UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

(Check One)

¨ Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934

or

x Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended **December 31, 2014**

Commission file number **1-35563**

PEMBINA PIPELINE CORPORATION
(Exact name of registrant as specified in its charter)

Alberta, Canada	**4612**	**None**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if Applicable))

Suite 4000, 585 – 8th Avenue S.W., Calgary, Alberta, Canada T2P 1G1
(403) 231-7500
(Address and Telephone Number of Registrant's Principal Executive Offices)

DL Services Inc., Columbia Center, 701 Fifth Avenue, Suite 6100, Seattle, Washington 98104-7043
(206) 903-8800
(Name, Address (Including Zip Code) and Telephone Number
(Including Area Code) of Agent For Service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
Common Shares	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act. **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

For annual reports, indicate by check mark the information filed with this Form:

x Annual Information Form x Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **337,923,880**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (s.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ No ¨

FORM 40-F

Principal Documents

The following documents, filed as Exhibits 99.1, 99.2 and 99.3 to this Annual Report on Form 40-F of Pembina Pipeline Corporation ("Pembina"), are hereby incorporated by reference into this Annual Report on Form 40-F:

(a) Annual Information Form for the fiscal year ended December 31, 2014;

(b) Management's Discussion and Analysis for the fiscal year ended December 31, 2014; and

(c) Audited Consolidated Financial Statements for the fiscal year ended December 31, 2014. Pembina's Audited Consolidated Financial Statements included in this Annual Report on Form 40-F have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Therefore, they are not comparable in all respects to financial statements of United States companies that are prepared in accordance with United States generally accepted accounting principles.

ADDITIONAL DISCLOSURE

Certifications and Disclosure Regarding Controls and Procedures.

(a) Certifications. See Exhibits 99.4, 99.5, 99.6 and 99.7 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of Pembina's fiscal year ended December 31, 2014, an evaluation of the effectiveness of Pembina's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by Pembina's management, with the participation of its principal executive officer and principal financial officer. Based upon that evaluation, Pembina's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, Pembina's disclosure controls and procedures are effective to ensure that information required to be disclosed by Pembina in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission (the "Commission") rules and forms and (ii) accumulated and communicated to Pembina's management, including its principal executive officer and principal financial officers, to allow timely decisions regarding required disclosure.

It should be noted that while Pembina's principal executive officer and principal financial officer believe that Pembina's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that Pembina's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting. The required disclosure is included in the "Management's Report" that accompanies Pembina's Consolidated Financial Statements for the fiscal year ended December 31, 2014, filed as Exhibit 99.3 to this Annual Report on Form 40-F.

(d) Attestation Report of the Registered Public Accounting Firm. The required disclosure is included in the "Report of Independent Registered Public Accounting Firm" that accompanies Pembina's Consolidated Financial Statements for the fiscal year ended December 31, 2014, filed as Exhibit 99.3 to this Annual Report on Form 40-F.

(e) Changes in Internal Control Over Financial Reporting. During the fiscal year ended December 31, 2014, no changes were made in Pembina's internal control over financial reporting that have materially affected or are reasonably likely to materially affect Pembina's internal control over financial reporting

Notices Pursuant to Regulation BTR.

None.

Audit Committee Financial Expert.

Pembina's board of directors has determined that David M.B. LeGresley, a member of Pembina's audit committee, qualifies as an "audit committee financial expert" (as such term is defined in Form 40-F) and is "independent" as that term is defined in the rules of the New York Stock Exchange.

Code of Ethics.

Pembina has adopted a Code of Ethics that meets the definition of a "code of ethics" set forth in Form 40-F, and that applies to Pembina's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions.

The Code of Ethics is available for viewing on Pembina's website at www.pembina.com, and is available in print to any shareholder who requests it. Requests for copies of the Code of Ethics should be made by contacting: Investor Relations by phone at (855) 880-7404 or by e-mail at investor-relations@pembina.com.

Since the date on which Pembina became subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, there have not been any amendments to, or waivers, including implicit waivers, granted from, any provision of the Code of Ethics.

If any amendment to the Code of Ethics is made, or if any waiver from the provisions thereof is granted, Pembina may elect to disclose the information about such amendment or waiver required by Form 40-F to be disclosed, by posting such disclosure on Pembina's website, which may be accessed at www.pembina.com.

Principal Accountant Fees and Services.

The required disclosure is included under the heading "Audit Committee Information–External Auditor Service Fees" in Pembina's Annual Information Form for the fiscal year ended December 31, 2014, filed as Exhibit 99.1 to this Annual Report on Form 40-F.

Pre-Approval Policies and Procedures.

(a) Pembina's full audit committee pre-approves all audit and non-services provided to Pembina by its external auditor, KPMG LLP. Also see "Audit Committee Information–Pre-Approval Policies and Procedures for Audit and Non-Audit Services" in Pembina's Annual Information Form for the fiscal year ended December 31, 2014, filed as Exhibit 99.1 to this Annual Report on Form 40-F.

(b) Of the fees reported in Exhibit 99.1 to this Annual Report on Form 40-F under the heading “Audit Committee Information–External Auditor Service Fees”, none of the fees billed by KPMG LLP were approved by Pembina’s audit committee pursuant to the *de minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Off-Balance Sheet Arrangements.

Pembina does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Tabular Disclosure of Contractual Obligations.

The required disclosure is included under the heading “Contractual Obligations at December 31, 2014” in Pembina’s Management’s Discussion and Analysis for the fiscal year ended December 31, 2014, filed as Exhibit 99.2 to this Annual Report on Form 40-F.

Identification of the Audit Committee.

Pembina has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the audit committee are: David M.B. LeGresley, Grant D. Billing , Anne-Marie Ainsworth and Lorne B. Gordon.

Mine Safety Disclosure.

Not applicable.

New York Stock Exchange Disclosure.

Presiding Director at Meetings of Non-Management Directors

Pembina schedules regular executive sessions in which Pembina’s “non-management directors” (as that term is defined in the rules of the New York Stock Exchange) meet without management participation. Mr. Randall J. Findlay serves as the presiding director (the “Presiding Director”) at such sessions. Each of Pembina’s non-management directors is “independent” within the meaning of the rules of the New York Stock Exchange, other than Mr. Robert Michaleski, who was Pembina's Chief Executive Officer until December 31, 2013.

Pembina also holds executive sessions at least once per year in which Pembina’s independent directors meet without participation from management or non-independent directors.

Communication with Non-Management Directors

Shareholders may send communications to Pembina's non-management directors by writing to Leslie A. O'Donoghue, Chair of the governance committee of the board of directors, c/o Investor Relations, Pembina Pipeline Corporation, 4000, 585 – 8th Avenue SW, Calgary, Alberta T2P 1G1. Communications will be referred to the Presiding Director for appropriate action. The status of all outstanding concerns addressed to the Presiding Director will be reported to the board of directors as appropriate.

Corporate Governance Guidelines

In accordance with Section 303A.09 of the NYSE Listed Company Manual, Pembina has adopted a set of corporate governance guidelines with respect to certain specified matters. Such guidelines are available for viewing on Pembina's website at www.pembina.com.

Board Committee Mandates

The Charters of Pembina's audit committee, human resources and compensation committee, health, safety and environment committee, governance committee and major capital projects committee are each available for viewing on Pembina's website at www.pembina.com.

NYSE Statement of Governance Differences

As a Canadian corporation listed on the NYSE, Pembina is not required to comply with most of the NYSE corporate governance standards, so long as it complies with Canadian corporate governance practices. In order to claim such an exemption, however, Pembina must disclose the significant difference between its corporate governance practices and those required to be followed by U.S. domestic companies under the NYSE's corporate governance standards. Pembina has included a description of such significant differences in corporate governance practices on its website, which may be accessed at www.pembina.com.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking.

Pembina undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process.

Pembina has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of Pembina shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of Pembina.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 26, 2015.

Pembina Pipeline Corporation

By: /s/ M.H. Dilger
Name: M.H. Dilger
Title: President & Chief Executive Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Annual Information Form for the fiscal year ended December 31, 2014
99.2	Management's Discussion and Analysis for the fiscal year ended December 31, 2014
99.3	Audited Consolidated Financial Statements for the fiscal year ended December 31, 2014, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934
99.6	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
99.7	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
99.8	Consent of KPMG LLP

Exhibit 99.1



PEMBINA PIPELINE CORPORATION

ANNUAL INFORMATION FORM

For the Year Ended December 31, 2014

February 26, 2015

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GLOSSARY OF TERMS

Terms used in this Annual Information Form and not otherwise defined have the meanings set forth below:

"**2010 Base Shelf Prospectus**" means the final short form base shelf prospectus filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada on November 12, 2010 which allowed Pembina to offer and issue, from time to time: (i) Common Shares; (ii) any bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description of Pembina; (iii) warrants; and (iv) subscription receipts of Pembina of up to $1,000,000,000 aggregate initial offering price (or the equivalent thereof in one or more foreign currencies or composite currencies, including United States dollars) during the 25 month period that the 2010 Base Shelf Prospectus was valid;

"**2013 Base Shelf Prospectus**" means the final short form base shelf prospectus filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada on February 22, 2013 allowing Pembina to offer and issue, from time to time: (i) Common Shares; (ii) preferred shares; (iii) any bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description of Pembina ("**Debt Securities**"); (iv) warrants to purchase Common Shares and warrants to purchase Debt Securities; and (v) subscription receipts of Pembina (together with the foregoing, collectively, the "**Securities**") of up to $3,000,000,000 aggregate initial offering price of Securities (or the equivalent thereof in one or more foreign currencies or composite currencies, including United States dollars) during the 25 month period that the 2013 Base Shelf Prospectus is valid, which Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of the sale and set forth in one or more shelf prospectus supplements;

"**ABCA**" means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended from time to time, including the regulations promulgated thereunder;

"**AER**" means the Alberta Energy Regulator;

"**Alberta Pipelines**" means those pipelines servicing the conventional oil, condensate and NGL production in Alberta including the Peace Pipeline, the Northern Pipeline, the Drayton Valley Pipeline, the Swan Hills Pipeline, the Brazeau/Caroline Pipeline and the Bonnie Glen Pipeline;

"**B.C. Pipelines**" means, collectively, the NEBC Pipeline and the Western Pipeline;

"**BCUC**" means the British Columbia Utilities Commission;

"**Board**" or "**Board of Directors**" means the board of directors of Pembina from time to time;

"**Bonnie Glen Pipeline**" means the pipeline system and related facilities, owned 50 percent by Pembina, delivering crude oil and condensate from central Alberta to Edmonton, Alberta;

"**Brazeau/Caroline Pipeline**" means the pipeline system and related facilities delivering NGL from natural gas processing plants southwest of Edmonton, Alberta and from Caroline, Alberta to the Bonnie Glen Pipeline or to Fort Saskatchewan, Alberta;

"**Canadian Diluent Hub**" or "**CDH**" has the meaning ascribed thereto under "*General Developments of Pembina – Developments in 2014*";

"**Cenovus**" means Cenovus Energy Inc.;

"**Cheecham Lateral**" means the lateral pipeline and related facilities delivering SCO from an existing pump station on the Syncrude Pipeline to a terminalling facility located near Cheecham, Alberta;

"**Class A Preferred Shares**" means class A preferred shares of Pembina, issuable in series, and where the context requires includes the Series 1 Class A Preferred Shares, the Series 2 Class A Preferred Shares, the Series 3 Class A Preferred Shares, the Series 4 Class A Preferred Shares, the Series 5 Class A Preferred Shares, the Series 6 Class A Preferred Shares, the Series 7 Class A Preferred Shares and the Series 8 Class A Preferred Shares;

"**CNRL**" means Canadian Natural Resources Limited;

"**Common Shares**" means the common shares in the capital of Pembina;

"**Company**" or "**Pembina**" means Pembina Pipeline Corporation, an ABCA corporation and, unless the context otherwise requires, includes its consolidated subsidiaries;

"**condensate**" means a mixture consisting primarily of pentanes and heavier hydrocarbon liquids;

"**Convertible Debentures**" means, collectively, the Series C Convertible Debentures, the Series E Convertible Debentures and the Series F Convertible Debentures;

"**Cornerstone Pipeline**" has the meaning ascribed thereto under "*General Developments of Pembina – Developments in 2013*";

"**Credit Facilities**" has the meaning ascribed thereto under "*Description of the Capital Structure of Pembina – Credit Facilities*";

"**Cutbank Complex**" means PGS Limited Partnership's interest in the interconnected sweet gas processing facilities comprising the Cutbank Gas Plant, the Musreau Gas Plant, the Musreau Deep Cut Facility, Musreau II, and the Kakwa Gas Plant and the associated pipelines and compressors and the agreements related thereto;

"**Cutbank Gas Plant**" means the facility owned 100 percent by PGS Limited Partnership located at 07-16-062-08 W6M;

"**Declaration of Trust**" means the declaration of trust dated September 4, 1997, as amended and restated April 30, 1999 and as further amended and restated October 1, 2010, pursuant to which the Fund was created;

"**Dow Canada**" means Dow Chemical Canada Inc.;

"**Drayton Valley Pipeline**" means the pipeline system and related facilities delivering crude oil and condensate production to Edmonton, Alberta from the area southwest of Edmonton, Alberta;

"**DRIP**" means Pembina's Premium Dividend ^{TM} and Dividend Reinvestment Plan and all associated agreements;

"**ESA**" has the meaning ascribed thereto under "*General Developments of Pembina – Developments in 2013*";

"**Form 40-F**" means Pembina's annual report on Form 40-F for the fiscal year ended December 31, 2014 filed with the SEC;

"**Fund**" has the meaning ascribed thereto under "*Corporate Structure – Name, Address and Formation*";

"**Heartland Hub**" has the meaning ascribed thereto under "*General Developments of Pembina – Developments in 2013*";

"**Horizon Pipeline**" means the pipeline system and related facilities designed to deliver SCO from the Horizon Project into the Edmonton, Alberta area. See "*Description of Pembina's Business and Operations – Oil Sands & Heavy Oil Business* ";

"**Horizon Project**" means CNRL's Horizon Oil Sands Project located approximately 70 kilometres north of Fort McMurray, Alberta;

"**HVP**" means high vapour pressure;

"**Internal Preferred Shares**" has the meaning ascribed thereto under "*Description of the Capital Structure of Pembina – Internal Preferred Shares*";

"**Kakwa Gas Plant**" means the facility jointly owned by Jupiter Energy Limited and PGS Limited Partnership, each as to an undivided 50 percent interest, located at 01-35-060-05 W6M;

"**MD&A**" means Pembina's management's discussion and analysis for the year ended December 31, 2014, an electronic copy of which is available on Pembina's profile on the SEDAR website at www.sedar.com, and in Pembina's annual report on Form 40-F filed on the EDGAR website at www.sec.gov, or at www.pembina.com;

"**Medium Term Note Indenture**" means the indenture dated March 29, 2011 between Pembina, Pouce Coupé Pipe Line Ltd., Plateau Pipe Line Ltd., Alberta Oil Sands Pipeline Ltd., Pembina Pipeline (an Alberta partnership), Pembina North Limited Partnership, Pembina West Limited Partnership, Pembina Oil Sands Pipeline L.P., Pembina Marketing Ltd., Pembina Midstream Limited Partnership, Pembina Gas Services Ltd., Pembina Gas Services Limited Partnership and Computershare Trust Company of Canada, as supplemented by the first supplemental note indenture dated April 2, 2012 between Pembina, Pembina NGL Corporation, 1598313 Alberta Ltd., Provident Infrastructure and Logistics LP, Provident Midstream Holdings GP ULC, Provident Midstream Inc., Provident GP Inc., Provident Facilities (NGL) Ltd., Provident Facilities (NGL) L.P., 1195714 Alberta Ltd., 1444767 Alberta Ltd., Provident Energy Pipeline Inc., Empress NGL Partnership, Kinetic Resources (LPG), Pro Holding Company, Provident Midstream (USA) Inc., Pro US LLC, Pro Midstream Company, Kinetic Resources (U.S.A.), Pro GP Corp., Pro LP Corp., Terraquest, Inc. and Computershare Trust Company of Canada, and as further supplemented by the second supplemental note indenture dated October 24, 2014 among Pembina, Pembina Prairie Facilities Ltd., Pembina Prairie Facilities Holdco Ltd. and Computershare Trust Company of Canada, providing for the issuance of the Medium Term Notes;

"**Medium Term Notes**" means, collectively, the Medium Term Notes, Series 1, the Medium Term Notes, Series 2, the Medium Term Notes, Series 3, the Medium Term Notes, Series 4, and the Medium Term Notes, Series 5;

"**Medium Term Notes, Series 1**" means the $250 million aggregate principal amount of medium term notes of Pembina issued March 29, 2011 that mature on March 29, 2021 and which bear interest at a fixed rate of 4.89 percent per annum. See "*Description of the Capital Structure of Pembina – Medium Term Notes*";

"**Medium Term Notes, Series 2**" means the $450 million aggregate principal amount of medium term notes of Pembina issued October 22, 2012 that mature on October 24, 2022 and which bear interest at a fixed rate of 3.77 percent per annum. See "*Description of the Capital Structure of Pembina – Medium Term Notes*";

"**Medium Term Notes, Series 3**" means the $200 million and $150 million aggregate principal amount of medium term notes of Pembina issued April 30, 2013 and February 2, 2015, respectively, that mature on April 30, 2043 and which bear interest at a fixed rate of 4.75 percent per annum. See "*Description of the Capital Structure of Pembina – Medium Term Notes*";

