 billion for the value of PGI shares received for the contribution of Pembina's 45 percent equity interest in Veresen Midstream, which was recorded at its carrying value at the acquisition date. At August 15, 2022, the fair value of Pembina's 45 percent equity interest in Veresen Midstream exceeded its carrying cost by \$431 million. Pembina's recognized cost of its PGI investment also includes \$10 million in costs directly attributable to the acquisition of the investment.

Pembina engaged an independent valuator to assist with determining the preliminary fair value of certain tangible and intangible assets of PGI. The fair value of PGI tangible assets was determined using the cost approach, while the fair value of the intangible assets was determined using a discounted cash flow model based on significant assumptions including forecasted contract renewal rates and the discount rate. The preliminary fair value of deferred tax liabilities was measured in accordance with PGI's accounting policies.

The cost of Pembina's 60 percent interest in PGI was allocated to PGI's identifiable net assets on the acquisition date as follows:

As at August 15, 2022 (\$ millions)	Previously reported in Q3 2022	Adjustments	Updated
Current assets	853	(212)	641
Non-current assets	6,648	(7)	6,641
Current liabilities	1,163	1	1,164
Non-current liabilities	2,483	351	2,834
Allocated to PGI assets and liabilities	3,855	(571)	3,284
Goodwill	328	571	899
Pembina's cost of investment in PGI	4,183	—	4,183

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.

During the fourth quarter of 2022, PGI continued to obtain and verify information required to determine the fair value of certain assets and liabilities. Pembina adjusted the preliminary fair value of PGI's identifiable net assets to reflect updated information, primarily including a reduction in the value of assets held for sale as well as an increase in the recognized amount of deferred tax liabilities, with a corresponding increase in goodwill.

The primary drivers that generated goodwill were synergies and business opportunities from the integration of the three separate gas services businesses into PGI, the difference between the fair value and carrying value of the 45 percent equity interest in Veresen Midstream, and the deferred tax liabilities recognized in PGI, which were not previously recognized by Pembina as part of its investment in Veresen Midstream. Pembina recognized a deferred tax recovery of \$195 million during 2022 as a result of its contribution of its partnership interest in Veresen Midstream for shares of PGI.

Distributions and Contributions

The following table summarizes distributions from and contributions to Pembina's investments in equity accounted investees:

For the years ended December 31 (\$ millions)	Distributions		Contributions	
	2022	2021	2022	2021
PGI ⁽¹⁾	125	—	49	—
Alliance	342	212	4	299
Aux Sable	134	100	3	2
Veresen Midstream ⁽²⁾	66	131	13	29
Cedar LNG	—	—	26	5
Other ⁽³⁾	6	18	—	—
Total	673	461	95	335

⁽¹⁾ Refer to Note 9 and to the "PGI Acquisition" section of this note for further information on the acquisition of Pembina's interest in PGI.

⁽²⁾ Pembina owned a 45 percent interest in Veresen Midstream up to the closing of the PGI Transaction on August 15, 2022. As part of the transaction, Pembina contributed its 45 percent interest in Veresen Midstream to PGI.

⁽³⁾ Other includes Pembina's interest in Ruby, CKPC, Grand Valley, and Fort Corp. Pembina owns a 50 percent convertible, cumulative preferred interest in Ruby. Refer to "Financing Activities for Equity Accounted Investees" section below for further details on Ruby.

Distributions received from equity accounted investees are included in operating activities in the Consolidated Statement of Cash Flows. Distributions from Alliance and Veresen Midstream are subject to satisfying certain financing conditions including complying with financial covenants.

Contributions made to investments in equity accounted investees are included in investing activities in the Consolidated Statement of Cash Flows.

Financing Activities for Equity Accounted Investees

Ruby

Ruby Pipeline, L.L.C. ("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.

PGI

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.

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.

Alliance

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.

Veresen Midstream

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.

CKPC

In the third quarter of 2022, Pembina, along with its joint venture partner, Petrochemical Industries Company K.S.C. collectively decided to cancel the proposed integrated propane dehydrogenation plant and polypropylene upgrading facility that was to be located in Sturgeon County, Alberta. The project has been in a state of indefinite suspension since late 2020.

Summarized Financial Information

Financial information for Pembina's equity accounted investees is presented (at 100 percent) in the following tables and is prepared under the financial reporting framework adopted by each equity accounted investee (IFRS except for Veresen Midstream and Alliance which are in accordance with U.S. GAAP). Differences between the equity accounted investee's earnings (loss) and earnings attributable to Pembina relate to the different accounting standards applied and amortization of the excess of the purchase price over the underlying net book value of the investee's assets and liabilities at the purchase date.

For the year ended December 31, 2022 <i>(\$ millions)</i>	PGI⁽¹⁾	Alliance	Aux Sable	Veresen Midstream⁽²⁾	Cedar LNG	Other⁽³⁾
Earnings and Comprehensive Income						
Revenue	625	1,115	2,283	449	—	56
Expenses	(307)	(480)	(2,026)	(151)	(1)	(41)
Depreciation and amortization	(133)	(140)	(47)	(122)	—	(16)
Interest expense	(94)	(21)	(1)	(58)	—	(2)
Finance costs and other	5	7	4	(2)	—	2
Income tax expense	(24)	—	—	—	—	—
Earnings	72	481	213	116	(1)	(1)
Earnings attributable to Pembina	49	167	91	51	—	3

⁽¹⁾ Refer to Note 9 and to the "PGI Acquisition" section of this note for further information on the acquisition of Pembina's interest in PGI.

⁽²⁾ Pembina owned a 45 percent interest in Veresen Midstream up to the closing of the PGI Transaction on August 15, 2022. As part of the transaction, Pembina contributed its 45 percent interest in Veresen Midstream to PGI.

⁽³⁾ Other includes Ruby, CKPC, Grand Valley, and Fort Corp.

As at December 31, 2022 <i>(\$ millions)</i>	PGI⁽¹⁾	Alliance	Aux Sable	Veresen Midstream⁽²⁾	Cedar LNG	Other⁽³⁾
Statements of Financial Position						
Cash and cash equivalents	—	95	16	—	—	29
Other current assets	1,125	118	68	—	2	13
Non-current assets	12,578	1,612	725	—	67	90
Current trade, other payables and provisions	257	57	65	—	7	56
Other current liabilities	578	23	4	—	2	14
Non-current trade, other payables and provisions	106	7	6	—	—	—
Other non-current liabilities	5,799	832	184	—	—	28

⁽¹⁾ Refer to Note 9 and to the "PGI Acquisition" section of this note for further information on the acquisition of Pembina's interest in PGI.

⁽²⁾ Pembina owned a 45 percent interest in Veresen Midstream up to the closing of the PGI Transaction on August 15, 2022. As part of the transaction, Pembina contributed its 45 percent interest in Veresen Midstream to PGI.

⁽³⁾ Other includes Ruby, CKPC, Grand Valley, and Fort Corp.

For the year ended December 31, 2021 <i>(\$ millions)</i>	PGI⁽¹⁾	Alliance	Aux Sable	Veresen Midstream	Cedar LNG	Other⁽²⁾⁽³⁾
Earnings and Comprehensive Income						
Revenue	—	905	1,967	661	—	342
Expenses	—	(353)	(1,747)	(216)	—	(58)
Depreciation and amortization	—	(138)	(43)	(191)	—	(41)
Interest expense	—	(118)	—	(71)	—	(79)
Finance costs and other	—	3	—	4	—	(1)
Income tax expense	—	—	—	—	—	—
Earnings	—	299	177	187	—	163
Earnings attributable to Pembina	—	111	77	77	—	16

⁽¹⁾ Refer to Note 9 and to the "PGI Acquisition" section of this note for further information on the acquisition of Pembina's interest in PGI.

⁽²⁾ Balances were adjusted per final issued joint venture financial statements.

⁽³⁾ Other includes Ruby, CKPC, Grand Valley, and Fort Corp.

As at December 31, 2021 <i>(\$ millions)</i>	PGI⁽¹⁾	Alliance	Aux Sable	Veresen Midstream	Cedar LNG⁽²⁾	Other⁽³⁾
Statements of Financial Position						
Cash and cash equivalents	—	168	24	1	—	143
Other current assets	—	96	172	210	2	32
Non-current assets	—	1,690	707	4,605	18	766
Current trade, other payables and provisions	—	48	98	63	3	62
Other current liabilities	—	20	45	85	3	643
Non-current trade, other payables and provisions	—	9	5	61	—	307
Other non-current liabilities	—	804	159	2,613	2	47

⁽¹⁾ Refer to Note 9 and to the "PGI Acquisition" section of this note for further information on the acquisition of Pembina's interest in PGI.