"**Medium Term Notes, Series 4**" means the $600 million aggregate principal amount of medium term notes of Pembina issued April 4, 2014 that mature on March 25, 2044 and which bear interest at a fixed rate of 4.81 percent per annum. See "*Description of the Capital Structure of Pembina – Medium Term Notes*";

"**Medium Term Notes, Series 5**" means the $450 million aggregate principal amount of medium term notes of Pembina issued February 2, 2015 that mature on February 3, 2025 and which bear interest at a fixed rate of 3.54 percent per annum. See "*Description of the Capital Structure of Pembina – Medium Term Notes*";

"**Mitsue Pipeline**" means the pipeline system and related facilities delivering condensate from Whitecourt, Alberta to Utikuma, Alberta for use as diluent for heavy oil;

"**Musreau II**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2013*";

"**Musreau III**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014*";

"**Musreau Deep Cut Facility**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2012*";

"**Musreau Gas Plant**" means the Musreau A, Musreau C and Musreau D trains, owned 100 percent by PGS Limited Partnership, and the Musreau B train, jointly owned by ConocoPhillips Canada (BRC) Partnership and PGS Limited Partnership, each as to an undivided 50 percent interest, located at 04-25-062-06 W6M;

"**NEB**" means the National Energy Board;

"**NEBC Expansion**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014*";

"**NEBC Pipeline**" means the pipeline system and related facilities delivering crude oil and condensate from northeastern British Columbia and northwestern Alberta to Taylor, British Columbia;

"**NGL**" means natural gas liquids, including ethane, propane, butane and condensate;

"**Nipisi Pipeline**" means the pipeline system and related facilities delivering blended heavy oil from Utikuma, Alberta to Edmonton, Alberta;

"**Northern Pipeline**" means the pipeline system and related facilities delivering NGL from Taylor, British Columbia to Fort Saskatchewan, Alberta;

"**Northwest Pipeline**" means the pipeline system and related facilities delivering crude oil from northeastern British Columbia to Boundary Lake, Alberta;

"**NOVA Chemicals**" means NOVA Chemicals Corporation;

"**NYSE**" means the New York Stock Exchange;

"**Option Plan**" means the stock option plan of Pembina approved by the Shareholders on May 26, 2011, as amended effective March 12, 2014;

"**Peace Pipeline**" means the pipeline system and related facilities delivering light crude oil, condensate, propane mix (C_{3+}) and ethane mix (C_{2+}) from northeastern British Columbia and northwestern Alberta to Edmonton, Alberta and to Fort Saskatchewan, Alberta;

"**Pembina Nexus Terminal**" or "**PNT**" means Pembina's terminalling and storage facilities located in the Edmonton, Alberta area and forming an integral part of the terminal connecting key infrastructure in the Edmonton-Fort Saskatchewan-Namao, Alberta area;

"**Phase II Crude and Condensate Expansion**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2012*";

"**Phase II NGL Expansion**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2012*";

"**Phase III Expansion**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2013*";

"**PGS Limited Partnership**" means Pembina Gas Services Limited Partnership, a limited partnership formed under the laws of the Province of Alberta that is a wholly–owned subsidiary of Pembina;

"**Pouce Coupé Pipeline**" means the pipeline system and related facilities delivering sweet crude oil and high vapour pressure hydrocarbon products from Dawson Creek, British Columbia to Pouce Coupé, Alberta

"**Provident**" means Provident Energy Ltd.;

"**Provident Acquisition**" has the meaning ascribed thereto under " *Corporate Structure – Provident Acquisition*";

"**Provident Arrangement Agreement**" has the meaning ascribed thereto under " *Corporate Structure – Provident Acquisition*";

"**Provident Shares**" means the common shares of Provident;

"**Redwater Plant**" means Pembina's 73 mbpd NGL fractionator and 7.8 mmbbls of finished product cavern storage at Redwater, Alberta;

"**Resthaven Expansion**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014*";

"**Resthaven Facility**" means Pembina's combined shallow cut and deep cut NGL extraction facility with 200 MMcf/d (134 MMcf/d net to Pembina) of extraction capacity;

"**RFS II**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2013*";

"**RFS III**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2013*";

"**Saturn II**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2013*";

"**Saturn I Facility**" means Pembina's enhanced NGL extraction facility located in the Berland area of Alberta;

"**SCADA**" means supervisory control and data acquisition. See " *Other Information Relating to Pembina's Business – Information and Communication Systems*";

"**SCO**" means synthetic crude oil;

"**SEC**" means the United States Securities and Exchange Commission;

"**SEEP**" means the Saskatchewan Ethane Extraction Plant, Pembina's 60 MMcf/d deep cut gas processing facility that is currently under construction, located in southeast Saskatchewan;

"**Senior Notes**" means, collectively, the Series C Senior Notes and the Series D Senior Notes;

"**Series 1 Class A Preferred Shares**" means the cumulative redeemable rate reset Class A Preferred Shares, series 1 of Pembina, issued July 26, 2013. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares* ";

"**Series 2 Class A Preferred Shares**" means the cumulative redeemable floating rate Class A Preferred Shares, series 2 of Pembina, issuable on conversion of the Series 1 Class A Preferred Shares. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series 3 Class A Preferred Shares**" means the cumulative redeemable rate reset Class A Preferred Shares, series 3 of Pembina, issued October 2, 2013. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series 4 Class A Preferred Shares**" means the cumulative redeemable floating rate Class A Preferred Shares, series 4 of Pembina, issuable on conversion of the Series 3 Class A Preferred Shares. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series 5 Class A Preferred Shares**" means the cumulative redeemable rate reset Class A Preferred Shares, series 5 of Pembina, issued January 16, 2014. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series 6 Class A Preferred Shares**" means the cumulative redeemable floating rate Class A Preferred Shares, series 6 of Pembina, issuable on conversion of the Series 5 Class A Preferred Shares. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series 7 Class A Preferred Shares**" means the cumulative redeemable rate reset Class A Preferred Shares, series 7 of Pembina, issued September 11, 2014. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series 8 Class A Preferred Shares**" means the cumulative redeemable floating rate Class A Preferred Shares, series 8 of Pembina, issuable on conversion of the Series 7 Class A Preferred Shares. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*";

"**Series C Convertible Debentures**" means the 5.75 percent convertible unsecured subordinated debentures of Pembina issued November 24, 2010 and maturing November 30, 2020;

"**Series C Senior Notes**" means the $200 million aggregate principal amount of unsecured senior notes of Pembina issued September 30, 2006 and due September 30, 2021 and which bear interest at a fixed rate of 5.58 percent per annum;

"**Series D Senior Notes**" means the $267 million aggregate principal amount of unsecured senior notes of Pembina issued November 18, 2009 and due November 18, 2019 and which bear interest at a fixed rate of 5.91 percent per annum;

"**Series E Convertible Debentures**" means the 5.75 percent convertible unsecured subordinated debentures maturing December 31, 2017 issued by Provident on November 1, 2010 and assumed by Pembina in April 2012 pursuant to the Provident Acquisition;

"**Series F Convertible Debentures**" means the 5.75 percent convertible unsecured subordinated debentures maturing December 31, 2018 issued by Provident on April 29, 2011 and assumed by Pembina in April 2012 pursuant to the Provident Acquisition;

"**Shareholders**" means the holders of Common Shares;

"**Swan Hills Pipeline**" means the pipeline system and related facilities delivering light sweet crude oil from the Swan Hills area in Alberta, and from Acheson/Ellerslie in Alberta, to Edmonton, Alberta;

"**Syncrude**" means Syncrude Canada Ltd.;

"**Syncrude Project**" means the joint venture that was formed for the recovery of oil sands, crude bitumen or products derived therefrom from the Athabasca oil sands, located near Fort McMurray, Alberta;

"**Syncrude Pipeline**" means the pipeline system and related facilities delivering SCO from the Syncrude Project into the Edmonton, Alberta area;

"**Taylor to Boundary Lake Pipeline** " means the pipeline and related facilities delivering sweet HVP hydrocarbon products from Taylor, British Columbia to Boundary Lake, Alberta;

"**Terminal Agreement**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014*";

"**throughput**" means volume of product delivered through a pipeline;

"**TSX**" means the Toronto Stock Exchange;

"**Vantage**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014* ;

"**Vantage Acquisition**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014*";

"**Vantage Expansion**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2015*";

"**Vantage Pipeline** " means the HVP pipeline that links a growing supply of ethane from the North Dakota Bakken play to the petrochemical market in Alberta, originating from a large-scale gas plant in Tioga, North Dakota extending approximately 700 kilometres northwest, through Saskatchewan and terminating near Empress, Alberta, where it is connected to the Alberta Ethane Gathering System pipeline;

"**West Coast Terminal**" has the meaning ascribed thereto under " *General Developments of Pembina – Developments in 2014*";

"**WCSB**" means the Western Canadian Sedimentary Basin; and

"**Western Pipeline**" means the pipeline system and related facilities delivering crude oil from Taylor, British Columbia to Kamloops, British Columbia.

All dollar amounts set forth in this Annual Information Form are in Canadian dollars unless otherwise indicated. References to "$" or "C$" are to Canadian dollars and references to "US$" are to United States dollars. On February 25, 2015, the exchange rate based on the noon rate as reported by the Bank of Canada, was C$1.00 equals US$1.2419.

Except where otherwise indicated, all information in this Annual Information Form is presented as at the end of Pembina's most recently completed financial year, being December 31, 2014.

ABBREVIATIONS AND CONVERSIONS

In this Annual Information Form, the following abbreviations have the indicated meanings:

bbl and bbls	barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 US gallons
mmbbls	millions of barrels
bpd	barrels per day
mbpd	thousands of barrels per day

mcf	thousands of cubic feet
MMcf/d	million cubic feet per day
boe	barrels of oil equivalent, using the conversion factor of 6 mcf of natural gas being equivalent to one bbl of oil
boe/d	barrels of oil equivalent per day
mboe/d	thousands of barrels of oil equivalent per day
bcf/d	billion cubic feet per day
km	kilometres

Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf of natural gas: 1 bbl of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

To convert from	To	Multiply by
bbls	cubic metres	0.59
cubic metres	bbls	6.293
miles	kilometres	1.609
kilometres	miles	0.621

NON–GAAP AND ADDITIONAL GAAP MEASURES

Pembina's audited consolidated financial information for the year ended December 31, 2014 may be found on Pembina's profile on the SEDAR website at www.sedar.com, and in Pembina's annual report on Form 40-F filed on Pembina's profile on the EDGAR website at www.sec.gov, are presented in compliance with International Financial Reporting Standards ("**IFRS**"), which have converged with Canadian generally accepted accounting principles ("**GAAP**"). Certain of the financial information included in such financial statements is contained within this Annual Information Form. Readers should also take note, however, that within this Annual Information Form the terms "net revenue" and "operating margin" are used to describe certain financial information of Pembina and that these terms are not defined by GAAP.

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

"Operating margin" is an additional GAAP financial measure which is defined as gross profit before depreciation and amortization included in operations and unrealized gain/loss on commodity-related derivative financial instruments. Management believes that operating margin provides useful information to investors for assessing the financial performance of Pembina's operations. Management utilizes operating margin in setting objectives and views it as a key performance indicator of Pembina's success.

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

Readers should be cautioned that net revenue and operating margin should not be construed as alternatives to earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Pembina's performance.

For more information with respect to financial measures which have not been defined by GAAP including reconciliations to the closest comparable GAAP measure, see the "*Non–GAAP and Additional GAAP Measures*" section of the MD&A, which is incorporated by reference herein.

FORWARD–LOOKING STATEMENTS AND INFORMATION

Certain statements contained in this Annual Information Form constitute "forward-looking statements" within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "**forward-looking statements**"). All forward-looking statements are based on Pembina's current expectations, estimates, projections, beliefs and assumptions based on information available at the time the statement was made and in light of its experience and its perception of historical trends. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "envision", "aim", "outlook", "propose", "goal", "envisions", and similar expressions suggesting future events or future performance.

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

In particular, this Annual Information Form contains forward-looking statements pertaining to, among other things, the following:

- the future levels of cash dividends that Pembina intends to pay to its shareholders, the dividend payment dates and the tax treatment thereof;
- planning, construction, capital expenditure estimates, schedules, expected capacity, incremental volumes, in-service dates, rights, activities and operations with respect to new construction of, or expansions on existing, pipelines, gas services facilities, fractionation facilities, terminalling, storage and hub facilities and other facilities or energy infrastructure;
- pipeline, processing, fractionation and storage facility and system operations and throughput levels;
- treatment under governmental regulatory regimes including environmental regulations and related abandonment and reclamation obligations and stakeholder consultation requirements;
- Pembina's strategy and the development and expected timing of new business initiatives, growth opportunities, and succession planning;
- Pembina's strategy for payment of future abandonment costs and decommissioning obligations;
- increased throughput potential due to increased oil and gas industry activity and new connections and other initiatives on Pembina's pipelines and at Pembina's facilities;

- expected future cash flows, future contractual obligations, future financing options, availability of capital to fund growth plans, operating obligations and dividends, and the use of proceeds from financings;
- tolls and tariffs and processing, transportation, fractionation, storage and services commitments and contracts;
- operating risks (including the amount of future liabilities related to pipeline spills and other environmental incidents) and related insurance coverage and inspection and integrity programs;
- inventory and pricing in the North American liquids market;
- decommissioning and abandonment obligations; and
- competitive conditions and Pembina's ability to position itself competitively in the industry.

Various factors or assumptions are typically applied by Pembina in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking statements based on information currently available to Pembina. These factors and assumptions include, but are not limited to:

- oil and gas industry exploration and development activity levels and the geographic region of such activity;
- the success of Pembina's operations;
- prevailing commodity prices and exchange rates and the ability of Pembina to maintain current credit ratings;
- the availability of capital to fund future capital requirements relating to existing assets and projects;
- expectations regarding participation in Pembina's DRIP;
- future operating costs, including geotechnical and integrity costs;
- in respect of current developments, expansions, planned capital expenditures, completion dates and capacity expectations: that third parties will provide any necessary support; that any third party projects relating to Pembina's growth projects will be sanctioned and completed as expected; that any required commercial agreements can be reached; that all required regulatory and environmental approvals can be obtained on the necessary terms in a timely manner; that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts or the completion of the relevant facilities; and that there are no unforeseen material costs relating to the facilities which are not recoverable from customers;
- in respect of the stability of Pembina's dividends: prevailing commodity prices, margins and exchange rates; that Pembina's future results of operations will be consistent with past performance and management expectations in relation thereto; the continued availability of capital at attractive prices to fund future capital requirements relating to existing assets and projects, including but not limited to future capital expenditures relating to expansion, upgrades and maintenance shutdowns; the success of growth projects; future operating costs; that counterparties to material agreements will continue to perform in a timely manner; that there are no unforeseen events preventing the performance of contracts; and that there are no unforeseen material construction or other costs related to current growth projects or current operations;

- interest and tax rates;
- prevailing regulatory, tax and environmental laws and regulations; and
- the amount of future liabilities relating to environmental incidents and the availability of coverage under Pembina's insurance policies (including in respect of Pembina's business interruption insurance policy).

The actual results of Pembina could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below:

- the regulatory environment and decisions and Aboriginal consultation requirements;
- the impact of competitive entities and pricing;
- labour and material shortages;
- reliance on key relationships and agreements;
- the strength and operations of the oil and natural gas production industry and related commodity prices;
- non-performance or default by counterparties to agreements which Pembina or one or more of its affiliates has entered into in respect of its business;
- failure to achieve the anticipated benefits and successful integration of acquisitions;
- actions by governmental or regulatory authorities including changes in tax laws and treatment, changes in royalty rates or increased environmental regulation;
- fluctuations in operating results;
- adverse general economic and market conditions in Canada, North America and elsewhere, including changes in interest rates, foreign currency exchange rates and commodity prices; and
- other risk factors as set out in this Annual Information Form under "Risk Factors".

These factors should not be construed as exhaustive. Unless required by law, Pembina does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

Name, Address and Formation

Pembina Pipeline Corporation is a corporation amalgamated under the ABCA. It is the successor to Pembina Pipeline Income Fund (the " **Fund**") following the completion of the reorganization of the Fund from an income trust structure to a corporate structure by way of plan of arrangement involving the Fund, Pembina and the holders of the Fund's trust units pursuant to which the trust was reorganized into Pembina on October 1, 2010. Pembina's principal and registered office is located at Suite 4000, 585 - 8th Avenue S.W., Calgary, Alberta, T2P 1G1.

Provident Acquisition

On January 15, 2012, Pembina and Provident entered into an arrangement agreement (the " **Provident Arrangement Agreement**") pursuant to which Pembina agreed to acquire all of the outstanding Provident Shares by way of a plan of arrangement under the *Business Corporations Act* (Alberta) (the "**Provident Acquisition**"). The Provident Acquisition was completed on April 2, 2012. Holders of Provident Shares received 0.425 of a Common Share for each Provident Share held for a total consideration of 116,535,750 Common Shares. Under the Provident Acquisition, Pembina assumed all of the rights and obligations of Provident relating to the Series E Convertible Debentures and the Series F Convertible Debentures, which received a supplemental listing on the TSX under the symbols "PPL.DB.E" and "PPL.DB.F", respectively. See "*Description of the Capital Structure of Pembina – Convertible Debentures*".

In connection with the Provident Acquisition, the Common Shares were listed and began trading on the NYSE under the symbol "PBA" on April 2, 2012 and the Provident Shares were delisted from the NYSE.

Pursuant to the Provident Acquisition, Provident amalgamated with a wholly-owned subsidiary of Pembina and continued under the name "Pembina NGL Corporation". The acquired business forms a part of the Midstream business of Pembina.