⁽²⁾ Balances were adjusted per final issued joint venture financial statements.

⁽³⁾ Other includes Ruby, CKPC, Grand Valley, and Fort Corp.

11. INCOME TAXES

The movements in the components of the deferred tax assets and deferred tax liabilities are as follows:

(\$ millions)	Balance at December 31, 2021	Recognized in Earnings	Recognized in Other Comprehensive Income (Loss)	Disposition	Equity	Other	Balance at December 31, 2022
Deferred income tax assets							
Employee benefits	2	1	(5)	—	—	—	(2)
Share-based payments	24	17	—	—	—	—	41
Provisions	100	(31)	—	(5)	—	—	64
Benefit of loss carryforwards	385	65	—	—	—	—	450
Other deductible temporary differences	7	93	—	1	—	17	118
Deferred income tax liabilities							
Property, plant and equipment	2,250	229	—	(450)	—	—	2,029
Intangible assets	251	24	—	(13)	—	—	262
Investments in equity accounted investees	709	(174)	—	—	—	—	535
Derivative financial instruments	16	37	(3)	(27)	—	—	23
Taxable limited partnership income deferral	46	50	—	(28)	—	—	68
Total net deferred tax liabilities ⁽¹⁾	2,754	21	2	(514)	—	(17)	2,246

(\$ millions)	Balance at December 31, 2020	Recognized in Earnings	Recognized in Other Comprehensive Income (Loss)	Disposition	Equity	Other	Balance at December 31, 2021
Deferred income tax assets							
Derivative financial instruments	4	(20)	—	—	—	—	(16)
Employee benefits	11	2	(11)	—	—	—	2
Share-based payments	14	10	—	—	—	—	24
Provisions	83	17	—	—	—	—	100
Benefit of loss carryforwards	275	110	—	—	—	—	385
Other deductible temporary differences	51	(41)	—	—	—	(3)	7
Deferred income tax liabilities							
Property, plant and equipment	2,091	159	—	—	—	—	2,250
Intangible assets	260	(9)	—	—	—	—	251
Investments in equity accounted investees	692	17	—	—	—	—	709
Taxable limited partnership income deferral	(2)	48	—	—	—	—	46
Total net deferred tax liabilities ⁽¹⁾	2,603	137	11	—	—	3	2,754

⁽¹⁾ Comprised of deferred tax liabilities of \$2.5 billion (2021: \$3.0 billion) net of deferred tax assets of \$261 million (2021: \$257 million).

Reconciliation of Effective Tax Rate

For the years ended December 31 (\$ millions, except as noted)	2022	2021
Earnings before income tax	3,219	1,665
Canadian statutory tax rate (percent)	23.6	23.3
Income tax at statutory rate	760	388
Tax rate changes and foreign rate differential	(27)	(19)
Changes in estimate and other	(40)	21
Permanent items	19	12
Unrecognized tax attribute	6	21
Income in equity accounted investee	(10)	—
Non-taxable gain on PGI Transaction	(260)	—
Deferred tax transferred due to PGI Transaction	(200)	—
Income tax expense	248	423

The decrease in the effective tax rate from 25.4 percent to 7.7 percent is primarily due to the gain on the PGI Transaction which is not subject to tax and the transfer of the tax liability to PGI which is an equity accounted investee.

Income Tax Expense

For the years ended December 31 (\$ millions)	2022	2021
Current tax expense	227	286
Deferred tax expense		
Origination and reversal of temporary differences	57	235
Tax rate changes on deferred tax balances	1	14
Increase in tax loss carry forward	(37)	(112)
Total deferred tax expense	21	137
Total income tax expense	248	423

Deferred Tax Items Recovered Directly in Equity

For the years ended December 31 (\$ millions)	2022	2021
Other comprehensive loss (Note 23):		
Change in fair value of net investment hedges	3	—
Remeasurements of defined benefit asset or liability	(5)	(11)
Deferred tax items recovered directly in equity	(2)	(11)

Pembina has temporary differences associated with its investments in subsidiaries. At December 31, 2022, Pembina has not recorded a deferred tax asset or liability for these temporary differences (2021: nil) as Pembina controls the timing of the reversal and it is not probable that the temporary differences will reverse in the foreseeable future.

At December 31, 2022, Pembina had U.S. \$1.2 billion (2021: U.S. \$1.1 billion) of U.S. tax losses that do not expire and \$42 million (2021: \$42 million) of Canadian tax losses that will expire after 2036. Pembina has determined that it is probable that future taxable profits will be sufficient to utilize these losses. The amount of unrecognized deferred tax asset as at December 31, 2022 was \$27 million (2021: \$21 million).

12. TRADE PAYABLES AND OTHER

As at December 31		
<i>(\$ millions)</i>	2022	2021
Trade payables	571	625
Other payables & accrued liabilities	533	411
Related party payables	150	27
Total trade payables and other	1,254	1,063

13. LEASES

Lessee Leases

Pembina enters into arrangements to secure access to assets necessary for operating the business. Leased (right-of-use) assets include terminals, rail, buildings, land and other assets. Total cash outflows related to leases were \$117 million for the year ended December 31, 2022 (2021: \$127 million).

Right-of-Use Assets

<i>(\$ millions)</i>	Terminals	Rail	Buildings	Land & Other	Total
Balance at January 1, 2021	213	221	121	96	651
Additions and adjustments	2	1	40	18	61
Disposals and other	—	(4)	—	(9)	(13)
Depreciation	(20)	(41)	(18)	(12)	(91)
Impairment	(27)	—	—	—	(27)
Balance at December 31, 2021	168	177	143	93	581
Additions and adjustments	26	—	1	(10)	17
Disposals and other	—	2	—	—	2
Depreciation	(18)	(37)	(17)	(10)	(82)
Balance at December 31, 2022	176	142	127	73	518

Lessor Leases

Pembina has entered into contracts for the use of its assets that have resulted in lease treatment for accounting purposes. Assets under operating leases include pipelines, terminals and storage assets. See Note 7 for carrying value of property, plant and equipment under operating leases. Assets under finance leases include pipelines, terminals, storage assets and office sub-leases.

Maturity of Lease Receivables

As at December 31	2022		2021	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
<i>(\$ millions)</i>				
Less than one year	213	40	146	31
One to two years	193	42	140	31
Two to three years	170	32	121	31
Three to four years	168	32	109	32
Four to five years	162	31	108	31
More than five years	834	294	725	319
Total undiscounted lease receipts	1,740	471	1,349	475
Unearned finance income on lease receipts		(256)		(270)
Discounted unguaranteed residual value		16		15
Finance lease receivable		231		220
Less current portion ⁽¹⁾		(12)		(9)
Total non-current		219		211

⁽¹⁾ Included in trade receivables and other on the Consolidated Statement of Financial Position.

14. LONG-TERM DEBT

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

Carrying Value, Terms and Conditions, and Debt Maturity Schedule

(\$ millions)	Authorized at December 31, 2022	Nominal Interest Rate	Year of Maturity	Carrying Value	
				December 31, 2022	December 31, 2021
Loans and borrowings					
Senior unsecured credit facilities ⁽¹⁾⁽³⁾⁽⁴⁾	2,858	5.78 ⁽²⁾	Various ⁽¹⁾	768	907
Senior unsecured medium-term notes series 2	—	3.77	2022	—	450
Senior unsecured medium-term notes series 3	450	4.75	2043	447	447
Senior unsecured medium-term notes series 4	600	4.81	2044	597	597
Senior unsecured medium-term notes series 5	450	3.54	2025	449	449
Senior unsecured medium-term notes series 6	500	4.24	2027	499	499
Senior unsecured medium-term notes series 7	600	3.71	2026	602	602
Senior unsecured medium-term notes series 8	650	2.99	2024	649	648
Senior unsecured medium-term notes series 9	550	4.74	2047	543	542
Senior unsecured medium-term notes series 10	650	4.02	2028	658	660
Senior unsecured medium-term notes series 11	800	4.75	2048	839	841
Senior unsecured medium-term notes series 12	650	3.62	2029	653	654
Senior unsecured medium-term notes series 13	700	4.54	2049	712	712
Senior unsecured medium-term notes series 14	600	2.56	2023	600	599
Senior unsecured medium-term notes series 15	600	3.31	2030	598	597
Senior unsecured medium-term notes series 16	400	4.67	2050	397	397
Senior unsecured medium-term notes series 17	500	3.53	2031	497	497
Senior unsecured medium-term notes series 18	500	4.49	2051	497	497
Senior unsecured medium-term notes series 3A	—	5.05	2022	—	50
Total loans and borrowings				10,005	10,645
Less current portion loans and borrowings				(600)	(1,000)
Total non-current loans and borrowings				9,405	9,645
Subordinated hybrid notes					
Subordinated notes, series 1	600	4.80	2081	595	594

⁽¹⁾ Pembina's unsecured credit facilities include a \$1.5 billion revolving facility that matures in June 2027, a \$1.0 billion sustainability linked revolving facility that matures in June 2026, a U.S. \$250 million non-revolving term loan that matures in May 2025 and a \$20 million operating facility that matures in May 2023, which is typically renewed on an annual basis.

⁽²⁾ The nominal interest rate is the weighted average of all drawn credit facilities based on Pembina's credit rating at December 31, 2022. Borrowings under the credit facilities bear interest at prime, Bankers' Acceptance, or LIBOR rates, plus applicable margins. The impact of interest rate hedges described in the footnote below are not reflected in this figure.

⁽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.

⁽⁴⁾ The U.S. dollar denominated non-revolving term loan is designated as a hedge of the Company's net investment in selected foreign operations with a U.S. dollar functional currency. Refer to Note 24 for foreign exchange risk management.

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 sustainability linked revolving credit facility (the "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 (the "Revolving Facility"). The SLL Credit Facility contains pricing adjustments that reduce or increase borrowing costs based on Pembina's performance relative to a greenhouse gas ("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.

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.

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.

For more information about Pembina's exposure to interest rate, foreign currency and liquidity risk, see Note 24 *Financial Instruments & Risk Management*.

15. DECOMMISSIONING PROVISION

The decommissioning provision reflects the discounted cash flows expected to be incurred to decommission Pembina's pipeline systems, gas processing and fractionation plants, storage and terminalling hubs, including estimated environmental reclamation and remediation costs.

The undiscounted cash flows at the time of decommissioning are calculated using an estimated timing of economic outflows ranging from one to 83 years, with the majority estimated at 50 years. The estimated economic lives of the underlying assets form the basis for determining the timing of economic outflows. Pembina applied credit-adjusted risk-free rates of 5.7 percent to 6.4 percent (2021: 3.3 percent to 4.7 percent) and an inflation rate of 2.1 percent (2021: 1.8 percent).

<i>(\$ millions)</i>	2022	2021
Balance at January 1	412	348
Unwinding of discount rate	15	16
Change in rates	(158)	—
Disposition <i>(Note 9)</i>	(20)	—
Additions	1	29
Change in cost estimates and other	9	19
Balance at December 31	259	412

As at December 31, 2022, Pembina had \$13 million related to long-term restricted cash included in other assets which is subject to contractual restrictions in connection with use in future Jet Fuel Pipeline abandonment activities.

16. SHARE CAPITAL

Pembina is authorized to issue an unlimited number of common shares, without par value, 254,850,850 Class A preferred shares, issuable in series and an unlimited number of Class B preferred shares. The holders of the common shares are entitled to receive notice of, attend and vote at any meeting of the shareholders of Pembina, receive dividends declared and share in the remaining property of Pembina upon distribution of the assets of Pembina among its shareholders for the purpose of winding-up its affairs.

Common Share Capital

<i>(\$ millions, except as noted)</i>	Number of Common Shares (millions)	Common Share Capital
Balance at December 31, 2020	550	15,644
Share-based payment transactions	—	47
Repurchased	—	(13)
Balance at December 31, 2021	550	15,678
Share-based payment transactions ⁽¹⁾	7	319
Repurchased	(7)	(204)
Balance at December 31, 2022	550	15,793

⁽¹⁾ Beginning in the fourth quarter of 2022, exercised options were settled by issuing the net number of common shares equivalent to the gain upon exercise.

Share Repurchase Program

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 (millions, except as noted)	2022	2021
Number of common shares repurchased for cancellation (thousands)	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.

Preferred Share Capital

(\$ millions, except as noted)	Number of Preferred Shares (millions)	Preferred Share Capital
Balance at December 31, 2020	122	2,946
Class A, Series 11 Preferred shares redeemed, net of issue costs	(7)	(170)
Class A, Series 13 Preferred shares redeemed, net of issue costs	(10)	(250)
Part VI.1 tax	—	(9)
Balance at December 31, 2021	105	2,517
Class A, Series 23 Preferred shares redeemed, net of issue costs	(12)	(300)
Part VI.1 tax	—	(9)
Balance at December 31, 2022	93	2,208

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

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

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

On October 3, 2022, none of the eight million issued and outstanding Cumulative Redeemable Rate Reset Class A Preferred Series 15 Shares were converted into Cumulative Redeemable Floating Rate Class A Preferred Shares, Series 16.

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 February 14, 2023, holders of an aggregate of 1,028,130 of the 16 million issued and outstanding Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 21 (the "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.

Subsequent to the end of the year, on February 15, 2023, none of the Cumulative Redeemable Minimum Rate Reset Class A Preferred Shares, Series 25 outstanding were converted into Cumulative Redeemable Floating Rate Class A Preferred Shares, Series 26. 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.

Dividends

The following dividends were declared by Pembina:

For the years ended December 31 <i>(\$ millions)</i>	2022	2021
Common shares		
\$2.55 per common share (2021: \$2.52)	1,409	1,386
Class A preferred shares		
\$1.23 per Series 1 Class A Preferred Share (2021: \$1.23)	12	12
\$1.12 per Series 3 Class A Preferred Share (2021: \$1.12)	7	7
\$1.14 per Series 5 Class A Preferred Share (2021: \$1.14)	11	11
\$1.10 per Series 7 Class A Preferred Share (2021: \$1.10)	11	11
\$1.08 per Series 9 Class A Preferred Share (2021: \$1.08)	10	10
nil per Series 11 Class A Preferred Share (2021: \$0.36)	—	2
nil per Series 13 Class A Preferred Share (2021: \$0.72)	—	7
\$1.22 per Series 15 Class A Preferred Share (2021: \$1.12)	10	9
\$1.21 per Series 17 Class A Preferred Share (2021: \$1.21)	7	7
\$1.17 per Series 19 Class A Preferred Share (2021: \$1.17)	9	10
\$1.23 per Series 21 Class A Preferred Share (2021: \$1.23)	20	20
\$1.15 per Series 23 Class A Preferred Share (2021: \$1.31)	16	16
\$1.30 per Series 25 Class A Preferred Share (2021: \$1.30)	13	13
	126	135

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.

Pembina's Board of Directors also declared quarterly dividends for Pembina's Class A preferred shares on January 16, 2023 as outlined in the following table:

Series	Record Date	Payable Date	Per Share Amount	Dividend Amount (\$ millions)
Series 1	February 1, 2023	March 1, 2023	\$0.306625	3
Series 3	February 1, 2023	March 1, 2023	\$0.279875	2
Series 5	February 1, 2023	March 1, 2023	\$0.285813	3
Series 7	February 1, 2023	March 1, 2023	\$0.273750	3
Series 9	February 1, 2023	March 1, 2023	\$0.268875	2
Series 15	March 15, 2022	March 31, 2023	\$0.385250	3
Series 17	March 15, 2022	March 31, 2023	\$0.301313	2
Series 19	March 15, 2022	March 31, 2023	\$0.292750	2
Series 21	February 1, 2023	March 1, 2023	\$0.306250	5
Series 25	January 31, 2023	February 15, 2023	\$0.325000	3

17. REVENUE

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

a. Revenue Disaggregation

For the years ended December 31 (\$ millions)	2022				2021			
	Pipelines	Facilities	Marketing & New Ventures	Total	Pipelines	Facilities	Marketing & New Ventures	Total
Take-or-pay ⁽¹⁾	1,741	622	—	2,363	1,642	754	—	2,396
Fee-for-service ⁽¹⁾	458	137	—	595	348	138	—	486
Product sales ⁽²⁾	—	—	8,471	8,471	—	—	5,577	5,577
Revenue from contracts with customers	2,199	759	8,471	11,429	1,990	892	5,577	8,459
Operational finance lease income	26	3	—	29	17	2	—	19
Fixed operating lease income	117	36	—	153	116	33	—	149
Total external revenue	2,342	798	8,471	11,611	2,123	927	5,577	8,627

⁽¹⁾ Revenue recognized over time.