For a further description of the Provident Acquisition, please refer to the business acquisition report of Pembina dated May 1, 2012, a copy of which was filed on Pembina's SEDAR profile at www.sedar.com and on EDGAR at www.sec.gov.

Pembina's Subsidiaries

The following chart indicates Pembina's major subsidiaries, including their jurisdictions of formation and the percentage of common equity or other ownership interest owned, or controlled or directed, directly or indirectly, by Pembina or its subsidiaries.

Principal Subsidiaries[1]	Jurisdiction of Incorporation/Organization	Ownership
Pouce Coupé Pipe Line Ltd.	Canada (Federal)	100%
Plateau Pipe Line Ltd.	Alberta	100%
Alberta Oil Sands Pipeline Ltd.	Alberta	100%
Pembina Marketing Ltd.	Alberta	100%
Pembina Gas Services Ltd.	Alberta	100%
Pembina Pipeline	Alberta	100%
Pembina Oil Sands Pipeline L.P.	Alberta	100%
Pembina Midstream Inc.	Alberta	100%
Pembina Midstream Limited Partnership	Alberta	100%
Pembina Gas Services Limited Partnership	Alberta	100%
Pembina NGL Corporation	Alberta	100%
Pembina Facilities NGL LP	Alberta	100%
Pembina Empress NGL Partnership	Alberta	100%
Pembina Resource Services Canada	Alberta	100%
Pembina Infrastructure and Logistics LP	Alberta	100%
Pembina Prairie Facilities Holdco Ltd.	Saskatchewan	100%
Pembina Prairie Facilities Ltd.	Saskatchewan	100%
Pembina Resource Services (U.S.A.)	Michigan, US	100%

(1) Subsidiaries are omitted where, at Pembina's most recent financial year-end: (i) the total assets of the subsidiary do not exceed 10 percent of Pembina's consolidated assets; (ii) the revenue of the subsidiary does not exceed 10 percent of Pembina's consolidated revenue; and (iii) the conditions in (i) and (ii) would be satisfied if the omitted subsidiaries were aggregated, and the reference in (i) and (ii) changed from 10 percent to 20 percent.

Amended Articles

On March 27, 2012, Pembina filed articles of amendment under the ABCA to increase the maximum number of directors of Pembina from nine to eleven after receiving Shareholder approval for such amendment.

On May 13, 2013, Pembina filed articles of amendment under the ABCA to create a new class of shares, the Class A Preferred Shares, to change the designation and terms of the Internal Preferred Shares, and to increase the maximum number of directors of Pembina from eleven to thirteen, after receiving Shareholder approval for such amendments. On July 22, 2013, Pembina filed articles of amendment under the ABCA to create the Series 1 and Series 2 Class A Preferred Shares. On September 30, 2013, Pembina filed articles of amendment under the ABCA to create the Series 3 and Series 4 Class A Preferred Shares. On January 9, 2014 Pembina filed articles of amendment under the ABCA to create the Series 5 and Series 6 Class A Preferred Shares. On September 4, 2014 Pembina filed articles of amendment under the ABCA to create the Series 7 and Series 8 Class A Preferred Shares.

GENERAL DEVELOPMENTS OF PEMBINA

During the three-year period ending on December 31, 2014 and 2015 year-to-date Pembina continued to execute its business plan and advance its growth strategy as discussed below.

Developments in 2012

2012	January	Pembina announced that it had entered into an agreement to acquire all of the issued and outstanding common shares of Provident by way of a plan of arrangement under the ABCA to create an integrated company that would be a leading player in the North American energy infrastructure sector.
2012	January	Pembina reinstated the DRIP effective as of the January 25, 2012 record date and the corresponding dividend was paid on February 15, 2012. The DRIP was reinstated to help fund Pembina's ongoing capital program. See "*Description of the Capital Structure of Pembina – Premium Dividend* TM *and Dividend Reinvestment Plan*".
2012	February	Mick Dilger was appointed to the position of President and Chief Operating Officer, effective February 15, 2012.
2012	February	The construction on the enhanced NGL extraction facility at the Musreau Gas Plant, including a new 205 MMcf/d NGL extraction facility and the related 10 km NGL sales pipeline connected to the Peace Pipeline (the "**Musreau Deep Cut Facility**"), was completed in 2011 and commissioning of the Musreau Deep Cut Facility occurred on February 15, 2012.
2012	March	Pembina entered into a new unsecured revolving credit facility of $800 million with a syndicate of Canadian banking institutions for a term of 5 years. Pembina increased the facility to $1.5 billion on closing the Provident Acquisition. See "*Description of the Capital Structure of Pembina – Credit Facilities*".
2012	March	The BCUC approved the terms of five-year transportation agreements negotiated between Pembina and the Western Pipeline shippers. In addition to allowing Pembina to earn a reasonable rate of return, the contracts allowed for direct flow through of all operating costs including upgraded integrity management program costs.
2012	April	The Provident Acquisition was completed effective April 2, 2012; the Common Shares were listed on the NYSE under the symbol "PBA"; and Pembina increased the monthly dividend on its Common Shares by 3.8 percent (from $0.13 per share per month to $0.135). See "*Corporate Structure – Provident Acquisition*" and "*Description of the Capital Structure of Pembina – Convertible Debentures*".
2012	April	In July 2002, Pembina issued $100 million aggregate principal amount of senior secured notes due 2017 and bearing interest at 7.38 percent per annum on a private placement basis, which were redeemed by Pembina on April 30, 2012.
2012	May	Pembina expanded the capacity on the Drayton Valley Pipeline by completing the refurbishing of the Calmar booster station which resulted in an additional 50,000 bpd and increased system capacity to approximately 190,000 bpd.
2012	September	Pembina completed and commissioned an 8,000 bpd expansion at the Redwater Plant.

2012	September	Pembina brought a fee-for-service cavern storage facility on stream at the Redwater Plant.
2012	September	The expansion of the Musreau Gas Plant's shallow cut gas processing capability by 50 MMcf/d was completed in August 2012 and was placed into service on September 13, 2012. Pembina entered into contracts with a minimum term of five years with area producers for the entire capacity of the expansion on a fee-for-service basis.
2012	October	On October 22, 2012, Pembina issued and sold $450 million aggregate principal amount of Medium Term Notes, Series 2 pursuant to a pricing supplement under its 2010 Base Shelf Prospectus as supplemented by a prospectus supplement thereto dated October 17, 2012. The notes have a fixed interest rate of 3.77 percent per annum, paid semi-annually, and will mature on October 24, 2022. Pembina used the net proceeds from the sale of the Medium Term Notes, Series 2 to repay a portion of Pembina's then-existing credit facilities. See "*Description of the Capital Structure of Pembina – Medium Term Notes*".
2012	October	Construction started on a joint venture full-service terminal in the Judy Creek, Alberta area which will focus on emulsion treating (separating oil from impurities to meet shipping quality requirements), produced water handling and water disposal.
2012	October	Pembina commenced construction on the Saturn I Facility and Resthaven Facility.
2012	November	Pembina announced plans to significantly expand NGL, crude oil and condensate throughput capacity on the Peace Pipeline and Peace/Northern NGL System. Expansion plans included increasing crude and condensate capacity on the Peace Pipeline by 55,000 (the "**Phase II Crude and Condensate Expansion**") and increasing NGL capacity on the Peace/Northern NGL System by 53,000 bpd (the "**Phase II NGL Expansion**").

Developments in 2013

2013	February	On February 22, 2013, Pembina filed the 2013 Base Shelf Prospectus with the securities commissions or similar regulatory authorities in each of the Provinces of Canada.
2013	February	Pembina announced it reached its contractual threshold to proceed with its previously announced Phase II Crude and Condensate Expansion. Pembina expects the total cost of Phase II Crude and Condensate Expansion to be approximately $250 million (including the mainline expansion and tie-ins). Once complete, this expansion is expected to increase capacity on the Peace Pipeline to 250,000 bpd. The Phase II Crude and Condensate Expansion is underpinned by long-term, fee-for-service agreements with area producers. The combination of the Phase I and Phase II Crude and Condensate Expansions were expected to increase capacity by 61 percent from the then current levels.
2013	March	Pembina announced plans to proceed with an expansion of its existing NGL infrastructure at a combined capital cost of approximately $1 billion. The expansion comprises three components along the NGL value chain, including (a) the twinning of the Saturn I Facility at a capital cost of approximately $170 million ("**Saturn II**"), (b) the twinning of the Redwater Plant at a capital cost of approximately $415 million ("**RFS II**"), and (c) the previously announced Phase II NGL Expansion at a capital cost of approximately $415 million.
2013	March	Pembina announced an open season to determine industry interest in a future expansion of its crude oil, condensate and NGL pipelines in northwest Alberta.

2013	March	On March 21, 2013, Pembina completed a bought deal offering of 11,206,750 Common Shares at a price of $30.80 per Common Share pursuant to a prospectus supplement dated March 14, 2013 under its 2013 Base Shelf Prospectus, for aggregate gross proceeds of approximately $345 million. Pembina used the net proceeds from the sale of the Common Shares to reduce short-term indebtedness of Pembina under its then-current credit facilities and for general corporate purposes.
2013	May	Pembina filed amended articles to: (i) create the Class A Preferred Shares; (ii) change the designation and terms of the Internal Preferred Shares; and (iii) increase the maximum number of directors of Pembina from 11 to 13.
2013	April	On April 30, 2013, Pembina issued and sold $200 million aggregate principal amount of Medium Term Notes, Series 3 pursuant to a pricing supplement under its 2013 Base Shelf Prospectus as supplemented by a prospectus supplement thereto dated April 24, 2013. The notes have a fixed interest rate of 4.75 percent per annum, paid semi-annually, and will mature on April 30, 2043. Pembina used the net proceeds from the sale of the Medium Term Notes, Series 3 to repay a portion of Pembina's existing Credit Facilities. See "*Description of the Capital Structure of Pembina – Medium Term Notes*".
2013	June	Pembina announced that it had entered into an Engineering Support Agreement (" **ESA**") for a diluent and diluted bitumen pipeline system (the "**Cornerstone Pipeline**") associated with a third party's enhanced oil recovery developments in northeast Alberta.
2013	July	On July 26, 2013, Pembina completed a bought deal offering of 10,000,000 Series 1 Class A Preferred Shares at a price of $25.00 per Series 1 Class A Preferred Share pursuant to a prospectus supplement dated July 19, 2013 under its 2013 Base Shelf Prospectus, for aggregate gross proceeds of $250 million. Pembina used the net proceeds from the sale of Series 1 Class A Preferred Shares to partially fund capital projects, to reduce short-term indebtedness of Pembina under its then-current credit facilities and for other general corporate purposes. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares* ".
2013	July	On July 31, 2013, Pembina announced that it had secured long-term, fee-for-service agreements with a third party for the use of an underground storage cavern at Pembina's Redwater Plant, and that it plans to upsize certain facilities associated with RFS II to accommodate the future development of a third 55,000 bpd propane-plus fractionator at Redwater ("**RFS III**");
2013	August	Pembina announced that it plans to construct, own and operate a new 100 MMcf/d shallow cut gas plant and associated NGL and gas gathering pipelines near its existing Musreau Gas Plant in west central Alberta ("**Musreau II**"), at an expected capital cost of $110 million. Musreau II is underpinned by long-term contracts with area producers for 100 percent of the facility's capacity.
2013	August	On August 9, 2013, Pembina announced that its Board of Directors approved a 3.7 percent increase in its monthly Common Share dividend rate from $0.135 per Common Share to $0.14 per Common Share.
2013	September	Pembina announced on September 3, 2013 that it acquired a site in the Alberta industrial heartland for approximately $20 million, featuring an existing rail system and utility infrastructure to support the future development of rail, terminalling and storage facilities (the "**Heartland Hub**"). The Heartland Hub is in close proximity to major oil sands pipeline rights-of-way, existing crude oil and petrochemical infrastructure and Pembina's Redwater Plant.

2013	September	Pembina announced on September 16, 2013, plans to proceed with a $115 million expansion of its Peace Pipeline System between Simonette and Fox Creek, Alberta.
2013	October	The Saturn I Facility was placed into service. The Saturn I Facility is connected to Talisman Energy Inc.'s Wild River and Bigstone gas plants through existing and newly constructed gas gathering lines. The Saturn I Facility has a gross capacity of 200 MMcf/d and 13,500 bpd of NGL extraction capability. Pembina also completed an NGL pipeline lateral to transport the extracted NGL from the Saturn I Facility to the Peace Pipeline.
2013	October	On October 2, 2013, Pembina completed a bought deal offering of 6,000,000 Series 3 Class A Preferred Shares at a price of $25.00 per Series 3 Class A Preferred Share pursuant to a prospectus supplement dated September 25, 2013 under its 2013 Base Shelf Prospectus, for aggregate gross proceeds of $150 million. Pembina used the net proceeds from the sale of Series 3 Class A Preferred Shares to partially fund capital projects, to reduce short-term indebtedness of Pembina under its then-current credit facilities and for other general corporate purposes. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares* ".
2013	December	Pembina completed construction on the Phase I NGL Expansion and the Phase I Crude and Condensate Expansion.
2013	December	Pembina announced that pursuant to its previously announced open season in March 2013, it had reached binding commercial agreements to proceed with constructing approximately $2 billion in pipeline expansions, underpinned by long-term, fee-for-service agreements with 30 customers in Pembina's operating areas (the "**Phase III Expansion**"). The Phase III Expansion will follow and expand upon certain segments of Pembina's existing pipeline systems from Taylor, British Columbia southeast to Edmonton, Alberta. With the Phase III Expansion, Pembina revised its 2014 capital budget to approximately $1.7 billion.

Developments in 2014

2014	January	Bob Michaleski, Pembina's former President and Chief Executive Officer, retired effective December 31, 2013 and Mick Dilger, formerly President and Chief Operating Officer, assumed the role of Chief Executive Officer effective January 1, 2014 and also joined Pembina's board of directors.
2014	January	On January 16, 2014, Pembina completed a bought deal offering of 10,000,000 Series 5 Class A Preferred Shares at a price of $25.00 per Series 5 Class A Preferred Share pursuant to a prospectus supplement dated January 9, 2014 under its 2013 Base Shelf Prospectus, for aggregate gross proceeds of $250 million. Pembina used the net proceeds from the sale of Series 5 Class A Preferred Shares to partially fund its 2014 capital budget, to reduce indebtedness of Pembina under its then-current credit facilities and for other general corporate purposes. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*".
2014	February	On February 26, 2014, Pembina announced that the Chairman of the Board, Lorne Gordon, would step down effective April 1, 2014 and that Randall Findlay would assume the role of Chairman of the Board effective the same day.
2014	April	Pembina was added to the S&P/TSX 60.

2014	April	On April 4, 2014, Pembina issued and sold $600 million aggregate principal amount of Medium Term Notes, Series 4 pursuant to a pricing supplement under its 2013 Base Shelf Prospectus as supplemented by a prospectus supplement thereto dated April 1, 2014. The notes have a fixed interest rate of 4.81 percent per annum, paid semi-annually, and will mature on March 25, 2044. Pembina used the net proceeds from the sale of the Medium Term Notes, Series 4 to repay certain long-term debt as well as to fund Pembina's capital program and for other general corporate purposes.
2014	May	Pembina announced that it had reached binding commercial agreements to proceed with constructing RFS III and a new HVP pipeline lateral that would extend the gathering potential of its Brazeau/Caroline Pipeline in the Willesden Green area of south-central Alberta, at an expected capital cost of approximately $400 million (including associated caverns and capital previously announced for the RFS III pre-build) for RFS III, and $60 million for the HVP lateral.
2014	August	On August 6, 2014, Pembina placed its previously announced pipeline expansion between Simonette and Fox Creek into service.
2014	September	On September 2, 2014, Pembina announced that it had entered into an agreement (the " **Terminal Agreement**") with the Port of Portland, Oregon to enable the development of Pembina's planned West Coast propane export terminal project (the "**West Coast Terminal**"). The Terminal Agreement set forth the terminal site, including an existing marine berth, located within the city of Portland for the development of the West Coast Terminal, and also outlined the material commercial lease terms for the West Coast Terminal, subject to Pembina and the Port entering into definitive agreements, and the receipt of all environmental and regulatory permits and approvals necessary for the development of the West Coast Terminal.
2014	September	On September 4, 2014, Pembina announced that it had filed the necessary regulatory applications with the AER for its Fox Creek, Alberta to Namao Junction, Alberta segment of its previously announced Phase III Expansion.
2014	September	On September 10, 2014, Pembina announced plans to expand its previously announced Phase III Expansion by constructing a new 16" diameter pipeline from Fox Creek, Alberta into Namao, Alberta and a new 12" diameter pipeline from Wapiti, Alberta into Kakwa. Pembina has since increased the size of the Wapiti to Kakwa pipeline from a 12" to a 24" diameter pipeline, at a combined estimated capital cost of approximately $435 million, bringing total estimated capital costs for the Phase III Expansion to $2.44 billion.
2014	September	On September 11, 2014, Pembina completed a bought deal offering of 10,000,000 Series 7 Class A Preferred Shares at a price of $25.00 per Series 7 Class A Preferred Share pursuant to a prospectus supplement dated September 4, 2014 under its 2013 Base Shelf Prospectus, for aggregate gross proceeds of $250 million. Pembina used the net proceeds from the sale of Series 7 Class A Preferred Shares to help fund a portion of the cash consideration for the Vantage Acquisition (as defined below), which closed on October 24, 2014, as well as to fund a portion of the remainder of the Company's 2014 capital expenditure program and for general corporate purposes. See "*Description of the Capital Structure of Pembina – Class A Preferred Shares*".
2014	September	On September 25, 2014, Pembina announced that it had been informed by Statoil that Statoil's Cornerstone oil sands project had been deferred for an indeterminate period of time, and as a result the ESA for the Cornerstone Pipeline expired at the end of September and no additional capital would be spent on the pipeline project.