⁽²⁾ Revenue recognized at a point in time.

b. Contract Liabilities

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

For the years ended December 31 (\$ millions)	2022			2021		
	Take-or-Pay	Other Contract Liabilities	Total Contract Liabilities	Take-or-Pay	Other Contract Liabilities	Total Contract Liabilities
Opening balance	3	288	291	3	289	292
Additions (net in the period)	2	57	59	—	64	64
Disposition (Note 9)	(2)	(90)	(92)	—	—	—
Revenue recognized from contract liabilities ⁽¹⁾	—	(64)	(64)	—	(65)	(65)
Closing balance	3	191	194	3	288	291
Less current portion ⁽²⁾	(3)	(53)	(56)	(3)	(68)	(71)
Ending balance	—	138	138	—	220	220

⁽¹⁾ Recognition of revenue related to performance obligations satisfied in the current period that were included in the opening balance of contract liabilities.

⁽²⁾ As at December 31, 2022, the balance includes \$3 million of cash collected under take-or-pay contracts which will be recognized within one year as the customer chooses to ship, process, or otherwise forego the associated service.

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

In all instances where goods or services have been transferred to a customer in advance of the receipt of customer consideration, Pembina's right to consideration is unconditional and has therefore been presented as a receivable.

c. Revenue Allocated to Remaining Performance Obligations

Pembina expects to recognize revenue in future periods that includes current unsatisfied remaining performance obligations totaling \$11.1 billion (2021: \$14.5 billion). Over the next five years, these remaining performance obligations will be recognized annually ranging from \$1.8 billion (2021: \$2.0 billion) declining to \$1.0 billion (2021: \$1.3 billion). Subsequently, up to 2046 (2021: 2047), Pembina will recognize \$765 million (2021: \$1.1 billion) declining to \$7 million (2021: \$7 million) per year.

As a result of the disposition of Pembina's field-based gas processing assets on August 15, 2022 (see Note 9 for further details), Pembina's unsatisfied remaining performance obligations and expected revenue recognition from these obligations as at December 31, 2022 decreased by \$2.6 billion compared to December 31, 2021.

In preparing the above figures, Pembina has taken the practical expedient to exclude contracts that have original expected durations of one year or less. Variable consideration relating to flow through costs are not included in the amounts presented. These flow through costs do not impact net income or cash flow, and due to the long-term nature of the contracts there is significant uncertainty in estimating these amounts. In addition, Pembina excludes contracted revenue amounts for assets not yet in-service unless both Board of Directors approval and regulatory approval for the asset has been obtained.

18. NET FINANCE COSTS

For the years ended December 31 <i>(\$ millions)</i>	2022	2021
Interest expense on financial liabilities measured at amortized cost:		
Loans and borrowings	385	362
Subordinated hybrid notes	29	27
Leases	32	35
Unwinding of discount rate	16	16
Loss in fair value of non-commodity-related derivative financial instruments	12	19
Foreign exchange losses (gains) and other	12	(9)
Net finance costs	486	450

Net interest paid of \$468 million (2021: \$443 million) includes interest paid during construction and capitalized of \$21 million (2021: \$25 million).

19. OPERATING SEGMENTS

Pembina determines its reportable segments based on the nature of operations and includes three operating segments: Pipelines, Facilities and Marketing & New Ventures.

The Pipelines segment includes conventional, oil sands and transmission pipeline systems, crude oil storage and terminalling business and related infrastructure serving various markets and basins across North America.

The Facilities segment includes processing and fractionation facilities and related infrastructure, and a liquefied propane export facility on Canada's West Coast, which provide Pembina's customers with natural gas and NGL services that are highly integrated with Pembina's other businesses. In addition, the Facilities segment includes a bulk marine terminal in the Port of Vancouver, Canada.

The Marketing & New Ventures segment undertakes value-added commodity marketing activities including buying and selling products and optimizing storage opportunities, by contracting capacity on Pembina's and various third-party pipelines and utilizing Pembina's rail fleet and rail logistics capabilities. Marketing activities also include identifying commercial opportunities to further develop other Pembina assets. Pembina's Marketing business also includes results from Aux Sable's NGL extraction facility near Chicago, Illinois and other natural gas and NGL processing facilities, logistics and distribution assets in the United States and Canada.

The financial results of the operating segments are included below. Performance is measured based on results from operating activities, net of depreciation and amortization, as included in the internal management reports that are reviewed by Pembina's CEO, CFO and other Senior Vice Presidents. These results are used to measure performance as management believes that such information is the most relevant in evaluating results of certain segments relative to other entities that operate within these industries. Inter-segment transactions are recorded at market value and eliminated under corporate and inter-segment eliminations.

For the year ended December 31, 2022 <i>(\$ millions)</i>	Pipelines⁽¹⁾	Facilities	Marketing & New Ventures⁽²⁾	Corporate & Inter-segment Eliminations	Total
Revenue from external customers	2,342	798	8,471	—	11,611
Inter-segment revenue	166	470	—	(636)	—
Total revenue⁽³⁾	2,508	1,268	8,471	(636)	11,611
Operating expenses	677	511	—	(319)	869
Cost of goods sold, including product purchases	—	6	7,682	(324)	7,364
Depreciation and amortization included in operations	396	196	44	8	644
Cost of sales	1,073	713	7,726	(635)	8,877
Realized (gain) loss on commodity-related derivative financial instruments	—	(20)	125	—	105
Unrealized gain on commodity-related derivative financial instruments	—	(50)	(83)	—	(133)
Share of profit from equity accounted investees	171	108	82	—	361
Gross profit (loss)	1,606	733	785	(1)	3,123
Depreciation included in general and administrative	—	—	—	39	39
Other general and administrative ⁽⁴⁾	57	15	42	246	360
Other expense	106	11	8	4	129
Gain on Pembina Gas Infrastructure Transaction <i>(Note 9)</i>	—	(1,110)	—	—	(1,110)
Reportable segment results from operating activities	1,443	1,817	735	(290)	3,705
Net finance costs	28	13	27	418	486
Reportable segment earnings (loss) before tax	1,415	1,804	708	(708)	3,219
Capital expenditures	342	153	59	51	605
Contributions to equity accounted investees	4	62	29	—	95

For the year ended December 31, 2021 (\$ millions)	Pipelines⁽¹⁾	Facilities	Marketing & New Ventures⁽²⁾	Corporate & Inter-segment Eliminations	Total
Revenue from external customers	2,123	927	5,577	—	8,627
Inter-segment revenue	156	436	—	(592)	—
Total revenue⁽³⁾	2,279	1,363	5,577	(592)	8,627
Operating expenses	556	471	—	(266)	761
Cost of goods sold, including product purchases	—	6	5,017	(334)	4,689
Depreciation and amortization included in operations	413	214	50	7	684
Cost of sales	969	691	5,067	(593)	6,134
Realized (gain) loss on commodity-related derivative financial instruments	—	(10)	210	—	200
Unrealized gain on commodity-related derivative financial instruments	—	(38)	(35)	—	(73)
Share of profit from equity accounted investees	124	80	77	—	281
Gross profit	1,434	800	412	1	2,647
Depreciation included in general and administrative	—	—	—	39	39
Other general and administrative ⁽⁴⁾	30	14	29	194	267
Other expense (income)	11	14	(5)	(268)	(248)
Impairment expense	447	22	5	—	474
Reportable segment results from operating activities	946	750	383	36	2,115
Net finance costs	29	18	9	394	450
Reportable segment earnings (loss) before tax	917	732	374	(358)	1,665
Capital expenditures	475	136	21	26	658
Contributions to equity accounted investees	299	29	7	—	335

⁽¹⁾ Pipelines transportation revenue includes \$247 million (2021: \$207 million) associated with U.S. pipeline revenue.

⁽²⁾ Marketing & New Ventures includes revenue of \$407 million (2021: \$265 million) associated with U.S. midstream sales.

⁽³⁾ During 2022 and 2021, no one customer accounted for 10 percent or more of total revenues reported throughout all segments.

⁽⁴⁾ Pembina incurred \$479 million (2021: \$440 million) of employee costs, of which \$261 million (2021: \$265 million) was recorded in operating expenses and \$218 million (2021: \$175 million) in general and administrative expenses. Employee costs include salaries, benefits and share-based compensation.

Geographical Information

Non-Current Assets

For the years ended December 31 (\$ millions)	2022	2021
Canada	25,902	26,128
United States	3,900	3,826
Total non-current assets⁽¹⁾	29,802	29,954

⁽¹⁾ Excludes deferred income tax assets, derivative financial instruments, and post-employment benefit assets.