2014	September	On September 30, 2014, Pembina announced that Thomas W. Buchanan had tendered his resignation from Pembina's Board of Directors.
2014	October	On October 6, 2014, Pembina placed the Resthaven Facility into service.
2014	October	On October 7, 2014, Pembina announced that Anne-Marie Ainsworth had been appointed to Pembina's Board of Directors.
2014	October	On October 9, 2014, Pembina announced plans to proceed with construction of the Canadian Diluent Hub (" **CDH**"), a large-scale condensate and diluents terminal at its Heartland Hub site near Fort Saskatchewan, Alberta, initially including 600,000 barrels of above ground storage, multiple inbound and outbound pipeline connections, plus associated pumping and metering facilities, at an estimated capital cost of $350 million. In anticipation of future customer demand and as part of an anticipated second phase of development, Pembina also completed detailed engineering studies for the construction of additional rail facilities and underground cavern storage development.
2014	October	On October 10, 2014, Pembina announced that it had entered into commercial agreements to proceed with an expansion of the Company's Resthaven Facility and to build, own and operate a gas gathering pipeline that would deliver gas into the Resthaven Facility, at a total estimated capital cost of $170 million (the "**Resthaven Expansion**").
2014	October	On October 24, 2014, Pembina announced that it had closed the acquisition of the Vantage Pipeline and Mistral Midstream Inc.'s interest in SEEP, through the acquisition of all of the equity interests of Vantage Pipeline Canada ULC, Vantage Pipeline US LP (collectively, " **Vantage**") and Mistral Midstream Inc. (the " **Vantage Acquisition** ") for total consideration of $733 million (US$653 million). Consideration for the transaction consisted of cash of $217 million (US$193 million), the issuance of 5.61 million Common Shares of the Company valued at $266 million (US$237 million), and repayment of Vantage's bank indebtedness of $250 million (US$223 million) at closing. The fair value of the Common Shares issued was based on the TSX listed share price on the closing date of the acquisition.
2014	November	On November 11, 2014, Pembina announced that it had entered into binding agreements to proceed with a $210 million expansion to Pembina's pipeline infrastructure in northeast British Columbia (the "**NEBC Expansion**"), which will transport condensate and NGL for various producers in the Montney resource play.
2014	November	On November 27, 2014, Pembina announced plans to construct a new facility and expand its gas processing capacity at the Musreau Gas Plant by 100 MMcf/d ("**Musreau III**") for an estimated capital cost of $105 million.
2014	December	On December 17, 2014, Pembina placed the Musreau II facility into service, ahead of the previously scheduled in-service date of first quarter 2015.
2014	December	Pembina announced its capital spending plan of approximately $1.9 billion for 2015 directed mainly at multi-year execution projects that have in-service dates ranging up to mid-2017.

2015 Year to Date Developments

2015	January	Peter Robertson, Pembina's former Senior Vice President and Chief Financial Officer, retired effective December 31, 2014 and Scott Burrows was promoted to the position of Vice President, Finance and Chief Financial Officer effective January 1, 2015.
2015	January	On January 15, 2015, Pembina announced that Gordon J. Kerr had been appointed to Pembina's Board of Directors.
2015	February	On February 2, 2015, Pembina issued and sold $450 million aggregate principal amount of Medium Term Notes, Series 5 and $150 million aggregate principal amount of its Medium Term Notes, Series 3, through a re-opening, pursuant to two pricing supplements dated January 28, 2015 under its 2013 Base Shelf Prospectus as supplemented by a prospectus supplement thereto dated April 24, 2013. The Medium Term Notes, Series 5 have a fixed interest rate of 3.54 percent per annum, paid semi-annually, and will mature on February 3, 2025. Pembina used the net proceeds from the sale of the notes to reduce short-term indebtedness of Pembina under its Credit Facilities as well as to fund Pembina's capital program and for other general corporate purposes.
2015	February	On February 10, 2015, the Company announced that it had entered into agreements to expand the Vantage Pipeline (the "**Vantage Expansion**") for an estimated capital cost of $85 million. The Vantage Expansion entails increasing Vantage's mainline capacity from 40,000 bpd to approximately 68,000 bpd through the addition of mainline pump stations and the construction of a new 80 km, 8" gathering lateral.

DESCRIPTION OF PEMBINA'S BUSINESS AND OPERATIONS

Pembina's Business Objective and Strategy

Pembina is a trusted member of the communities in which it operates and is committed to generating value for its investors by running its business in a safe, environmentally responsible manner that is respectful of community stakeholders. Pembina's goal is to provide highly competitive and reliable returns to investors through monthly dividends on its Common Shares and quarterly dividends on its Class A Preferred Shares while enhancing the long-term value of its securities. To achieve this, Pembina's strategy is to:

- Preserve value by providing safe, responsible, cost-effective and reliable services.
- Diversify Pembina's asset base along the hydrocarbon value chain by providing integrated service offerings which enhance profitability.
- Pursue projects or assets that are expected to generate increased cash flow per share and capture long-life, economic hydrocarbon reserves.
- Maintain a strong balance sheet through the application of prudent financial management to all business decisions.

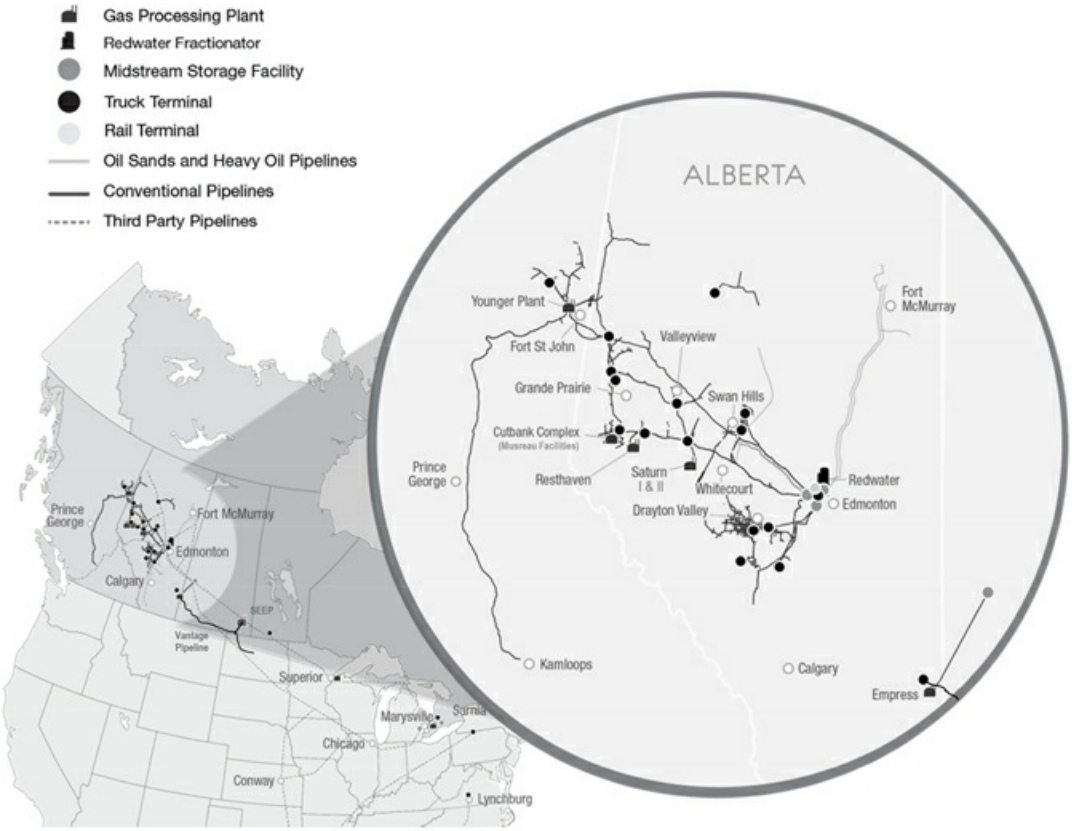
Overview of Pembina's Business

There are three general sectors in the oil and gas industry: "upstream", "midstream" and "downstream". The upstream sector encompasses exploration for and production of hydrocarbon liquids in their raw forms. In the midstream sector, hydrocarbon products are gathered, processed, transported and marketed to the downstream sector. The downstream sector consists of refiners, end-use customers, local distributers and wholesalers.

Pembina is a leading transportation and midstream service provider that has been serving North America's energy industry for over 60 years. Pembina owns and operates an integrated system of pipelines that transport various hydrocarbon liquids including conventional and synthetic crude oil, heavy oil and oil sands products, condensate (diluent) and NGL produced in western Canada and ethane produced in North Dakota. Pembina also owns and operates gas gathering and processing facilities and an oil and NGL infrastructure and logistics business. With facilities strategically located in western Canada and in NGL markets in eastern Canada and the U.S., Pembina also offers a full spectrum of midstream and marketing services that span across its operations. Pembina's integrated assets and commercial operations enable it to offer services needed by the energy sector along the hydrocarbon value chain. The business segments of Pembina are grouped for functional, geographic and accounting purposes into four categories, described in their respective sections: Conventional Pipelines; Oil Sands & Heavy Oil; Gas Services; and Midstream.

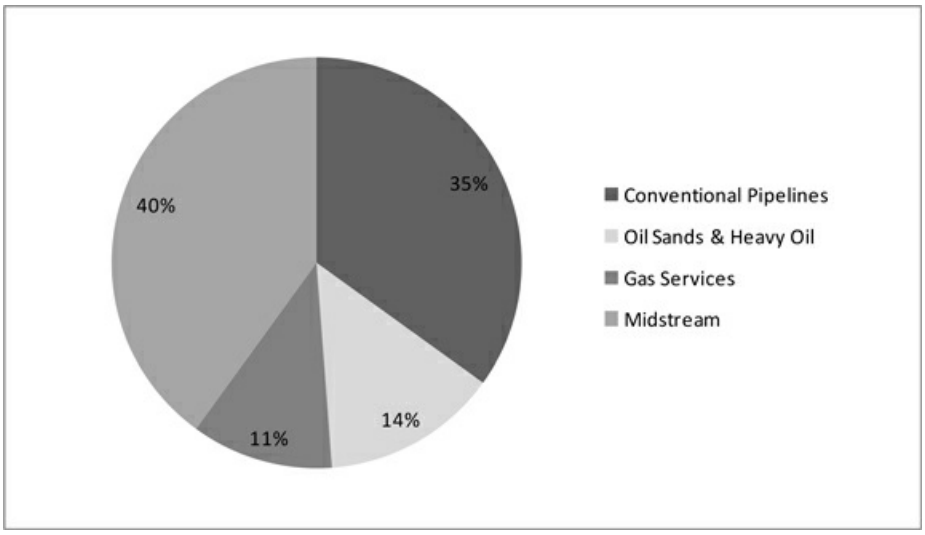
Operations Overview

The following map illustrates Pembina's assets**:**



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The net revenue contribution from each of Pembina's four businesses in 2014 was divided as follows:



The following table sets forth certain financial and operating highlights for 2014, 2013 and 2012.

Financial and Operating Highlights
(in $ millions unless otherwise noted)

	Conventional Pipelines			Oil Sands & Heavy Oil [2]			Gas Services			Midstream[3]			Total[5] [6]		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Average volume (*mbpd, except as otherwise indicated*)	575	492	456	880	880	870	86(4)	53(4)	46(4)	119	109	98	1,660	1,534	1,470
Revenue	513	411	339	204	195	172	165	121	88	5,259	4,346	2,847	6,069	5,006	3,427
Net Revenue[1]	513	411	339	204	195	172	165	121	88	587	580	353	1,469	1,306	952
Operating expenses	211	162	130	68	64	55	58	43	29	69	91	60	406	360	274
Realized gain (loss) on commodity-related derivative financial instruments		2								10	(3)	(5)	10	(1)	(5)
Operating margin[1]	302	251	209	136	131	117	107	78	59	528	486	288	1,078	949	676

Notes:
(1) See "*Non–GAAP and Additional GAAP Measures*".
(2) Revenue is contract-based and independent of utilization rates, therefore volumes reported are contracted capacity.
(3) Midstream revenue is net of $4,672 million in cost of goods sold, net of product purchases for 2014 (2013: $3,767 million; 2012: $2,494 million). Average volume in Midstream represents NGL sales volumes.
(4) Average volume for Gas Services is in mboe/d, which is converted from MMcf/d at a ratio of 6:1. Average MMcf/d processed in 2014 was 515 (2013: 319 MMcf/d; 2012: 275 MMcf/d).
(5) Not including corporate recoveries of $18 million for 2014 (2013: $3 million; 2012: $3 million).
(6) Includes corporate and intersegment eliminations.

Further discussion of operational results and new developments and outlook for Pembina's four business segments for the years ended December 31, 2014 and 2013 is contained in the section "Operating Results" in the MD&A, which section is incorporated by reference herein.

Conventional Pipelines Business

Overview

Pembina's Conventional Pipelines business comprises a well-maintained and strategically located 8,800 km pipeline network that extends across much of Alberta and parts of British Columbia. In addition, the recently acquired Vantage Pipeline transports specification ethane from gas plants in North Dakota and Saskatchewan to Empress, Alberta, where it is delivered onto a third party pipeline. The primary objectives of this business are to provide safe, responsible and reliable transportation services for customers, pursue opportunities for increased throughput, and maintain and/or grow sustainable operating margin on invested capital by capturing incremental volumes, expanding its pipeline systems, managing revenue and following a disciplined approach to its operating expenses.

Major Customers

There are approximately 50 shippers (including many major shippers of petroleum products in western Canada) on the conventional pipeline systems owned and operated by Pembina. The major delivery points include the Enbridge Pipeline system, the Express Pipeline system (Pembina does not deliver here directly), the Alberta Ethane Gathering System, the Kinder Morgan North 40 terminal and the TransMountain pipeline system in Edmonton, Alberta, the refineries in the Edmonton area as well as the NGL fractionators near Fort Saskatchewan, Alberta. Deliveries are also made to Husky Energy Inc.'s refinery in Prince George, British Columbia and to the TransMountain pipeline system at Kamloops, British Columbia.

Contractual Arrangements

The contracts within Pembina's Conventional Pipelines business are fee-for-service in nature, but vary in their structure as follows:

Legacy Contracts

Capacity on the Alberta Pipelines that has not been secured under the "Current Contracting" structure described below is secured under fee-for-service, evergreen-style contracts that allow Pembina to adjust tolls for actual volumes, expenses and capital expenditures on a periodic basis. These contracts do not require Pembina to guarantee a specified amount of dedicated pipeline capacity for a customer. Rather, customers nominate volumes on a monthly basis and tariffs are set by receipt and delivery points.

Pembina's B.C. Pipelines are operated under a cost-of-service methodology whereby Pembina is able to flow through the actual operating costs of the systems to shippers while recovering an acceptable return on invested capital.

Current Contracting

During 2012, 2013 and 2014, Pembina focused on securing several expansions of and the majority of base volumes on its Peace and Northern Pipeline systems under a revised contractual structure. Under these arrangements, service tariffs are set under the contract and customers receive a firm amount of pipeline capacity for the transportation of their product. Through this process, the significant majority of the NGL product transported on the Peace and Northern Pipeline systems was contracted under long-term, take-or-pay agreements that provided customers with firm-service. The crude oil and condensate system expansions were initially contracted under arrangements that were not firm-service in nature. In the second half of 2014, due to customer demand, Pembina converted a significant majority of the existing and expansion capacity for crude oil and condensate on the Peace Pipeline system to firm-service, take-or-pay agreements. The Phase III Expansion, including the additional capital for the project announced in 2014, was backstopped by firm-service, take-or-pay agreements averaging ten years in length.

Competitive Environment

Competition among existing crude oil, condensate and NGL pipelines is based primarily on the cost of transportation, access to supply, the quality and reliability of service, contract carrier alternatives, and proximity and access to markets.

Pembina's Conventional Pipelines are feeder pipelines that move products from batteries, processing facilities and storage tanks in the field to markets and export pipelines primarily in the Edmonton/Fort Saskatchewan, Alberta, area. Given that the majority of Pembina's pipelines in its Conventional Pipelines business are connected to existing oil batteries and infrastructure, existing volumes generally remain connected to the pipeline system until it is uneconomical for Pembina to provide transportation services, in which case the connection may be discontinued and the producer may truck volumes to an alternate delivery point. Due to the duration of Pembina's service tenure, the complex nature of its systems and high levels of customer service, it is difficult for a competitor to replicate the service offering that Pembina provides. Pembina's Phase III Expansion contracting process evidenced that customers are satisfied with Pembina's service offering as such customers contracted with Pembina even though there was significant competition for the project.

Unlike connected facilities, unconnected volumes of product are typically trucked to the most competitive truck unloading facility, and there is direct competition from pipelines serving the same area. With respect to trucked volumes, the means by which a producer determines transport of its product is only partially based on tariffs; it is also based on whether the volumes need some form of treatment to meet pipeline specifications, as well as commercial competition to move volume based on blending opportunities. Pembina owns 17 truck terminals across its Conventional Pipelines systems (these form part of the Midstream business), three of which are capable of emulsion treatment and water disposal, to assist in aggregating unconnected volumes onto its systems. There are several other pipelines which compete on this basis in certain of Pembina's operating areas. For example, the Alliance Pipeline, a natural gas gathering and pipeline system which transports NGL-rich natural gas from northeastern British Columbia through northwestern Alberta to Chicago, Illinois, competes for the volumes of NGL carried on Pembina's Peace/Northern NGL System. Other examples of competing pipelines include the Rainbow Pipeline and the Rangeland Pipeline, which compete with Pembina's pipelines north and south of Edmonton, Alberta for crude oil and condensate volumes.

Producer activity focused on NGL development continues to be strong in the Deep Basin Cretaceous, Montney and Duvernay resource plays served by Pembina's Peace and Northern Pipelines. Continued crude oil and condensate development in the vicinity of Pembina's Peace Pipeline has materially increased future volume forecasts as well. Pembina has successfully been able to leverage its existing assets to provide incremental new capacity in these areas. This is evidenced by Pembina's numerous pipeline expansion projects, which are underpinned by long-term, fee-for-service contracts with area producers. These fee-based contracts are only exposed to volume fluctuations above take-or-pay commitments, providing a very stable cash flow. There is no direct commodity price exposure associated with this type of contract.

A delay in the development of downstream processing, transportation and end-user facilities may also impact the future development and profitability of Pembina's Conventional Pipeline systems. The Edmonton, Alberta area NGL fractionation capacity may need to be expanded to process the forecasted incremental NGL volumes. Pembina is working diligently to address the potential longer-term capacity shortfall with its RFS II and RFS III fractionators, both of which are currently under construction. Further, Alberta crude oil and NGL export transportation will require increased capacity to accommodate forecasted volumes from Pembina and third party feeder pipeline systems. Limited ethylene cracking capacity may also dampen ethane demand and hinder additional expansion of Pembina's NGL pipeline systems.

Other Information – Industry Regulations

The feeder pipeline industry in Alberta is regulated by the AER. Once a permit to construct the pipeline is issued by the AER, subject to the licensing of operational matters or a common carrier declaration, the pipeline is free to establish tariffs in a competitive environment. Tariffs are established under contracts of varying terms and conditions and are also posted by location. Posted tariffs generally can be adjusted to respond to changing volumes, costs and market circumstances. Contracted tariffs can also be adjusted, where permitted by the terms of the contract, for such things as changes in power costs, municipal taxes, environmental, integrity and safety costs. Pipeline customers have recourse to the AER, with respect to pipeline access and discrimination among customers, if they can establish that the pipeline should be declared to be a common carrier. Once declared a common carrier, the AER has the authority to set rates for the pipeline. No pipeline owned by Pembina in the province of Alberta has ever been declared to be a common carrier. Tariffs for all of Pembina's Alberta Pipelines are generally established to recover all costs and earn a reasonable rate of return on the investment in its pipelines.

The tariffs on the majority of the B.C. Pipelines are regulated by the BCUC. The BCUC approves tariffs for common carriers and regulates others on a complaints basis.

Pipeline companies which own and/or operate interprovincial or international pipelines fall under the NEB's jurisdiction. Certain pipelines owned by Pembina's subsidiary, Pouce Coupé Pipeline Ltd., including the Northwestern System, the Northern System and the Pouce Coupé System, are regulated by the NEB. Additionally, Pembina's Taylor to Boundary Lake Pipeline, which is owned by Pembina Energy Services Inc., a wholly-owned subsidiary of Pembina, and the Vantage Pipeline system, which is owned by Pembina Prairie Facilities Ltd., a wholly-owned subsidiary of Pembina, are also regulated by the NEB.

Under NEB regulations, pipeline companies are divided into two groups. Group 1 consists of the major pipeline companies which are subject to ongoing regulatory oversight by the NEB. The other pipeline companies under the jurisdiction of the NEB, not included in Group 1, have been classified as Group 2. Each of Pembina's three subsidiaries that own NEB regulated pipelines is regulated as a Group 2 company by the NEB. For these pipeline systems, the NEB only reviews the tariffs if a customer files a formal complaint concerning the tariffs. There have been no complaints to the NEB about tariffs on these systems for as long as Pembina has owned and operated them.

Pembina is also subject to requirements relating to pipeline abandonment on its NEB regulated pipelines. According to the NEB Reasons for Decision RH-2-2008, which set out the guiding principles and considerations that would be used to set aside funds for pipeline abandonment for pipelines under the NEB's jurisdiction, a five-year action plan for NEB-regulated companies to follow was established. During this five-year period, the NEB issued Hearing Order MH-001-2013 to convene an oral public hearing to consider NEB regulated companies' proposals on how to collect abandonment funds and the mechanisms proposed for abandonment fund collection.

In May, 2014, the NEB issued its MH-001-2013 Reasons for Decision which set out that by January 1, 2015, all NEB-regulated companies must have a set-aside mechanism in place to begin accumulating funds to pay for pipeline abandonment. The Northwest Pipeline, Northern Pipeline and Pouce Coupé Pipeline's proposed abandonment fund trust agreements were approved on December 10, 2014, and Pembina filed letters of credit to secure abandonment funds for each of the Taylor to Boundary Lake Pipeline and the Vantage Pipeline on December 23, 2014. See "*Risk Factors – Risks Inherent in Pembina's Business – Abandonment Costs* ."

Oil Sands & Heavy Oil Business

Overview

Pembina plays an important role in supporting Alberta's oil sands and heavy oil industry. Pembina is the sole transporter of crude oil for the Syncrude Project (via the Syncrude Pipeline) and the Horizon Project (via the Horizon Pipeline) to delivery points near Edmonton, Alberta. Pembina also owns and operates the Nipisi and Mitsue pipelines, which provide transportation for producers operating in the Pelican Lake and Peace River heavy oil regions of Alberta, and the Cheecham Lateral, which transports synthetic crude to oil sands producers operating southeast of Fort McMurray, Alberta. The Oil Sands & Heavy Oil business operates approximately 1,650 km of pipeline and has 880 mbpd of capacity under long-term, extendible contracts, which provide for the flow-through of eligible operating expenses to customers. As a result, operating margin from this business is primarily driven by the amount of capital invested and is predominantly not sensitive to fluctuations in operating expenses or actual throughput.

Major Customers

The major shippers on Pembina's oil sands, heavy oil and diluent pipelines are CNRL, Syncrude and Cenovus. Pembina's oil sands and heavy oil pipelines provide dedicated service under long-term contracts.

Contractual Arrangements

Pembina's Syncrude Pipeline has a capacity of 389,000 bpd and is fully contracted to the owners of Syncrude under a cost-of-service, extendable, long-term agreement that expires at the end of 2035.

Pembina's Cheecham Lateral has a capacity of 136,000 bpd and is fully contracted to shippers under the terms of a 25-year fixed return extendable agreement that expires in 2032.

The Horizon Pipeline is fully contracted to CNRL and has an ultimate capacity of 250,000 bpd (with the addition of pump stations). The Horizon Pipeline is operated under the terms of a 25-year fixed return contract, which extends to 2034.

The Nipisi Pipeline and Mitsue Pipeline are contracted by CNRL, Cenovus and Pembina Midstream Limited Partnership under a 10-year fixed return agreement which commenced in 2011. This contract also has extension and expansion rights.

Competitive Environment

Current weakness in crude oil prices and export constraints have the potential to negatively impact development of oil sands and heavy oil reserves in the WCSB. However, in the long-term, producers are expected to continue to develop and execute on oil sands and heavy oil projects with a focus on shipping bitumen and heavy oil blends to market rather than upgrading these products locally. Consequently, Pembina believes expansion of existing condensate and synthetic crude diluent supply infrastructure as well as blended bitumen and heavy oil pipeline delivery systems will be required in the future. See "*Risk Factors – Reserve Replacement, Throughput and Product Demand.*"

Given the long-term nature of oil sands and heavy oil investments, most pipelines serving existing production are underpinned by long-term transportation agreements. Competition primarily arises with respect to incremental supply that requires additional pipeline capacity. In some cases, existing pipeline companies have under-utilized assets which can be re-purposed to suit a customer's needs, giving them a competitive advantage when bidding for new projects. In other cases, where construction of significant new infrastructure is required, pipeline companies compete for these opportunities based primarily on their operating expertise, cost of capital and commercial flexibility.

Pembina expanded its Nipisi and Mitsue Pipeline systems commencing in 2013, through the addition of pump stations, increasing capacity on the Nipisi Pipeline from 95,000 bpd to 105,000 bpd and on the Mitsue Pipeline from 18,000 bpd to 22,000 bpd, improving its competitive advantage in the areas served by those lines.

Gas Services Business

Overview

Pembina's operations include a growing natural gas gathering and processing business, which is strategically-positioned in active and emerging NGL-rich plays in the WCSB and integrated with Pembina's other businesses. Gas Services provides gas gathering, compression, and both shallow and deep cut processing services for its customers, primarily on a fee-for-service basis under long-term contracts. The NGL extracted through this business' facilities are transported on Pembina's Conventional Pipelines. Operating assets within Gas Services include:

- Pembina's Cutbank Complex – located near Grand Prairie, Alberta, this facility includes four shallow cut sweet gas processing plants (the Cutbank Gas Plant, the Musreau Gas Plant, the Musreau II Facility and the Kakwa Gas Plant) and one deep cut gas processing plant (the Musreau Deep Cut Facility). In total, the Cutbank Complex has 525 MMcf/d of processing capacity (468 MMcf/d net to Pembina) and 205 MMcf/d of ethane-plus extraction capacity (net to Pembina). The Cutbank Complex also includes approximately 350 km of gathering pipelines.

- Pembina's Saturn I Facility – located near Hinton, Alberta, this facility includes 200 MMcf/d of ethane-plus extraction capacity as well as approximately 25 km of gathering pipelines.

- Pembina's Resthaven Facility – located near Resthaven, Alberta, this facility includes 200 MMcf/d (134 MMcf/d net to Pembina) of extraction capacity.

These facilities are connected to Pembina's Peace Pipeline system. The Company continues to progress construction and development of numerous other facilities in its Gas Services business to meet the growing needs of producers in west central Alberta.

Major Customers

Gas Services has approximately 50 customers, including multi-national oil and gas companies as well as independent producers. Gas Services processes customers' natural gas at Pembina's owned and operated Cutbank Complex, Saturn and Resthaven facilities and delivers the natural gas to the TransCanada pipeline system and the NGL to the Pembina-owned and operated Peace Pipeline system.

Contractual Arrangements

Under the contractual arrangements with producers associated with the Cutbank Complex, Saturn and Resthaven facilities, Pembina is largely protected from the impact of market fluctuations in the price of natural gas and NGL. The gathering and processing business is based on charging fees to customers on the volume of raw gas that is gathered and/or processed through its facilities and the fees are based on a fixed-fee-for-service methodology. The contracts associated with the Gas Services business comprise a mixture of firm and interruptible service contracts of varying durations. The contractual fee structure incorporates a capital fee based on functional unit usage, as well as provisions for the recovery of operating costs and overhead recoveries.

Of Pembina's total processing capacity associated with these facilities, 91 percent of the Cutbank Complex (including the recently completed Musreau II Facility), 100 percent of the Saturn I Facility and 90 percent of the Resthaven Facility are contracted on a firm-service basis. Many of these firm-service contracts incorporate a take-or-pay or fee for non-delivery commitment which allows the processor to manage capacity utilization and revenue risk. In 2014, approximately 75 percent of the revenue from these facilities were protected under contracts containing take-or-pay commitments. Any capacity that is not utilized on a firm-service basis is provided to area producers on an interruptible basis.

Gas Services development projects, including Saturn II, the Resthaven Expansion, SEEP and Musreau III also have a significant portion of their operating capacity secured under long-term, take-or-pay arrangements.

Competitive Environment

Gas producers continued to focus their development on liquid-rich plays during 2014 while NGL prices remained relatively more attractive than dry gas prices. Land positions are being amassed by producers in the Deep Basin/liquid-rich gas regions of British Columbia and Alberta, which continues to support Pembina's Gas Services expansion plans.

With its existing assets, Pembina is able to process gas, extract valuable NGL from the gas and transport the NGL through its conventional pipelines to its fractionation facility at its Redwater Plant in Fort Saskatchewan, Alberta, where Pembina is then able to separate the component parts of the NGL stream for end-users. With its integrated service offering along the NGL value chain and substantial gas processing plant construction experience, Pembina believes it is strongly positioned compared to other NGL service providers to capture new business proximal to its existing operating areas. Evidence of this is Pembina's continuing ability to secure new projects, such as Saturn II, Musreau III and the Resthaven Expansion.

Gas processing infrastructure requirements are largely driven by commodity prices, particularly crude oil benchmark prices as they relate to natural gas prices. In times where gas prices are relatively low and crude oil prices are relatively high, producers are incentivized to extract as much NGL out of the raw gas stream as possible, as NGL prices are benchmarked off of crude oil versus natural gas. During times when crude oil prices (and in turn, NGL prices) are lower, producers may opt to leave more liquids entrenched within their raw gas. Pembina is flexible to offer facilities with varying degrees of liquids extraction capability to support customers in a variety of market conditions.

Midstream Business

Overview

Pembina offers customers a comprehensive suite of midstream products and services through its Midstream business as follows:

- Crude oil midstream assets comprise 17 truck terminals (including three capable of emulsion treatment and water disposal), and terminalling at downstream hub locations at the PNT, which features storage, crude-oil-by-rail services and terminal connectivity. PNT includes: 21 inbound pipeline connections; 13 outbound pipeline connections; in excess of 1.2 mmbpd of crude oil and condensate supply connected to the terminal; and 310 mbbls of surface storage in and around the Edmonton and Fort Saskatchewan, Alberta areas.

- NGL midstream includes two NGL operating systems – Redwater West and Empress East.

    - The Redwater West NGL system ("**Redwater West**") includes the 750 MMcf/d (322.5 MMcf/d net to Pembina) Younger extraction and fractionation facility in British Columbia.; a 73 mbpd NGL fractionator and 7.9 mmbbls of finished product cavern storage at the Redwater Plant in Redwater, Alberta; and third party fractionation capacity in Fort Saskatchewan, Alberta. Redwater West purchases NGL mix from various natural gas and NGL producers and fractionates it into finished products for further distribution and sale. Also located at the Redwater Plant is Pembina's rail-based terminal which services Pembina's proprietary and customer needs for importing and exporting specification NGL and crude oil.

- The Empress East NGL system ("**Empress East**") includes 2.3 bcf/d capacity in the straddle plants at Empress, Alberta; 20 mbpd of fractionation capacity and 1.1 mmbbls of cavern storage in Sarnia, Ontario; and 5.1 mmbbls of hydrocarbon storage at Corunna, Ontario. Empress East extracts NGL mix from natural gas at the Empress straddle plants and purchases NGL mix from other producers/suppliers. Ethane and condensate are generally fractionated out of the NGL mix at Empress and sold into Alberta markets. The remaining NGL mix is transported by pipeline to Sarnia, Ontario for further fractionation, distribution and sale.

The financial performance of Pembina's Midstream business can be affected by seasonal demands for products and other market factors. In NGL midstream, propane inventory generally builds over the second and third quarters of the year and is sold in the fourth quarter and the first quarter of the following year during the winter heating season. Condensate, butane and ethane are generally sold rateably throughout the year. See "*Risk Factors – Risks Inherent in Pembina's Business – Midstream Business – Market Risk*".

Crude Oil Midstream: Major Customers

Pembina's crude oil midstream customers are generally those who produce and/or market crude oil and condensate on Pembina's pipeline systems, are downstream markets for those volumes, or are interested in ancillary services related to those volumes.

At Pembina's truck terminals, the Company's customer base generally comprises the same group who seek to transport volumes on Pembina's conventional and oil sands pipeline systems. Truck terminals are particularly attractive to those producers who are unable to justify pipeline/oil battery connections due to relatively low daily bpd of production, or are producing in advance of being pipeline connected. During 2014, Pembina's truck terminal network brought an average of 105,000 bpd onto the conventional pipelines.

Crude Oil Midstream: Contractual Arrangements

The contractual arrangements underpinning Pembina's Crude Oil Midstream business vary by service offering. Certain of Pembina's full-service terminals are constructed and operated under joint venture agreements with third parties.

In aggregate, the Crude Oil Midstream business' broad service offerings leverage the value chain – focusing on services that complement the existing network of facilities and energy infrastructure across Pembina's asset base. All facilities and services provided by Crude Oil Midstream are complementary to one another and create synergies for Pembina and its customers.

NGL Midstream: Major Customers

Pembina's NGL Midstream business extracts, processes, stores, transports and markets NGL and offers these services to third party customers across the WCSB and North America. The assets are integrated across Canada and the US, and are also used to generate fee-for-service income. The business is supported by an integrated supply, marketing and distribution function that contributes to the overall operating margin of Pembina.

Pembina purchases NGL mix from various natural gas producers and fractionates it into finished products at the Redwater Plant. Redwater West also includes natural gas supply volumes from the Younger NGL extraction plant located at Taylor in northeastern British Columbia. The Younger plant supplies specification NGL to local markets as well as NGL mix supply to the Fort Saskatchewan area for fractionation and sale.

Pembina extracts NGL from natural gas at the Empress straddle plants and sells ethane and condensate in the western Canadian marketplace while transporting propane (C_3)/butane (C_4) NGL mix predominantly to Sarnia, Ontario for fractionation and sale into markets in central Canada and the eastern United States.