20. EARNINGS PER COMMON SHARE

Basic Earnings Per Common Share

The calculation of basic earnings per common share at December 31, 2022 was based on the earnings attributable to common shareholders of \$2.8 billion (2021: \$1.1 billion) and a weighted average number of common shares outstanding of 553 million (2021: 550 million).

Diluted Earnings Per Common Share

The calculation of diluted earnings per common share at December 31, 2022 was based on earnings attributable to common shareholders of \$2.8 billion⁽¹⁾ (2021: \$1.1 billion), and a weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 554 million (2021: 551 million).

Earnings Attributable to Common Shareholders

For the years ended December 31		
<i>(\$ millions)</i>	2022	2021
Earnings	2,971	1,242
Dividends on preferred shares	(121)	(135)
Cumulative dividends on preferred shares, not yet declared	(8)	(9)
Basic and diluted earnings attributable to common shareholders	2,842	1,098

Weighted Average Number of Common Shares

<i>(In millions of shares, except as noted)</i>		
	2022	2021
Issued common shares at January 1	550	550
Effect of shares repurchased	(2)	—
Effect of shares issued on exercise of options	5	—
Basic weighted average number of common shares at December 31	553	550
Dilutive effect of share options on issue ⁽¹⁾	1	1
Diluted weighted average number of common shares at December 31	554	551
Basic earnings per common share (dollars)	5.14	2.00
Diluted earnings per common share (dollars)	5.12	1.99

⁽¹⁾ The average market value of Pembina's shares for purposes of calculating the dilutive effect of share options for the year ended December 31, 2022 was based on quoted market prices for the period during which the options were outstanding.

21. PENSION PLAN

As at December 31 <i>(\$ millions)</i>	2022	2021
Registered defined benefit net asset	(17)	(11)
Supplemental defined benefit net obligation	11	17
Net employee benefit (assets) obligations	(6)	6

Pembina maintains defined contribution plans and non-contributory defined benefit pension plans covering its employees. Pembina contributes five to 10 percent of an employee's earnings to the defined contribution plan, until the employee's age plus years of service equals 50, at which time they become eligible for the defined benefit plans. Pembina has ended eligibility for new entrants to the defined benefit plan for those whose age and years of service did not equal 40 as at January 1, 2021. Pembina recognized \$12 million in expense for the defined contribution plan during the year (2021: \$11 million). The defined benefit plans include a funded registered plan for all eligible employees and an unfunded supplemental retirement plan for those employees affected by the Canada Revenue Agency maximum pension limits. The defined benefit plans are administered by separate pension funds that are legally separated from Pembina. Benefits under the plans are based on the length of service and the annual average best three years of earnings during the last 10 years of service of the employee. Benefits paid out of the plans are not indexed. Pembina measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial funding valuation was at December 31, 2021. The defined benefit plans expose Pembina to actuarial risks such as longevity risk, interest rate risk, and market (investment) risk.

Defined Benefit Obligations

As at December 31 <i>(\$ millions)</i>	2022		2021	
	Registered Plans	Supplemental Plan	Registered Plan	Supplemental Plan
Present value of unfunded obligations	—	11	—	17
Present value of funded obligations	207	—	257	—
Total present value of obligations	207	11	257	17
Fair value of plan assets	224	—	268	—
Recognized defined benefit assets (obligations)	17	(11)	11	(17)

Pembina funds the defined benefit obligation plans in accordance with government regulations by contributing to trust funds administered by an independent trustee. The funds are invested primarily in equities and bonds. Defined benefit plan contributions totaled \$15 million for the year ended December 31, 2022 (2021: \$23 million).

Pembina has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements of the plans, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. As such, no decrease in the defined benefit asset is necessary at December 31, 2022 (2021: nil).

Registered Defined Benefit Pension Plan Assets Comprise

As at December 31 <i>(Percent)</i>	2022	2021
Equity securities	59	61
Debt	34	39
Other	7	—
	100	100

Movement in the Present Value of the Defined Benefit Pension Obligation

(\$ millions)	2022		2021	
	Registered Plans	Supplemental Plan	Registered Plan	Supplemental Plan
Defined benefits obligations at January 1	257	17	278	18
Benefits paid by the plan	(19)	(1)	(28)	(1)
Current service costs	23	1	27	1
Interest expense	8	—	7	1
Actuarial gains in other comprehensive income	(62)	(6)	(27)	(2)
Defined benefit obligations at December 31	207	11	257	17

Movement in the Present Value of Registered Defined Benefit Pension Plan Assets

(\$ millions)	2022	2021
Fair value of plan assets at January 1	268	252
Contributions paid into the plan	15	23
Benefits paid by the plan	(19)	(28)
Return on plan assets	(49)	15
Interest income	9	6
Fair value of registered plan assets at December 31	224	268

Expense Recognition in Earnings

For the years ended December 31	2022	2021
(\$ millions)		
Registered Plan		
Current service costs	24	28
Interest on obligation	8	8
Interest on plan assets	(9)	(6)
	23	30

The expense is recognized in the following line items in the consolidated statement of comprehensive income:

For the years ended December 31	2022	2021
(\$ millions)		
Registered Plan		
Operating expenses	11	16
General and administrative expense	12	14
	23	30

Expense recognized for the Supplemental Plan was less than \$2 million for each of the years ended December 31, 2022 and 2021.

Actuarial Gains and Losses Recognized in Other Comprehensive Income

(\$ millions)	2022			2021		
	Registered Plans	Supplemental Plan	Total	Registered Plan	Supplemental Plan	Total
Balance at January 1	(9)	(2)	(11)	(41)	(4)	(45)
Remeasurements:						
Financial assumptions	54	3	57	19	2	21
Experience adjustments	(7)	2	(5)	2	—	2
Return on plan assets excluding interest income	(37)	—	(37)	11	—	11
Recognized gain during the period after tax	10	5	15	32	2	34
Balance at December 31	1	3	4	(9)	(2)	(11)

Principal actuarial assumptions used:

As at December 31 <i>(weighted average percent)</i>	2022	2021
Discount rate	5.3	3.2
Future pension earning increases	4.0	4.0

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the liabilities in the defined plans are as follows:

As at December 31 <i>(years)</i>	2022	2021
Longevity at age 65 for current pensioners		
Males	22.0	22.0
Females	24.4	24.3
Longevity at age 65 for current member aged 45		
Males	23.0	23.0
Females	25.3	25.3

The calculation of the defined benefit obligation is sensitive to the discount rate, compensation increases, retirements and termination rates as set out above. A change in the estimated discount rate of 5.3 percent by 100 basis points at December 31, 2022 is considered reasonably possible in the next financial year. An increase by 100 basis points would result in a \$24 million reduction to the obligation whereas, a decrease would lead to a \$30 million increase to the obligation.

Pembina expects to contribute \$22 million to the defined benefit plans in 2023.

22. SHARE-BASED PAYMENTS

At December 31, 2022, Pembina has the following share-based payment arrangements:

Share Option Plan (Equity-Settled)

Pembina has a share option plan under which employees are eligible to receive options to purchase shares in Pembina.

Long-Term Share Unit Award Incentive Plan (Cash-Settled)

Pembina has a long-term share unit award incentive plan. Under the share-based compensation plan, awards of restricted ("RSU") and performance ("PSU") share units are made to officers and employees. The plan results in participants receiving cash compensation based on the value of the underlying notional shares granted under the plan. Payments are based on a trading value of Pembina's common shares plus notional dividends and performance of Pembina.

Pembina also has a deferred share unit ("DSU") plan. Under the DSU plan, directors are required to take at least 50 percent of total director compensation as DSUs, until such time that they have met certain share ownership guidelines. A DSU is a notional share that has the same value as one Pembina common share. Its value changes with Pembina's share price. DSUs do not have voting rights but they accrue dividends as additional DSU units, at the same rate as dividends paid on Pembina's common shares. DSUs are paid out when a director retires from the board and are redeemed for cash using the weighted average trading price of common shares on the Toronto Stock Exchange ("TSX") for the last five trading days before the redemption date, multiplied by the number of DSUs the director holds.

Terms and Conditions of Share Option Plan and Share Unit Award Incentive Plan

Share Option Plan

Share options vest one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and one-third on the third anniversary of the grant date and have a contractual life of seven years. In 2021, Pembina granted select executive officers and non-officers stock options that vest after a four-year period and expire seven years after issuance.