Ethane is predominately purchased by third party petro-chemical companies while another third party purchases the majority of the condensate from the Empress debutanizer. Plains All American Pipeline operates the Plains E1 Plant at Empress, Alberta and the west to east system described herein. If for any reason these parties were unable to perform their obligations under the various agreements with Pembina, the revenue and the operations of Pembina's NGL midstream business could be negatively impacted. See "*Risk Factors – Risks Inherent in Pembina's Business – Reliance on Principal Customers and Operators*".

NGL Midstream: Contractual Arrangements

The services provided by Pembina's NGL Midstream business – including fractionation, storage, NGL terminalling, loading and offloading – are provided to third parties on a cost-of-service or a fee basis utilizing assets at Pembina's Redwater Plant and Corunna, Ontario. Pembina also owns a debutanizer at its Empress facility, which removes condensate from the NGL mix for sale as a diluent to blend with heavy oil. This service is provided to a major energy company on a long-term, cost-of-service basis. Pembina's Redwater West and Empress East assets used to generate this fee-for-service income are also employed to generate proprietary income.

Competitive Environment

Pembina's Midstream business model operates in a competitive environment for transportation, terminalling, storage and rail. The demand for terminalling, storage and rail is growing as downstream pipeline capacity is unable to keep pace with upstream supply growth and downstream consumption interest, or where markets lack a physical connection to Canadian supplies.

Pembina's Midstream infrastructure and logistics business is subject to competition from other truck terminals, storage facilities and fractionators which are either in the general vicinity of the facilities or have gathering systems that are or could potentially extend into areas served by the facilities.

Producers in western Canada compete with producers in other regions to supply crude oil, condensate, NGL and natural gas and other hydrocarbon products to customers in North America, and the hydrocarbon industry also competes with other industries to supply the fuel, feedstock and other needs of consumers. Such competition may have an adverse effect on the production of hydrocarbon products in western Canada and, as a result, on the demand for Pembina's services.

The value potential associated with any Midstream service offering is dependent upon the ability of Pembina to: provide connections to both downstream pipelines and end-use markets; understand the value of the commodities transported, stored and terminalled; provide flexibility and a variety of storage options; and, adjust to a liquid, responsive, forward commodity market. Pembina actively monitors market conditions and stream values and qualities to target revenue opportunities and service offerings. Pembina is also proactively working with upstream and downstream customers to develop value-added terminalling solutions and increase available optionality. Nevertheless, the Midstream business is exposed to commodity price fluctuations, and the recent decline in commodity prices has impacted price differentials and the book value of stored product. Furthermore, the prices of products that are marketed by Pembina are subject to volatility as a result of such factors as seasonal demand changes, extreme weather conditions, general economic conditions, changes in crude oil markets and other factors. See "*Risk Factors – Midstream Business – Market Risk*."

OTHER INFORMATION RELATING TO PEMBINA'S BUSINESS

Information and Communication Systems

Pembina employs SCADA technology on all of its pipeline systems. The SCADA systems allow for continuous electronic monitoring and control of the pipeline systems from dedicated computer consoles located in Pembina's Edmonton control centre. Operators monitor the computer consoles 24 hours per day, 365 days per year. The SCADA systems and associated leak detection software continually monitor pipeline flow and operating conditions. Line balance calculations are performed automatically by the system and alarms are triggered when imbalances are detected or measured pressures do not match those projected by software models.

In 2014, Pembina made progress on its long-term initiative to upgrade and standardize the SCADA system and leak detection platforms used to remotely monitor and control Pembina's pipeline systems. Pembina successfully migrated the control of three pipeline systems to its new environment. In the last quarter of 2015, Pembina expects to decommission its oldest SCADA system.

Integrity Management

Pembina employs comprehensive integrity management programs ("**IMP's**") and dedicates a significant portion of its annual operating budget directly to integrity management activities. Pembina's IMP's include the systems, processes, analysis and documentation designed to ensure proactive and transparent management of its pipeline systems and facilities, and compliance with applicable standards and regulations.

Pembina's IMP's are designed to achieve enhanced safety, reliability and longevity through the entire asset lifecycle.

Proactive integrity management activities extend into pipeline operations with programs including right-of-way patrols and public awareness to reduce the likelihood of third party damage, system-specific hazard evaluations and risk assessments, geotechnical programs to manage slope instability and river crossings, training and competency management programs for staff and contractors, enhanced emergency response procedures and training exercises, and the use of specific chemicals to reduce the likelihood of internal corrosion from impurities and bacteria in the oil.

Between 2007 and 2012, Pembina completed a baseline geotechnical inspection program of pipelines to inventory all water crossings and slopes and to assess integrity threats posed by these crossings and slopes. Baselines continue each year as new pipelines are constructed or acquired. In 2014, Pembina completed a detailed Braided River Study which identifies water crossings most susceptible to lateral movement. This study allows Pembina to proactively anticipate where this movement will occur and plan its annual mitigation, monitoring, and inspection procedures accordingly.

In 2014, Pembina performed work on 25 stream crossings to mitigate the impacts of stream erosion, and conducted work on 13 slopes to stabilize or monitor potential instability. Pembina also completed 806 re-inspections of streams and 230 detailed surveys of key streams and slope areas identified in previous years. Pembina plans to perform mitigation work on 39 stream crossings and 8 slopes in 2015.

The cornerstone of Pembina's IMP is the use of in-line inspection ("**ILI**") and repair technology to measure and record both the distribution and severity of specific features in the pipe depending on the ILI technology. This technology employs high-resolution magnetic flux leakage tools to identify the location and severity of defects with potential to adversely affect pipeline "fitness-for-service". Through proactive use of these sophisticated electronic tools, defects (both internal and external) with the potential to compromise pipeline integrity are identified and repaired. Projected defect growth rates and/or historical operating knowledge are used to plan re-inspection intervals. Pembina's re-inspection frequency and intervals are typically selected so that remaining defects are re-assessed and repaired before they have a material effect on pipe integrity.

Pembina has employed in-line inspection since the early 1970s, progressing to newer, high resolution ILI technology in the late 1990s and continuing to implement improvements to technology as they become available. As part of Pembina's ongoing IMP, 85 pipeline segments (1,400 km) were inspected in 2014. The majority of the segments inspected in 2014 were inspected with a geometry tool which measures pipeline deformations which could be related to original construction damage, geotechnical movement and/or third party hits. Pembina plans to inspect 66 pipeline segments (1,900 km) in 2015.

For those line segments with higher susceptibility to crack failures, Pembina also employs specialized ultrasonic ILI crack detection technology. Pembina has completed crack detection inspections on the majority of its mainline pipelines including: the Western Pipeline, portions of the Peace Pipeline (LaGlace to Fox Creek), the 12" and 20" lines from Fox Creek to Edmonton, the 16" crude line from Judy Creek to Edmonton, the 16" NGL line from Judy Creek to Edmonton, the 16" Valleyview to Fox Creek, the 10" Swan Hills to Namao line, the 16" Redwater to Pipeline Alley line, the 16" Judy Creek to Whitecourt pump station line and the 22" Horizon Pipeline. In 2014, Pembina ran ultrasonic tools on 8 pipeline segments, which were all re-inspections with the exception of 12" Western (North), 12" LaGlace to Fox Creek and the 8" Simonette to Fox Creek segment which were all circumferential crack tool inspections. Data from these inspections is analyzed by Pembina and third party technical experts, in conjunction with pipeline pressure data, to design appropriate mitigation, repair and re-assessment programs.

In 2014, Pembina completed inspections on 580 pressure vessels, 50 storage tanks, and 5 storage tubes to achieve compliance. For each inspection, repairs are conducted as required to ensure compliance to applicable codes and standards. In addition, in 2014, Pembina's pressure equipment integrity management programs received two internal audits and an Alberta Boilers and Safety Association program renewal audit, which identified only minor findings which have since been addressed. In 2015, Pembina is scheduled to inspect 145 pressure vessels, 16 storage tanks, and 10 storage tubes, and complete two internal audits of Pembina's pressure equipment integrity management programs.

Environmental Matters

Operation of Pembina's pipelines and other assets are subject to environmental controls in the form of approvals and compliance with applicable federal, provincial, and local laws and regulations. Such laws and regulations govern, among other things, operating and maintenance standards, emissions and waste discharge and disposal. Management believes that Pembina's facilities and operations meet or exceed those requirements. Pembina participates in the following applicable regulated emission reporting programs: Canadian Greenhouse Gas Emissions Reporting Program, Alberta Specified Gas Reporting Program, and the Canadian National Pollutant Release Inventory Reporting Program.

To confirm regulatory compliance and conformance with Pembina's internal environmental standards, Pembina has in place a planned environmental audit program. As part of this program, regularly scheduled third party environmental compliance audits are conducted at various facilities within a selected business unit each year. The program is designed such that each major business unit is audited at least once every five years.

In addition, Pembina has an incident review panel (the " **IRP**"), which has been in place since the first quarter 2010, that meets monthly and consists of operational, safety and environmental leaders as well as business Vice Presidents, the President and Chief Executive Officer and other members of the executive team. The IRP is focused on analyzing and understanding incident root causes, determining and completing resulting action plans to eliminate re-occurrence and more importantly ensuring that these learnings are fully communicated and implemented on a corporate-wide basis.

Environmental Incidents

Pembina's focus on integrity management and safe operations continues to result in low incident frequency and minimal environmental impact.

Pembina spent approximately $4.4 million on pre-existing spill sites in 2014 and approximately $0.5 million on yearly environmental programs including monitoring and compliance audits.

In addition to the environmental expenses associated with its operations, Pembina also invests in environmental assessment, planning, permitting and post-construction monitoring associated with capital projects.

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 benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are re-measured at each reporting date based on the best estimate of the settlement amount. The unwinding of the discount rate is recognized as a finance cost.

Decommissioning provision

Pembina's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value, based on a risk-free rate, of management's best estimate of the expenditures required to settle the obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the 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 finance costs whereas increases/decreases due to changes in the estimated future cash flows or risk-free rate are added to or deducted from the cost of the related asset.

For more information with respect to Pembina's estimated net present value of decommissioning obligations, see Note 15 to Pembina's audited consolidated financial statements for the year ended December 31, 2014, which may be found on Pembina's profile on the SEDAR website at www.sedar.com and the EDGAR website at www.sec.gov.

Derivative Financial Instruments

Pembina has entered into derivative financial instruments to limit its exposure to changes in commodity prices, interest rates, cost of power, and foreign exchange rates. Hedge accounting has not been applied to any of these instruments; however, Pembina still considers that there is an economic hedge which limits the exposure to fluctuations in revenue and expenses.

For more information with respect to Pembina's derivative financial instruments and financial risk management program, see Note 24 to Pembina's audited consolidated financial statements for the year ended December 31, 2014, which note is incorporated by reference herein. Electronic copies of this document can be found on Pembina's company profile on the SEDAR website at www.sedar.com, in Pembina's annual report on Form 40-F filed on the EDGAR website at www.sec.gov and on Pembina's website at www.pembina.com.

Pipeline Rights-of-Way and Land Tenure

Pembina's real property interests fall into two basic categories of ownership: (i) a number of locations, including many pumping stations and terminal and storage facilities, which are owned in fee simple; and (ii) the majority of locations which are covered by leases, easements, rights-of-way, permits or licences from landowners or governmental authorities permitting the use of such land for the construction and operation of a pipeline. Pembina believes that the operator of each of its pipeline assets has sufficient property interests to permit the operation of such assets.

Indemnification and Insurance

Pembina maintains insurance to provide coverage in relation to the ownership and operation of its pipeline assets, gas services assets, as well as its midstream assets. Insurance coverage for Pembina's assets currently includes: (i) property insurance coverage, providing coverage on the property and equipment that is above-ground and pipelines at river crossings, with recovery based upon replacement costs, and, where necessary, business interruption coverage for loss of income arising from specific property damage; and (ii) comprehensive general liability coverage, providing coverage for actions by third parties. The latter coverage includes Pembina's sudden and accidental pollution coverage, which specifically insures against certain claims for damage from leaks or spills.

In addition, Pembina maintains director and officer liability coverage consistent with industry practice.

Pembina believes that it has procured such insurance coverage as would be maintained by a prudent owner and operator of the type of assets owned and operated by Pembina. This insurance coverage is subject to limits and exclusions or limitations on coverage that Pembina considers reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that insurance coverage will be adequate in any particular situation or that insurers will be able to fulfill their obligations should a claim be made. Further, there can be no assurance that such insurance coverage will be available in the future on commercially reasonable terms or at commercially reasonable rates. Pembina also ensures that appropriate coverage is in place during the construction of new infrastructure. Specifically, Pembina insures against general liability, property insurance, and business interruption.

Employees

As at December 31, 2014, Pembina employed 1,111 personnel, of which 593 were engaged in the performance of field operations and superintendence activities, and 518 were engaged in the performance of facilities engineering, systems, management, finance, accounting, administration, human resources, information services, drafting, business development and safety and environmental service activities. Of the above field operation employees, 18 are unionized. Pembina's workforce is relatively stable with limited turnover and employees are financially encouraged to remain in Pembina's employment through options to purchase Common Shares, long-term incentive programs and pension plans, all of which vest over time.

Corporate Social Responsibility

Pembina is committed to maintaining a high standard of corporate governance and ethical practices, both within the corporate boardroom and throughout its operations. Pembina's corporate governance practices are designed with a view to:

- Enhancing and preserving value;
- Protecting dividends;
- Ensuring it meets its obligations to all regulatory bodies, business partners, customers, stakeholders, employees and Shareholders; and
- Operating in a safe, reliable and environmentally responsible way.

Code of Ethics

The Board of Directors has adopted a Code of Ethics which applies to all directors, officers, employees and certain contractors of Pembina. The Code of Ethics is available at Pembina's website at www.pembina.com.

In support of the Code of Ethics, Pembina has adopted various business conduct policies covering matters including, but not limited to, ethics, disclosure, insider trading and conflicts of interest, and has adopted a number of specific procedures and guidelines to facilitate compliance with the Code of Ethics and the various policies.

The policies include the:

- Health, Safety and Environment Policy
- Respectful Workplace Policy
- Aboriginal Relations Policy
- Whistleblower Policy
- Corporate Security Management Policy
- Market Risk Policy
- Counterparty Risk Management Policy
- Enterprise Risk Management Policy

*Health, Safety and Environment ("**HSE**") Policy*

HSE are top priorities in all of Pembina's operations and business activities. Pembina is committed to being an industry leader in conducting its business so that it meets or exceeds all applicable laws and regulations and to protecting the health and safety of workers, the public and safeguarding the environment affected by its activities. Pembina is also committed to improving its HSE performance. These areas are of paramount importance to management, employees and contractors at the Company. Pembina believes that excellence in HSE practices is essential to the well-being of the Company.

The HSE Committee of Pembina's Board of Directors monitors compliance with the HSE Policy through regular reporting. Pembina's integrated HSE management system is modeled after the International Organization for Standardization standard for environmental management systems (ISO 14001) and the Occupational Health and Safety Assessment Series (OHSAS 18001) for occupational health and safety. Pembina's HSE management system conforms to external industry consensus standards and voluntary regulatory programs and complies with applicable legislated requirements and various other internal management systems. Management is informed regularly of all important and/or significant HSE operational issues and initiatives through formal reporting and incident management processes, including tracking all "close calls." The HSE management system is subject to ongoing internal and external review to ensure that it remains effective as circumstances change.

Respectful Workplace Policy

Pembina is committed to providing a workplace that is pleasant, healthy, comfortable, and free from intimidation, hostility or other offenses which might interfere with work performance. Employees are expected to treat each other with mutual respect, fairness and dignity. Discrimination or harassment of any sort will not be tolerated. The purpose of the policy is to create a respectful workplace through the prevention and quick resolution of harassment and/or discrimination.

Aboriginal Relations Policy

By striving for positive and mutually-beneficial relationships with Aboriginal leadership and communities, Pembina employees, consultants and contractors will help build continued success for Pembina's existing and expanding systems and other businesses. Pembina desires to enter into lasting and mutually-beneficial relationships with all Aboriginal peoples affected by its operations.

Whistleblower Policy

Pembina is committed to high standards of professional and ethical conduct in all activities. Pembina's reputation for honesty and integrity among its stakeholders is key to the success of its business. The transparency, honesty, integrity and accountability of Pembina's financial, administrative and management practices are vital. These high standards guide the decisions of the Board of Directors and are relied upon by Pembina's stakeholders and the financial markets.

For these reasons, it is critical to maintain a workplace where concerns regarding questionable business practices can be raised without fear of any discrimination, retaliation or harassment. This reporting mechanism invites employees to act responsibly to uphold the reputation of Pembina and maintain public confidence. Encouraging a culture of openness and ethical leadership from management will also help this process. This policy is intended to encourage and enable stakeholders to raise serious concerns within Pembina rather than overlooking a problem or seeking a resolution of the problem outside Pembina.

Corporate Security Management Policy

Pembina is committed to protecting the safety of its workers, the public, and to safeguarding Pembina's facilities and information. These areas are of paramount importance to management, employees and contractors at the Company. Pembina believes that excellence in security management is essential to the well-being of the Company. As such, Pembina is committed to identifying security risks and establishing appropriate programs and procedures to reduce these risks to an acceptable level, and to testing these programs and procedures to assess their effectiveness on a regular basis.

Market Risk Policy

Pembina recognizes that effective management of market risk is a critical success factor in managing organization and shareholder value. Pembina is committed to implementing and maintaining an approach for the management and reporting of key market risks. The policy is intended to define and specify the controls and procedures associated with Pembina's market risk.

Counterparty Risk Management Policy

The counterparty risk management policy governs the responsibilities and accountabilities for measuring, identifying, validating, monitoring and reporting counterparty exposures and where applicable, the mitigation of counterparty risk as it relates to Pembina's business unit activities. It also outlines the authorities for the receipt and issuance of financial assurances, the establishment of Board designated counterparty exposure limits by debt rating and a counterparty exposure limit sign-off authority matrix.