Long-Term Share Unit Award Incentive Plan⁽¹⁾

Grant date RSUs, PSUs and DSUs to Officers, Employees and Directors (thousands of units, except as noted)	PSUs ⁽²⁾	RSUs ⁽²⁾	DSUs	Total
2021	704	1,429	44	2,177
2022	623	1,202	39	1,864

⁽¹⁾ Distribution units are granted in addition to RSU and PSU grants based on notional accrued dividends.

⁽²⁾ Contractual life of 3 years.

PSUs vest on the third anniversary of the grant date. RSUs vest one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date and one-third on the third anniversary of the grant date. In 2021, Pembina granted additional RSUs that vest on the third anniversary of the grant date. Actual units awarded are based on the trading value of the shares and performance of Pembina.

Disclosure of Share Option Plan

The number and weighted average exercise prices of share options is as follows:

(thousands of options, except as noted)	Number of Options	Weighted Average Exercise Price (dollars)
Outstanding at December 31, 2020	21,776	\$42.68
Granted	2,695	\$36.36
Exercised	(464)	\$34.41
Forfeited	(835)	\$39.23
Expired	(3,201)	\$47.87
Outstanding at December 31, 2021	19,971	\$41.33
Granted	599	\$45.61
Exercised ⁽¹⁾	(7,722)	\$41.42
Forfeited	(332)	\$38.60
Expired	(431)	\$41.31
Outstanding at December 31, 2022	12,085	\$41.56

⁽¹⁾ Exercise represents the gross number of options exercised by the employee. Beginning in the fourth quarter of 2022, Pembina issued the net number of common shares equivalent to the employee's gain upon exercise.

As of December 31, 2022, the following options are outstanding:

(thousands of options, except as noted) Exercise Price (dollars)	Number Outstanding at December 31, 2022	Options Exercisable	Weighted Average Remaining Life
\$26.83 – \$35.25	2,115	809	5
\$35.26 – \$41.08	2,464	739	5
\$41.09 – \$43.76	2,546	1,654	3
\$43.77 – \$47.27	2,593	2,076	4
\$47.28 – \$49.78	2,367	2,309	3
Total	12,085	7,587	4

Options are exercised regularly throughout the year. Therefore, the weighted average share price during the year of \$48.62 (2021: \$40.17) is representative of the weighted average share price at the date of exercise.

Expected volatility is estimated by considering historic average share price volatility. The weighted average inputs used in the measurement of the fair values at grant date of share options are the following:

Share Options Granted

For the years ended December 31 (dollars, except as noted)	2022 Graded Vesting	2021 Graded Vesting	2021 Cliff Vesting
Weighted average			
Fair value at grant date	11.43	7.78	6.59
Expected volatility (percent)	46.64	49.06	40.01
Expected option life (years)	3.67	3.67	5.00
Expected annual dividends per option	2.55	2.52	2.52
Expected forfeitures (percent)	7.3	7.1	7.1
Risk-free interest rate (based on government bonds) (percent)	1.7	0.6	1.0

Disclosure of Long-Term Share Unit Award Incentive Plan

The long-term share unit award incentive plans were valued using the volume weighted average price for the 20 days ending December 31, 2022 of \$46.26 (2021: \$37.99). Actual payment may differ from the amount valued based on market price and company performance.

Employee Expenses

For the years ended December 31 ((\$ millions)	2022	2021
Share option plan, equity settled	10	31
Long-term share unit award incentive plan	116	69
Share-based compensation expense	126	100
Total carrying amount of liabilities for cash settled arrangements	161	88
Total intrinsic value of liability for vested benefits	97	56

23. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(\$ millions)	Currency Translation Reserve	Cash Flow Hedge Reserve	Pension and other Post- Retirement Benefit Plan Adjustments ⁽²⁾	Total
Balance at December 31, 2020	48	—	(46)	2
Other comprehensive (loss) gain before hedging activities	(18)	—	34	16
Other comprehensive gain resulting from hedging activities ⁽¹⁾	2	8	—	10
Balance at December 31, 2021	32	8	(12)	28
Other comprehensive gain before hedging activities	295	—	15	310
Other comprehensive (loss) gain resulting from hedging activities ⁽¹⁾	(20)	23	—	3
Balance at December 31, 2022	307	31	3	341

⁽¹⁾ Amounts relate to hedges of the Company's net investment in foreign operations (reported in Currency Translation Reserve) and interest rate derivatives designated as cash flow hedges (reported in Cash Flow Hedge Reserve) (Note 24).

⁽²⁾ Pension and other Post-Retirement Benefit Plan Adjustments will not be reclassified into earnings.

24. FINANCIAL INSTRUMENTS & RISK MANAGEMENT

Risk Management Overview

Pembina has exposure to counterparty credit risk, liquidity risk and market risk. Pembina recognizes that effective management of these risks is a critical success factor in managing organization and shareholder value.

Risk management strategies, policies and limits ensure risks and exposures are aligned to Pembina's 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. Internal audit personnel assist the Board of Directors in its oversight role by monitoring and evaluating the effectiveness of the organization's risk management system.

Counterparty Credit Risk

Counterparty credit risk represents the financial loss Pembina may experience if a counterparty to a financial instrument or commercial agreement failed to meet its contractual obligations to Pembina in accordance with the terms and conditions of the financial instruments or agreements with Pembina. Counterparty credit risk arises primarily from Pembina's cash and cash equivalents, trade and other receivables, finance lease receivables, and from counterparties to its derivative financial instruments. The carrying amount of Pembina's cash and cash equivalents, trade and other receivables, finance lease receivables, derivative financial instruments and certain financial guarantees represents the maximum counterparty credit exposure, without taking into account security held.

Pembina manages counterparty credit risk through established credit management techniques, including conducting comprehensive financial and other assessments for all high exposure new counterparties and regular reviews of existing counterparties to establish and monitor a counterparty's creditworthiness, setting exposure limits, monitoring exposures against these limits, entering into master netting arrangements and obtaining financial assurances where warranted. 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 Board of Directors has approved a counterparty exposure limit matrix which establishes the maximum exposure that can be approved for a counterparty based on debt rating. Pembina continues to closely monitor and reassess the creditworthiness of its counterparties, which has resulted in Pembina reducing or mitigating its exposure to certain counterparties where it was deemed warranted and permitted under contractual terms.

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

Pembina typically has collected its trade receivables in full and at December 31, 2022, 98 percent were current (2021: 98 percent). Management defines current as outstanding accounts receivable under 30 days past due. 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.

At December 31, the aging of past due trade and other receivables was as follows:

(\$ millions)	2022	2021
31-60 days past due	3	2
Greater than 61 days past due	—	2
	3	4

Pembina uses a loss allowance matrix to measure lifetime expected credit losses at initial recognition and throughout the life of the receivable. The loss allowance matrix is determined based on Pembina's historical default rates over the expected life of trade receivables, adjusted for forward-looking estimates. Management believes the unimpaired amounts that are past due by greater than 30 days are fully collectible based on historical default rates of customers and management's assessment of counterparty credit risk through established credit management techniques as discussed above.

Expected credit losses on lease receivables are determined using a probability-weighted estimate of credit losses, measured as the present value of all expected cash shortfalls, discounted at the interest rates implicit in the leases, using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Pembina considers the risk of default relating to lease receivables low based on Pembina's assessment of individual counterparty credit risk through established credit management techniques as discussed above.

Pembina monitors and manages its concentration of counterparty credit risk on an ongoing basis. Pembina believes these measures minimize its counterparty credit risk but there is no certainty that they will protect it against all material losses. As part of its ongoing operations, Pembina must balance its market and counterparty credit risks when making business decisions.

Liquidity Risk

Liquidity risk is the risk Pembina will not be able to meet its financial obligations as they come due. The following are the contractual maturities of financial liabilities, including estimated interest payments.

As at December 31, 2022 (\$ millions)	Carrying Amount	Expected Cash Flows	Outstanding Balances Due by Period			
			Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
Trade payables and other	1,254	1,254	1,254	—	—	—
Loans and borrowings	10,005	15,420	960	2,093	2,126	10,241
Subordinated hybrid notes	595	832	29	57	58	688
Derivative financial liabilities	64	64	57	—	—	7
Lease liabilities	675	906	104	175	143	484

Pembina manages its liquidity risk by forecasting cash flows over a 12 month rolling time period to identify financing requirements. These financing requirements are then addressed through a combination of credit facilities and through access to capital markets, if required.

Market Risk

Pembina's results are subject to movements in commodity prices, foreign exchange and interest rates. A formal Risk Management Program including policies and procedures has been designed to mitigate these risks.

a. Commodity Price Risk

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 throughput 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 market access outside of Pembina's control can impact both the supply of and demand for the commodities transported on Pembina's pipelines.

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, power and natural gas at floating market prices; 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, market inventory levels, general economic conditions, changes in global 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 mitigate 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 sale prices of NGL products and the cost of NGL sourced from natural gas and acquired at prices related to 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 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 those products. These exposures 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.

Pembina 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 risk. As an example of commodity price mitigation, Pembina actively fixes a portion of its exposure to frac spread margins through the use of derivative financial instruments. 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. Pembina's Marketing business is exposed to variability in quality, time and location differentials for various products, and financial instruments may be used to offset Pembina's exposures to these differentials. Pembina does not use financial instruments for speculative purposes.

The following table shows the impact on earnings if the underlying forward commodity prices of the derivative financial instruments increased or decreased by 15 percent, with other variables held constant.

As at December 31, 2022 (\$ millions)	15 Percent Price Increase	15 Percent Price Decrease
Crude oil ⁽¹⁾	(39)	39
Natural gas	11	(11)
NGL ⁽²⁾	(34)	34

⁽¹⁾ Includes condensate.

⁽²⁾ Includes propane and butane.

b. Foreign Exchange Risk

Certain of Pembina's cash flows, namely 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. Furthermore, the value of the investment in U.S. dollar denominated subsidiaries will fluctuate with changes in exchange rates when translated into Pembina's functional currency.

Pembina monitors, assesses and responds to these foreign currency risks using an active risk management program, which may include the issuance of U.S. dollar debt, and exchange of foreign currency for domestic currency at a fixed rate.

The following table shows the impact on earnings⁽¹⁾ if the underlying foreign exchange risk rate of the derivative financial instruments increased or decreased by \$0.10, with other variables held constant.

As at December 31, 2022 <i>(\$ millions)</i>	\$0.10 Rate Increase	\$0.10 Rate Decrease
U.S. to Canadian dollars	(30)	30

⁽¹⁾ Based on the U.S. to Canadian dollar exchange rate.

c. Interest Rate Risk

Interest bearing financial liabilities include Pembina's debt and lease liabilities. Pembina has floating interest rate debt in the form of its Credit Facilities, which subjects Pembina to interest rate risk. Pembina monitors and assesses variable interest rate risk and responds to this risk by issuing long-term debt with fixed interest rates or by entering into interest rate swaps.

Pembina's U.S. drawings on its Credit Facilities and Pembina's interest rate swaps have variable rate components that reference the USD London Interbank Offered Rate ("LIBOR"). 1-Week and 2-Month USD LIBOR rates have been phased out on December 31, 2021 and other USD LIBOR rates will cease to be published at the end of June 2023. LIBOR will be replaced by a secured overnight financing rate ("SOFR"). Pembina will continue to monitor developments and the potential impact on the business.

Pembina's Canadian dollar drawings on its Credit Facilities have variable rate components that reference the Canadian Dollar Offered Rate ("CDOR"). CDOR rates will cease to be published at the end of June 2024. CDOR is expected to be replaced by the Canadian Overnight Repo Rate Average. Pembina will continue to monitor developments and the potential impact on the business.

At the reporting date, the interest rate profile of Pembina's interest-bearing financial instruments was:

As at December 31 <i>(\$ millions)</i>	2022	2021
Carrying amounts of financial liability		
Fixed rate instruments ⁽¹⁾	10,507	11,055
Variable rate instruments ⁽²⁾	768	907
	11,275	11,962

⁽¹⁾ Includes lease liabilities and subordinated hybrid notes.

⁽²⁾ At December 31, 2022, Pembina held positions in financial derivative contracts designated as cash flow hedging instruments, fixing the interest rates on U.S. \$250 million of variable rate debt (2021: U.S. \$250 million).

Cash Flow Sensitivity Analysis for Variable Rate Instruments

The following table shows the impact on earnings if interest rates at the reporting date would have increased or decreased by 100 basis points, with other variables held constant.

As at December 31, 2022 <i>(\$ millions)</i>	100 Basis Point Increase	100 Basis Point Decrease
Variable rate instruments	(4)	4

Fair Values

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

As at December 31 (\$ millions)	2022				2021			
	Carrying Value	Fair Value ⁽¹⁾			Carrying Value	Fair Value ⁽¹⁾		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets carried at fair value								
Derivative financial instruments ⁽²⁾	129	—	92	37	95	—	84	11
Financial liabilities carried at fair value								
Derivative financial instruments ⁽²⁾	64	—	57	7	59	—	59	—
Contingent consideration ⁽³⁾	49	—	12	37	70	—	35	35
Financial liabilities carried at amortized cost								
Long-term debt ⁽⁴⁾	10,600	—	9,590	—	11,239	—	11,814	—

⁽¹⁾ The basis for determining fair value is disclosed in Note 4.

⁽²⁾ At December 31, 2022 all derivative financial instruments are carried at fair value through earnings, except for \$31 million in interest rate derivative financial assets that have been designated as cash flow hedges.

⁽³⁾ Included in trade payables and other. Under the terms of the agreements on Pembina's investment in the Cedar LNG Project, Pembina has commitments to make additional payments on a positive final investment decision as well as contributions to fund development costs and annual operating budgets.

⁽⁴⁾ Carrying value of current and non-current balances. Includes loans and borrowings and subordinated hybrid notes.

Level 2

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

Level 3

Pembina has entered into long-term power purchase agreements that resulted in the recognition of embedded derivatives which Pembina has classified in Level 3 of the fair value hierarchy. The embedded derivatives are accounted for at fair value with realized and unrealized gains and losses recognized in earnings. The fair value is measured using a forward pricing model based on the fixed off take price and forward power price differentials at each reporting date. The fair value is determined using the contracted wind price at the reporting date compared to the quoted forward Alberta Electric System Operator ("AESO") wind power prices at the reporting date from a third-party information source, adjusted for various factors including inflation and credit spread.

The significant unobservable inputs that impact the fair value of the Level 3 derivative instruments are wind discounts and forward power prices. Wind discounts are calculated as the decrease in realized power price for wind generators relative to average power pool prices as a result of wind generation, and are adjusted by management's projections of the wind escalation rate over time. Forward power prices are determined using a long-term price forecast. As at December 31, 2022, a ten percent increase or decrease in wind discounts and forward power prices would increase or decrease earnings by \$75 million (2021: \$20 million) due to the resulting unrealized mark-to-market adjustment.

Changes in fair value of the derivative net assets classified as Level 3 in the fair value hierarchy were as follows:

For the year ended December 31 <i>(\$ millions)</i>	2022	2021
Level 3 derivative net asset at January 1	11	—
Included in (gain) loss on commodity-related derivative financial instruments in earnings	19	11
Level 3 derivative net asset at December 31	30	11

There were no transfers into or out of Level 3 during the year ended December 31, 2022.

Interest Rates Used for Determining Fair Value

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

As at December 31 <i>(percent)</i>	2022	2021
Derivatives	3.3 - 7.7	0.4 - 1.8
Loans and borrowings	5.0 - 8.1	1.1 - 1.8

Derivative instruments

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

The following table is a summary of the net derivative financial instruments:

As at December 31 <i>(\$ millions)</i>	2022					2021				
	Current Asset ⁽¹⁾	Non-Current Asset	Current Liability ⁽¹⁾	Non-Current Liability	Total	Current Asset ⁽¹⁾	Non-Current Asset	Current Liability ⁽¹⁾	Non-Current Liability	Total
Commodity financial instruments	70	27	(39)	(7)	51	13	73	(48)	(6)	32
Interest rate	16	15	—	—	31	1	8	—	—	9
Foreign exchange	1	—	(18)	—	(17)	—	—	(5)	—	(5)
Net derivative financial instruments	87	42	(57)	(7)	65	14	81	(53)	(6)	36

⁽¹⁾ At December 31, 2022 the derivative financial instruments were offset by \$7 million (2021: \$11 million) when determining the net amounts presented on the consolidated statement of financial position.

Notional and Maturity Summary

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

<i>(\$ millions)</i>	Liquids <i>(bpd)</i>	Natural Gas <i>(GJ/d)</i>	Power <i>(GWh)</i>	Foreign Exchange	Interest Rate
As at December 31, 2022					
Purchases ⁽¹⁾	1,710	63,500	8,552	—	—
Sales ⁽¹⁾	19,344	—	—	—	—
Millions of U.S. dollars	—	—	—	304	250
Maturity dates	2023	2023	2040	2023	2025
As at December 31, 2021					
Purchases ⁽¹⁾	—	62,615	6,166	—	—
Sales ⁽¹⁾	16,550	—	—	—	—
Millions of U.S. dollars	—	—	—	272	250
Maturity dates	2022	2022	2040	2022	2025

⁽¹⁾ Barrels per day ("bpd"), gigajoules per day ("GJ/d") and gigawatt hours ("GWh").