Enterprise Risk Management Policy

Pembina is committed to raising awareness of the need for enterprise-wide risk management and to establishing a systematic approach for the management and reporting of key business risks. The policy is intended to define enterprise risk management principles and specify expectations associated with Pembina's risk management activities and governance. Enterprise risk management consists of risk management practices and procedures applied across the Company to identify, measure, assess, respond to, monitor and report on principal risks that affect the achievement of business objectives.

Corporate Governance

Pembina's Board and management are committed to high standards of ethical conduct and corporate governance.

Pembina is a public company listed on the TSX and the NYSE, and it recognizes and respects rules and regulations in both Canada and the U.S.

Pembina's corporate governance practices comply with the Canadian governance guidelines, which include the governance rules of the Canadian Securities Administrators ("**CSA**"):

- National Instrument 52-110 - *Audit Committees* (Canadian audit committee rules);
- National Policy 58-201 - *Corporate Governance Guidelines*; and

· National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ·

Pembina also complies with the governance listing standards of the NYSE and the governance rules of the SEC that apply to foreign private issuers.

Pembina's governance practices comply with the NYSE standards for U.S. companies in all significant respects, except as summarized on Pembina's website at www.pembina.com. As a non-U.S. company, Pembina is not required to comply with most of the governance listing standards of the NYSE. As a foreign private issuer, however, Pembina must disclose how its governance practices differ from those followed by U.S. companies that are subject to the NYSE standards.

Pembina benchmarks its policies and procedures against major North American companies to assess its standards, and it adopts best practices as appropriate. Some of its best practices are derived from the NYSE rules and comply with applicable rules adopted by the SEC to meet the requirements of the *Sarbanes-Oxley Act* of 2002 and the *Dodd-Frank Wall Street Reform and Consumer Protection Act* .

Further information about Pembina's corporate governance can be found on Pembina's website at www.pembina.com.

CANADIAN OIL AND GAS INDUSTRY

General

The discussion below provides a high level overview of the crude and heavy oil industry, the NGL industry and midstream industry, with a particular focus on western Canada given that a signification portion of Pembina's operations are situated in Alberta. Pembina also has operations in eastern Canada and the U.S. within its Midstream business. Volumes which feed into those assets originate in western Canada before being transported to eastern markets via a third party pipeline, as discussed below under "*Product Transportation: Export Liquids Pipeline Systems* ". Further, with the acquisition of the Vantage Pipeline, Pembina now has an operating footprint in the North Dakota and Saskatchewan Bakken resource play. The Vantage Pipeline imports ethane from these areas into western Canada, as discussed below under " *Product Transportation: Feeder Pipeline Systems*".

Western Canada is the major source of conventional crude oil, SCO, natural gas, bitumen and related products (including NGL and condensate) in Canada. Domestic crude oil and natural gas production in the west comes primarily from Alberta with lesser amounts from British Columbia, Saskatchewan, Manitoba and the Northwest Territories. SCO comes from the oil sands developments near Fort McMurray, Alberta. Efficient, low cost, and safe transportation by pipeline, rail and truck from producing fields to refineries, processing plants and domestic and export markets is essential to the Canadian oil and gas industry.

Canadian Crude and Heavy Oil Overview

While western Canada has one of the world's largest crude oil reserves, the WCSB was once considered to be a declining resource. However, over the past number of years, the crude oil industry in Alberta and western Canada in general has resurged due to the implementation of improved drilling technologies which have enabled increased recoveries and have enhanced economics. These technologies (for example, multi-stage hydraulic fracturing) have allowed producers to access tighter areas of conventional reserves as well as shales, which were previously considered to be uneconomical. Through this development, crude oil produced from the WCSB has significantly increased.

Alberta is also abundant in oil sands – a natural mixture of sand, water, clay and a type of natural heavy oil called "bitumen." Once the bitumen is recovered and processed to separate it from the sand and water and upgraded, SCO is produced. Oil sands may be extracted by surface mining where it is moved by trucks to a cleaning facility or by in–situ processes which use steam, solvents or thermal energy to allow the bitumen to be pumped to the surface. Because bitumen is so viscous, it requires dilution with lighter hydrocarbons, such as condensate, to make it transportable by pipeline.

Condensate is the "heaviest" gas liquid. As producers increase their production of oil sands and heavy oil, there is a growing demand for condensate. With assets spanning across the crude oil, condensate and NGL value chains, Pembina is uniquely positioned to provide customers with access to condensate via pipeline or rail.

Pipelines continue to be the most economical and dominant mode of transporting large amounts of crude oil, condensate, and heavy oil; however, given the extensive rail infrastructure network across North America and the lack of sufficient export pipeline capacity, transporting hydrocarbon products by rail has gained momentum.

Product Transportation: Feeder Pipeline Systems

Feeder pipeline systems gather petroleum products from producing fields and facilities for transport to regional centres for storage, fractionation, refining and connection to larger pipelines. From these centres, petroleum products are further transported by export pipeline or rail systems either to domestic markets in western or eastern Canada or to markets in the northern United States for end–use, or used as feedstock in refineries or the petrochemical industry. The major operational centre for the Canadian oil and natural gas industry is the Edmonton/Fort Saskatchewan area of Alberta, which is the largest crude oil refining centre in western Canada and a major fractionation and market hub for NGL and related products. In addition, the Edmonton/Fort Saskatchewan area is the hub of the Alberta feeder pipeline network and the starting point of many large Canadian export pipelines.

All of Pembina's pipelines are feeder pipelines or gathering systems. The conventional pipelines collectively transported approximately 575 mbpd of crude oil, condensate and NGL products in 2014. The conventional pipelines transport the majority of its products to the Edmonton/Fort Saskatchewan, Alberta area, while a smaller amount is delivered to Kamloops, British Columbia and to the Alberta Ethane Gathering System via the Vantage Pipeline from the North Dakota Bakken play. Pembina's oil sands and heavy oil pipelines had a combined contracted capacity of 880 mbpd in 2014. These pipelines primarily transport products from established production fields in their respective service areas, the Syncrude Project or the Horizon Project, into the refining and export pipeline centres at Edmonton. The Cheecham Lateral transports SCO from a common pump station on the Syncrude Pipeline and Horizon Pipeline to a terminalling facility located near Cheecham, Alberta, where it is then used as diluent for oil sands projects in the area. The Nipisi Pipeline and Mitsue Pipeline provide diluted heavy oil and diluent transportation for operators in the Pelican Lake and Peace River heavy oil regions of Alberta.

Conventional feeder pipelines and gathering systems generally experience lower volumes during the spring months as a result of reduced drilling primarily due to weight restrictions on roads, producers conducting maintenance on their batteries and gas plant turnarounds. The magnitude and duration of road weight restrictions are dependent upon spring weather conditions. Many battery operators also perform maintenance work on production facilities during the spring months. Road restrictions and battery maintenance can also impact gathering pipeline receipts during the fall months, although the impact on throughput is generally less pronounced than during the spring months.

Product Transportation: Export Liquids Pipeline Systems

The export liquids pipelines originating in the Edmonton area are the TransMountain Pipeline and the Enbridge Pipeline. Crude oil and refined products delivered to domestic and export markets on the west coast are transported through the TransMountain Pipeline. Crude oil and refined products delivered to eastern Canada and the northern United States are transported through the Enbridge Pipeline. NGL delivered to eastern Canadian and export markets are transported through the Enbridge Pipeline. The TCPL Keystone Pipeline and Express Pipeline also export crude oil from Hardisty, Alberta. However, none of Pembina's systems are directly connected to Hardisty.

NGL Overview

The NGL industry involves the production, storage, transportation and marketing of products that are extracted from natural gas prior to its sale to end-use customers. The profitability of the industry is based on the products extracted being of greater economic value as separate commodities (net of the costs of extraction) than as components of natural gas.

Natural gas is a mixture of various hydrocarbon components, the most abundant of which is methane. The higher value hydrocarbons, which include ethane (C_2), propane (C_3), butane (C_4) and condensate (C_{5+}), are generally in gaseous form at the pressures and temperatures under which natural gas is gathered and transported. NGL extraction facilities recover certain higher value hydrocarbons, such as ethane, propane, butane and condensate, from natural gas for sale in a liquid form. The significant majority of NGL supply in western Canada is derived from natural gas processing, with the remainder derived from the refining of crude oil.

The NGL value chain begins with the gathering of gas that is produced. The gas then gets processed through field processing plants, mainline extraction facilities and fractionation facilities in order to remove high value NGL, as well as water, sulphur and other impurities. The value chain culminates with the transportation and eventual sale of NGL to the final customer.

Condensate is produced naturally at the well-head when natural gas is brought to the surface at a gas well. Most condensate is typically separated from natural gas at the field gas plant. It is then either trucked to a connection point on a pipeline, or the natural gas plant may be connected directly into a gathering pipeline system for onward delivery to market.

NGL Extraction

NGL is recovered at three distinct types of facilities: natural gas field plants, natural gas mainline straddle plants and oil refineries. Field plants process raw natural gas, which is produced from wells in the immediate vicinity, to remove impurities such as water, sulphur and carbon dioxide prior to the delivery of natural gas to the major natural gas pipeline systems. Field plants also remove almost all condensate and as much as 65 percent of propane and 80 percent of butane in order to meet pipeline specifications, leaving ethane and unrecovered NGL in the sales gas. Most western Canadian field plants do not extract ethane but leave it in the natural gas. Once processed, the sales gas is then compressed and delivered to one of the major gas market pipeline systems including ATCO Gas, TransCanada Pipelines Ltd., Alliance Pipeline Limited Partnership, Nova Gas Transmission Ltd. and Spectra/Westcoast. In the Province of Alberta, any residual NGL and ethane in the natural gas is extracted at mainline straddle plants prior to export. Pembina has ownership interests in four of the six mainline Empress straddle plants on the Nova Gas Transmission system and the Younger Extraction plant on the Spectra system.

NGL extraction produces a mixed hydrocarbon product (either ethane-plus or propane-plus), which must be further processed in subsequent steps to separate out the individual products. At most field facilities, only sufficient NGL to make the residual gas marketable is extracted; however, with the addition of enhanced processing facilities such as Pembina's Musreau Deep Cut Facility (an example of a field straddle plant) and Pembina's Empress plant (an example of a mainline straddle plant) further NGL extraction is possible to ensure the maximum amount of NGL is recovered. NGL products have historically been priced relative to oil, so this additional level of recovery is dependent on the relative value between oil and natural gas. As the relative price of oil versus natural gas increases, the economic impetus for this activity is also increased.

NGL Fractionation

NGL mix extracted at field plants and straddle plants is transported to fractionation facilities, which enhance its value by separating the mix into its components: ethane, propane, butane and pentanes-plus. Due to size, storage and transportation limitations, fractionation generally does not occur at field plants, but rather at larger, well connected centralized locations. NGL mix is moved by truck or pipeline to fractionation facilities. Once fractionated, the products are stored and transported to end markets by pipeline, truck or rail.

NGL Transportation

The efficient movement of NGL products requires significant infrastructure, including transportation assets (pipelines, trucks, rail cars), storage facilities, and terminals (rail and truck). The most efficient and the lowest-cost means for moving NGL products to markets is by pipeline. The Canadian energy sector has an extensive pipeline network for the transportation of natural gas to field plants and extraction facilities, and NGL to fractionation facilities, petrochemical complexes, underground storage facilities and the consuming customer. Truck and rail account for a significant amount of the NGL transported, with pipelines serving as the main mode of transport.

NGL Storage

Storage assets offer a number of key strategic advantages, which include: (i) providing the necessary operational buffer between production of NGL (which varies daily depending on gas flows and composition) and their consumption (which can vary from day-to-day and season-to-season depending on market needs); (ii) allowing NGL sellers to store inventory to accommodate outages in NGL fractionation plants; and (iii) exploiting seasonal price differentials that may develop over the course of a year (particularly for propane and butane).

NGL Marketing

The North American markets for NGL are largely continental in nature, though exports have been increasing, with end uses varying substantially by product from heating and transportation fuels to petrochemical and crude oil refining feed stocks. Ethane is used as feedstock for the petrochemical industry. Propane is the most versatile of the NGL products with uses such as home and commercial heating, crop drying, cooking, motor fuel and petrochemical feedstock. Butane is used primarily in gasoline blending, either directly or in the production of iso-octane and as a diluent for heavy oil. Pentanes-plus is used primarily as a diluent to blend with heavy crudes to decrease viscosity and density, allowing them to be transported in pipelines. In addition, pentanes-plus are used as a refinery feedstock in the production of gasoline.

Midstream Services for Crude Oil, SCO & NGL

Crude oil, SCO and NGL produced in Canada are transported to market through extensive gathering and transportation systems – feeder pipeline systems and export pipeline systems – discussed above.

Growth in crude oil midstream opportunities is largely focused on receipt and delivery terminals, storage and other hub services. Crude oil production ends up being consumed in refineries. Refineries are widely distributed geographically and can be located anywhere along the transportation chain, from the production basin hub locations to mid-point junctions on transmission networks to tidewater where foreign production is able to access North American markets via marine transport. For locations directly connected to Pembina's pipelines, there is a service requirement to manage supply with demand, balancing between the pipeline and the customer.

On the receipt side, Pembina's truck terminals are a means for oil, condensate and NGL production, which is not pipeline connected, to secure access to transportation to market. With the growth in multi-stage fractionation and production techniques, there is also growing demand to treat emulsion, oil-water mixtures and waste water, prior to production being ready for sale and accepted into a pipeline. The treating of emulsion and disposal of associated water at full-service truck terminal facilities is a business expansion opportunity for Pembina.

Where pipelines converge, there is a requirement to manage the product flow between the systems. Historically this has been buffered through tankage downstream of Pembina's operations. There is an internal demand for hub storage which will not only buffer flows for downstream deliveries, but also smooth operation of Pembina's complex batched conventional pipeline network and its oil sands pipelines. As a further service category, with the growth in demand for diluents for heavy oil transportation, there is a new requirement to manage diluents prior to injection into the various diluent delivery pipelines. This demand includes accessing the greatest variety of diluents, meeting diluent quality specifications and storage. To this end, in 2014, Pembina announced plans to proceed with the Canadian Diluent Hub (described in "*General Developments of Pembina: Developments in 2014*"), which is expected to provide interconnectivity via pipeline and rail to downstream markets and enable Pembina to offer upstream and downstream customers access to merchant storage and other complementary midstream services, and become a diluent platform for servicing the oil sands.

DESCRIPTION OF THE CAPITAL STRUCTURE OF PEMBINA

The authorized capital of Pembina consists of an unlimited number of Common Shares, a number of Class A Preferred Shares, issuable in series, not to exceed twenty percent of the number of issued and outstanding Common Shares at the time of issuance of any Class A Preferred Shares, and an unlimited number of Class B Preferred Shares (the "**Internal Preferred Shares**"). As of December 31, 2014, there were approximately 338 million Common Shares outstanding, approximately 9 million Common Shares issuable pursuant to outstanding options under the Option Plan, approximately 8 million Common Shares reserved for issuance pursuant to the Series C Convertible Debentures, less than 1 million Common Shares reserved for issuance pursuant to the Series E Convertible Debentures, approximately 5 million Common Shares reserved for issuance pursuant to the Series F Convertible Debentures, 10 million Series 1 Class A Preferred Shares outstanding, 6 million Series 3 Class A Preferred Shares outstanding, 10 million Series 5 Class A Preferred Shares outstanding, 10 million Series 7 Class A Preferred Shares outstanding and 101.4 million Internal Preferred Shares outstanding (all of which Internal Preferred Shares are owned by Pembina's wholly-owned subsidiary, Alberta Oil Sands Pipeline Ltd.).

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares, the Series 1, Series 3, Series 5, and Series 7 Class A Preferred Shares, and the Internal Preferred Shares.

Common Shares

Holders of Common Shares are entitled to receive notice of and to attend all meetings of Shareholders and to one vote at such meetings for each Common Share held. The holders of the Common Shares are, at the discretion of the Board of Directors and subject to applicable legal restrictions, entitled to receive any dividends declared by the Board of Directors on the Common Shares, and are entitled to share in the remaining property of Pembina upon liquidation, dissolution or winding-up, subject to the rights of the Class A Preferred Shares and the Internal Preferred Shares, described below.

Pembina has a shareholder rights plan (the " **Plan**") that was adopted to ensure, to the extent possible, that all Shareholders are treated fairly in connection with any take-over bid for Pembina and to ensure that the Board is provided with sufficient time to evaluate unsolicited take-over bids and to explore and develop alternatives to maximize Shareholder value. The Plan creates a right that attaches to each present and subsequently issued Common Share. Until the Separation Time (as defined in the Plan), which typically occurs at the time of an unsolicited take-over bid, whereby a person acquires or attempts to acquire 20 percent or more of the Common Shares, the rights are not separable from the Common Shares, are not exercisable and no separate rights certificates are issued. Each right entitles the holder, other than the 20 percent acquirer, from and after the separation time and before certain expiration times, to acquire one Common Share at a substantial discount to the market price at the time of exercise. The Board of Directors may waive the application of the Plan in certain circumstances. The Plan was reconfirmed at Pembina's 2013 meeting of Shareholders and must be reconfirmed at every third annual meeting thereafter. A copy of the agreement relating to the Plan has been filed on Pembina's SEDAR and EDGAR profiles on May 13, 2013 and May 14, 2013, respectively.