Gains and Losses on Derivative Instruments

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

For the years ended December 31 <i>(\$ millions)</i>	2022	2021
Derivative instruments held at FVTPL⁽¹⁾		
Realized loss (gain)		
Commodity-related	105	200
Foreign exchange	14	(12)
Unrealized (gain) loss		
Commodity-related	(133)	(73)
Foreign exchange	12	19
Derivative instruments in hedging relationships⁽²⁾		
Unrealized gain		
Interest rate	(23)	(8)

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

⁽²⁾ Unrealized gains on derivatives in designated cash flow hedging relationships are recognized in the cash flow hedge reserve in accumulated other comprehensive income, with realized (gains) losses being reclassified to net finance costs. Refer to Note 23 for amounts reclassified. No (gains) losses have been recognized in net income relating to discontinued cash flow hedges.

Non-Derivative Instruments Designated as Net Investment Hedges

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

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

For the years ended December 31 <i>(\$ millions)</i>	2022	2021
Notional amount of U.S. debt designated <i>(in U.S. dollars)</i>	250	250
Carrying value of U.S. debt designated	337	316
Maturity date	2025	2025

25. CAPITAL MANAGEMENT

Pembina's objective when managing capital is to ensure a stable stream of dividends to shareholders that is sustainable over the long-term. Pembina manages its capital structure based on requirements arising from significant capital development activities, the risk characteristics of its underlying asset base and changes in economic conditions. Pembina manages its capital structure and short-term financing requirements using non-GAAP measures, including the ratios of debt to adjusted EBITDA, debt to total enterprise value, adjusted cash flow to debt and debt to equity. The metrics are used to measure Pembina's financial leverage and measure the strength of Pembina's balance sheet. Pembina remains satisfied that the leverage currently employed in its capital structure is sufficient and appropriate given the characteristics and operations of the underlying asset base. Pembina, upon approval from its Board of Directors, will balance its overall capital structure through new equity or debt issuances, as required.

Pembina maintains a conservative capital structure that allows it to finance its day-to-day cash requirements through its operations, without requiring external sources of capital. Pembina funds its operating commitments, short-term capital spending as well as its dividends to shareholders through this cash flow, while new borrowing and equity issuances are primarily reserved for the support of specific significant development activities. The capital structure of Pembina consists of shareholder's equity, comprised of common and preferred equity, plus long-term debt. Long-term debt is comprised of bank credit facilities and unsecured notes.

Pembina is subject to certain financial covenants under its note indentures and credit agreements and is in compliance with all financial covenants as of December 31, 2022.

Note 16 of these financial statements shows the change in share capital for the year ended December 31, 2022.

26. GROUP ENTITIES

Significant Subsidiaries

As at December 31 (percentages)	Jurisdiction	Ownership Interest	
		2022	2021
Pembina Cochin LLC	Delaware U.S.	100	100
Pembina Empress NGL Partnership	Alberta	100	100
Pembina Gas Services Limited Partnership	Alberta	—	100
Pembina Holding Canada L.P.	Alberta	100	100
Pembina Infrastructure and Logistics L.P.	Alberta	100	100
Pembina Midstream Limited Partnership	Alberta	100	100
Pembina Oil Sands Pipeline L.P.	Alberta	100	100
Pembina Pipeline	Alberta	100	100

27. RELATED PARTIES

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. A summary of the significant related party transactions are as follows:

Equity Accounted Investees

(\$ millions)	2022	2021
For the years ended December 31:		
Services provided ⁽¹⁾	269	162
Services received	26	31
Interest income	—	15
As at December 31:		
Advances to related parties ⁽²⁾	22	8
Trade receivables and other	42	7
Trade payables and other ⁽³⁾	150	27

⁽¹⁾ Services provided by Pembina include payments made by Pembina on behalf of related parties.

⁽²⁾ During the year ended December 31, 2022, Fort Corp. repaid advances of \$5 million (2021: \$5 million). During the year ended December 31, 2022, Pembina reversed U.S. \$14 million of previous impairments on its advances to Ruby (see Note 10 for further information). During the year ended December 31, 2021, Pembina advanced U.S. \$10 million and recognized an impairment of U.S. \$10 million on its advances to Ruby.

⁽³⁾ As at December 31, 2022, trade payables and other includes U.S. \$102 million related to the Ruby Settlement Agreement with Ruby. See Note 10 for further information.

Key Management Personnel and Director Compensation

Key management consists of Pembina's directors and certain key officers.

Compensation

In addition to short-term employee benefits, including salaries, director fees and short-term incentives, Pembina also provides key management personnel with share-based compensation, contributes to post employment pension plans and provides car allowances, parking and business club memberships.

Key management personnel compensation comprised:

For the years ended December 31 (\$ millions)	2022	2021
Short-term employee benefits	12	9
Share-based compensation and other ⁽¹⁾	34	53
Total compensation of key management	46	62

⁽¹⁾ Includes termination benefits.

Transactions

Key management personnel and directors of Pembina control less than one percent of the voting common shares of Pembina (consistent with the prior year). Certain directors and key management personnel also hold Pembina preferred shares.

Dividend payments received for the common and preferred shares held are commensurate with other non-related holders of those instruments.

Certain officers are subject to employment agreements in the event of termination without just cause or change of control.

Post-Employment Benefit Plans

Pembina has significant influence over the pension plans for the benefit of their respective employees. No balance payable is outstanding at December 31, 2022 (2021: nil).

<i>(\$ millions)</i>		Transaction Value	
		Years Ended December 31	
Post-employment benefit plan	Transaction	2022	2021
Defined benefit plan	Funding	15	23

28. COMMITMENTS AND CONTINGENCIES

Commitments

Pembina was committed for the following amounts under its contracts and arrangements 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
Construction commitments ⁽²⁾	710	423	53	28	206
Other commitments related to lease contracts ⁽³⁾	496	45	83	78	290
Transportation and processing ⁽⁴⁾	129	59	42	9	19
Funding commitments ⁽⁵⁾	26	26	—	—	—
Software, cloud computing and other	39	14	17	6	2
Total contractual obligations	1,400	567	195	121	517

⁽¹⁾ Pembina enters into product purchase agreements and power purchase agreements to secure supply for future operations. Purchase prices of both NGL and power are dependent on current market prices. Volumes and prices for NGL and power contracts cannot be reasonably determined, and therefore, an amount has not been included in the contractual obligations schedule. Product purchase agreements range from one to 9 years and involve the purchase of NGL products from producers. Assuming product is available, Pembina has secured between 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 required capital maintenance and/or turnarounds and required regulatory inspections for the life of the facilities even if not currently committed. Amounts above exclude significant projects that are awaiting regulatory approval, projects which Pembina is not committed to construct, and projects that are executed by equity accounted investees.

⁽³⁾ Relates to expected variable lease payments excluded from the measurements of the lease liability and payments related to non-lease components in lessee lease contracts.

⁽⁴⁾ Take-or-pay payments for minimum volumes to be transported or processed, including \$22 million of contract transportation on the Alliance Pipeline.

⁽⁵⁾ Pembina has committed to fund the construction of an asset that will connect Pembina's assets into a third-party pipeline.

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 Note 9 for further details on the disposition.

Commitments to Equity Accounted Investees

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

Contingencies

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

Following the commencement of the Ruby Subsidiary Bankruptcy, Pembina and certain of its subsidiaries entered into the Ruby Settlement Agreement with the Ruby Subsidiary on November 18, 2022 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. Refer to Note 10 for further information on the Ruby Subsidiary Bankruptcy.

Letters of Credit

Pembina has provided letters of credit to various third parties in the normal course of conducting business. The letters of credit include financial guarantees to counterparties for product purchases and sales, transportation services, utilities, engineering and construction services. The letters of credit have not had and are not expected to have a material impact on Pembina's financial position, earnings, liquidity or capital resources. As at December 31, 2022, Pembina had \$198 million (2021: \$135 million) in letters of credit issued.



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Stock Exchange

Pembina Pipeline Corporation

Toronto Stock Exchange listing symbols for:

COMMON SHARES PPL

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

New York Stock Exchange listing symbol for:

COMMON SHARES PBA

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