Class A Preferred Shares

Subject to certain limitations, the Board may, from time to time, issue Class A Preferred Shares in one or more series and determine for any such series, its designation, number of shares and respective rights, privileges, restrictions and conditions. The Class A Preferred Shares as a class have, among others, the provisions described below.

Each series of Class A Preferred Shares shall rank on parity with every other series of Class A Preferred Shares, and shall have priority over the Common Shares, the Internal Preferred Shares and any other class of shares ranking junior to the Class A Preferred Shares with respect to redemption, the payment of dividends, the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of Pembina. The Class A Preferred Shares of any series may also be given such preferences, not inconsistent with the provisions thereof, over the Common Shares, the Internal Preferred Shares and over any other class of shares ranking junior to the Class A Preferred Shares, as may be determined by the Board.

In the event of the liquidation, dissolution or winding-up of Pembina, if any cumulative dividends or amounts payable on a return of capital in respect of a series of Class A Preferred Shares are not paid in full, the Class A Preferred Shares of all series shall participate rateably in: (a) the amounts that would be payable on such shares if all such dividends were declared at or prior to such time and paid in full; and (b) the amounts that would be payable in respect of the return of capital as if all such amounts were paid in full; provided that if there are insufficient assets to satisfy all such claims, the claims of the holders of the Class A Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining shall be applied towards the payment and satisfaction of claims in respect of dividends. After payment to the holders of any series of Class A Preferred Shares of the amount so payable, the holders of such series of Class A Preferred Shares shall not be entitled to share in any further distribution of the property or assets of Pembina in the event of the liquidation, dissolution or winding-up of Pembina.

Holders of any series of Class A Preferred Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of Class A Preferred Shares or a series thereof) to receive notice of, attend at, or vote at any meeting of shareholders of Pembina, unless the Board shall determine otherwise in the terms of a particular series of Class A Preferred Shares, in which case voting rights shall only be provided in circumstances where Pembina shall have failed to pay a certain number of dividends on such series of Class A Preferred Shares, which determination and number of dividends and any other terms in respect of such voting rights, shall be determined by the Board and set out in the designations, rights, privileges, restrictions and conditions of such series of Class A Preferred Shares. Other than as set out below, the material characteristics of each series of Class A Preferred Shares are substantially the same.

Series 1 Class A Preferred Shares

The holders of Series 1 Class A Preferred Shares are entitled to receive fixed dividends at an annual rate of $1.0625 per share, payable quarterly on the 1st day of March, June, September and December, if, as and when declared by the Board, for the initial fixed rate period to but excluding December 1, 2018. The dividend rate will reset on December 1, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.47 percent. In the event of liquidation, dissolution or winding-up of Pembina, the holders of Series 1 Class A Preferred Shares shall be entitled to receive $25.00 per Series 1 Class A Preferred Share plus all accrued and unpaid dividends thereon in preference over the Common Shares or any other shares ranking junior to the Series 1 Class A Preferred Shares.

The Series 1 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on December 1, 2018 and on December 1 of every fifth year thereafter at a price of $25.00 per share plus accrued and unpaid dividends. The holders of Series 1 Class A Preferred Shares have the right to convert their shares into Series 2 Class A Preferred Shares, subject to certain conditions, on December 1, 2018 and on December 1 of every fifth year thereafter. The holders of Series 2 Class A Preferred Shares will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the Board, at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 2.47 percent, and will have the right to convert their shares into Series 1 Class A Preferred Shares, subject to certain conditions, on December 1, 2023 and on December 1 of every fifth year thereafter. The Series 2 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on any date after December 1, 2018, by the payment of an amount of cash for each share to be redeemed equal to (i) $25.00 in the case of any redemptions on December 1, 2023 and on December 1 in every fifth year thereafter, or (ii) $25.50 in the case of redemption on any other date after December 1, 2018, in each case plus all accrued and unpaid dividends thereon.

Series 3 Class A Preferred Shares

The holders of Series 3 Class A Preferred Shares are entitled to receive fixed dividends at an annual rate of $1.1750 per share, payable quarterly on the 1st day of March, June, September and December, if, as and when declared by the Board, for the initial fixed rate period to but excluding March 1, 2019. The dividend rate will reset on March 1, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.60 percent. In the event of liquidation, dissolution or winding-up of Pembina, the holders of Series 3 Class A Preferred Shares shall be entitled to receive $25.00 per Series 3 Class A Preferred Share plus all accrued and unpaid dividends thereon in preference over the Common Shares or any other shares ranking junior to the Series 3 Class A Preferred Shares.

The Series 3 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on March 1, 2019 and on March 1 of every fifth year thereafter at a price of $25.00 per share plus accrued and unpaid dividends. The holders of Series 3 Class A Preferred Shares have the right to convert their shares into Series 4 Class A Preferred Shares, subject to certain conditions, on March 1, 2019 and on March 1 of every fifth year thereafter. The holders of Series 4 Class A Preferred Shares will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the Board, at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 2.60 percent, and will have the right to convert their shares into Series 3 Class A Preferred Shares, subject to certain conditions, on March 1, 2024 and on March 1 of every fifth year thereafter. The Series 4 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on any date after March 1, 2019, by the payment of an amount of cash for each share to be redeemed equal to (i) $25.00 in the case of any redemptions on March 1, 2024 and on March 1 in every fifth year thereafter, or (ii) $25.50 in the case of redemption on any other date after March 1, 2019, in each case plus all accrued and unpaid dividends thereon.

Series 5 Class A Preferred Shares

The holders of Series 5 Class A Preferred Shares are entitled to receive fixed dividends at an annual rate of $1.25 per share, payable quarterly on the 1st day of March, June, September and December, if, as and when declared by the Board, for the initial fixed rate period to but excluding June 1, 2019. The dividend rate will reset on June 1, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 3.00 percent. In the event of liquidation, dissolution or winding-up of Pembina, the holders of Series 5 Class A Preferred Shares shall be entitled to receive $25.00 per Series 5 Class A Preferred Share plus all accrued and unpaid dividends thereon in preference over the Common Shares or any other shares ranking junior to the Series 5 Class A Preferred Shares.

The Series 5 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on June 1, 2019 and on June 1 of every fifth year thereafter at a price of $25.00 per share plus accrued and unpaid dividends. The holders of Series 5 Class A Preferred Shares have the right to convert their shares into Series 6 Class A Preferred Shares, subject to certain conditions, on June 1, 2019 and on June 1 of every fifth year thereafter. The holders of Series 6 Class A Preferred Shares will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the Board, at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 3.00 percent, and will have the right to convert their shares into Series 5 Class A Preferred Shares, subject to certain conditions, on June 1, 2024 and on June 1 of every fifth year thereafter. The Series 6 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on any date after June 1, 2024, by the payment of an amount of cash for each share to be redeemed equal to (i) $25.00 in the case of any redemptions on June 1, 2024 and on June 1 in every fifth year thereafter, or (ii) $25.50 in the case of redemption on any other date after June 1, 2019, in each case plus all accrued and unpaid dividends thereon.

Series 7 Class A Preferred Shares

The holders of Series 7 Class A Preferred Shares are entitled to receive fixed dividends at an annual rate of $1.125 per share, payable quarterly on the 1st day of March, June, September and December, if, as and when declared by the Board, for the initial fixed rate period to but excluding December 1, 2019. The dividend rate will reset on December 1, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.94 percent. In the event of liquidation, dissolution or winding-up of Pembina, the holders of Series 7 Class A Preferred Shares shall be entitled to receive $25.00 per Series 7 Class A Preferred Share plus all accrued and unpaid dividends thereon in preference over the Common Shares or any other shares ranking junior to the Series 7 Class A Preferred Shares.

The Series 7 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on December 1, 2019 and on December 1 of every fifth year thereafter at a price of $25.00 per share plus accrued and unpaid dividends. The holders of Series 7 Class A Preferred Shares have the right to convert their shares into Series 8 Class A Preferred Shares, subject to certain conditions, on December 1, 2019 and on December 1 of every fifth year thereafter. The holders of Series 8 Class A Preferred Shares will be entitled to receive quarterly floating rate cumulative dividends, as and when declared by the Board, at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 2.94 percent, and will have the right to convert their shares into Series 7 Class A Preferred Shares, subject to certain conditions, on December 1, 2024 and on December 1 of every fifth year thereafter. The Series 8 Class A Preferred Shares are redeemable by Pembina in whole or in part, at its option, on any date after December 1, 2019, by the payment of an amount of cash for each share to be redeemed equal to (i) $25.00 in the case of any redemptions on any date after December 1, 2024 and on December 1 in every fifth year thereafter, or (ii) $25.50 in the case of redemption on any other date after December 1, 2019, in each case plus all accrued and unpaid dividends thereon.

Internal Preferred Shares

Holders of Internal Preferred Shares shall not be entitled to receive notice of, to attend or to vote at any meeting of the Shareholders, except as required by law. The Internal Preferred Shares are retractable and redeemable at the option of the holder thereof and Pembina, respectively. The price or consideration payable at which each Internal Preferred Share shall be retracted or redeemed (the "**Redemption Amount**") shall be the fair market value of the consideration received thereof as determined by the Board of Directors at the time of issuance of the Internal Preferred Shares, as adjusted from time to time pursuant to the terms of the Internal Preferred Shares.

If at any time a holder of Internal Preferred Shares ceases to be, or is not, a direct or indirect wholly owned subsidiary of Pembina, Pembina, with or without knowledge of such event, shall be deemed, without further action or notice, to have automatically redeemed all of the Internal Preferred Shares held by such holder in exchange for the Redemption Amount.

The holders of Internal Preferred Shares shall be entitled to receive, if and when declared by the Board of Directors, preferential non-cumulative dividends based on the Redemption Amount applicable to such shares at the rate to be set by the Board of Directors.

Upon the liquidation, dissolution or winding-up of Pembina, the holders of Internal Preferred Shares shall be entitled to receive for each such share, in priority to the holders of Common Shares, the Redemption Amount per share together with all declared but unpaid dividends thereon.

Premium Dividend™ and Dividend Reinvestment Plan

Eligible Pembina shareholders have the opportunity to receive, by reinvesting the cash dividends declared payable by Pembina on their common shares, either (i) additional common shares at a discounted subscription price equal to 95 percent of the Average Market Price (as defined in the DRIP), pursuant to the "Dividend Reinvestment Component" of the DRIP, or (ii) a premium cash payment (the "Premium Dividend™") equal to 102 percent of the amount of reinvested dividends, pursuant to the "Premium Dividend™ Component" of the DRIP. Additional information about the terms and conditions of the DRIP, including eligibility restrictions, withholding taxes and prorating as provided for in the plan can be found at www.pembina.com. Pembina will determine, for each dividend payment date during a period for which the DRIP is not suspended, the amount of new equity or premium cash payments, if any, that will be made available under the DRIP on that date.

Convertible Debentures

Series C Convertible Debentures

On November 17, 2010, Pembina issued $300,000,000 aggregate principal amount of Series C Convertible Debentures at a price of $1,000 per Series C Convertible Debenture, which bear interest at an annual rate of 5.75 percent payable semi-annually on May 31 and November 30 in each year commencing May 31, 2011 and have a maturity date of November 30, 2020. The Series C Convertible Debentures are listed on the TSX under the symbol "PPL.DB.C".

Each Series C Convertible Debenture is convertible into Common Shares at the option of the holder at any time prior to the close of business on November 30, 2020 and the business day immediately preceding the date specified for redemption by Pembina of the Series C Convertible Debentures, at a conversion price of $28.55 per Common Share, subject to adjustment in certain events. Pembina may, at its option on or after November 30, 2014 and prior to November 30, 2016, elect to redeem the Series C Convertible Debentures in whole or in part, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125 percent of the conversion price of the Series C Convertible Debentures. On or after November 30, 2016, the Series C Convertible Debentures may be redeemed in whole or in part at the option of Pembina at a price equal to their principal amount plus accrued and unpaid interest. Pembina can elect to pay interest on the Series C Convertible Debentures by issuing Common Shares.

As at December 31, 2014, $236 million principal amount of Series C Convertible Debentures were outstanding.

Series E and Series F Convertible Debentures

Pursuant to the Provident Acquisition, Pembina assumed all of the rights and obligations of Provident related to the Series E Convertible Debentures and Series F Convertible Debentures, which are now listed on the TSX under the symbols "PPL.DB.E" and "PPL.DB.F", respectively.

The Series E Convertible Debentures were issued November 1, 2010 in the principal aggregate amount of $172,500,000. The Series E Convertible Debentures bear interest at an annual rate of 5.75 percent payable semi-annually on June 30 and December 31 and have a maturity date of December 31, 2017. Each Series E Convertible Debenture is convertible into Common Shares at the option of the holder at any time prior to the close of business on December 31, 2017 and the business day immediately preceding the date specified for redemption by Pembina of the Series E Convertible Debentures, at a conversion price of $24.94 per Common Share, subject to adjustment in certain events. Pembina may, at its option on or after December 31, 2013 and prior to December 31, 2015, elect to redeem the Series E Convertible Debentures in whole or in part, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125 percent of the conversion price of the Series E Convertible Debentures. On or after December 31, 2015, the Series E Convertible Debentures may be redeemed in whole or in part at the option of Pembina at a price equal to their principal amount plus accrued and unpaid interest. Any accrued unpaid interest will be paid in cash.

As at December 31, 2014, $23 million principal amount of Series E Convertible Debentures were outstanding.

The Series F Convertible Debentures were issued April 29, 2011 in the principal aggregate amount of $172,500,000. The Series F Convertible Debentures bear interest at an annual rate of 5.75 percent payable semi-annually on June 30 and December 31 and have a maturity date of December 31, 2018. Each Series F Convertible Debenture is convertible into Common Shares at the option of the holder at any time prior to the close of business on December 31, 2017 and the business day immediately preceding the date specified for redemption by Pembina of the Series F Convertible Debentures, at a conversion price of $29.53 per Common Share, subject to adjustment in certain events. Pembina may, at its option on or after December 31, 2014 and prior to December 31, 2016, elect to redeem the Series F Convertible Debentures in whole or in part, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125 percent of the conversion price of the Series F Convertible Debentures. On or after December 31, 2016, the Series F Convertible Debentures may be redeemed in whole or in part at the option of Pembina at a price equal to their principal amount plus accrued and unpaid interest. Any accrued unpaid interest will be paid in cash.

As at December 31, 2014, $150 million principal amount of Series F Convertible Debentures were outstanding.

Pembina retains a cash conversion option on the Series E and Series F Convertible Debentures, allowing the Company to pay cash to the converting holder of the debentures in lieu of the holder's entitlement to Common Shares, at the option of the Company.

Credit Facilities

Pembina's credit facilities as at December 31, 2014 consisted of an unsecured $1.5 billion revolving credit facility due March 20, 2019 (the "**Revolving Credit Facility**") and an unsecured operating facility of $30 million due July 2015 (the " **Operating Credit Facility**", and together with the Revolving Credit Facility, the "**Credit Facilities**"). Borrowings on the Credit Facilities bear interest at prime lending rates plus nil to 1.25 percent or Bankers' Acceptances rates plus 1.00 percent to 2.25 percent. Margins on the Credit Facilities are based on the credit rating of Pembina's senior unsecured debt. There are no repayments due over the term of the Credit Facilities. As at December 31, 2014, Pembina had $510 million drawn on bank debt and $53 million in cash, leaving $1,073 million of cash and unutilized debt facilities. Pembina also had an additional $38 million in letters of credit issued in a separate demand letter of credit facility. Subsequent to year end, Pembina used part of the proceeds of its issuance of $600 million senior unsecured medium-term notes on February 2, 2015 to fully repay the balance on the Credit Facilities.

Medium Term Notes

Medium Term Notes, Series 1

On March 29, 2011, Pembina issued and sold $250 million aggregate principal amount of Medium Term Notes, Series 1. The Medium Term Notes, Series 1 have an annual coupon rate of interest of 4.89 percent and mature on March 29, 2021. Pembina's obligations under the Medium Term Notes, Series 1 and the Medium Term Note Indenture are guaranteed by certain subsidiaries of Pembina.

Pembina may redeem the Medium Term Notes, Series 1, either in whole at any time, or in part from time to time, upon not less than 30 and not more than 60 days prior notice, at a price equal to the greater of (i) par and (ii) the Canada Yield Price (as defined below), plus, in either case, accrued but unpaid interest, if any, to but excluding, the date of redemption. "**Canada Yield Price**" means, in effect, a price equal to the price of the Medium Term Notes, Series 1 calculated in accordance with generally accepted financial practice in Canada to provide a yield to maturity equal to the Government of Canada Yield (as defined below) plus 0.395 percent per annum for the Medium Term Notes, Series 1 issued on March 29, 2011. "**Government of Canada Yield**" means, on any date, in effect, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100 percent of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Notes, Series 1. The Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by Pembina. In certain circumstances following a Change of Control (as such term is defined in the Medium Term Note Indenture) and a resulting downgrade in the ratings of the Medium Term Notes, Series 1 to below an investment grade, Pembina will be required to make an offer to repurchase all or, at the option of any holder of Medium Term Notes, Series 1, any part, at a purchase price payable in cash equal to 101 percent of the aggregate outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

Medium Term Notes, Series 2

On October 22, 2012, Pembina issued and sold $450 million aggregate principal amount of Medium Term Notes, Series 2. The Medium Term Notes, Series 2 have an annual coupon rate of interest of 3.77 percent and mature on October 24, 2022. Pembina's obligations under the Medium Term Notes, Series 2 and the Medium Term Note Indenture are guaranteed by certain subsidiaries of Pembina.

Pembina may redeem the Medium Term Notes, Series 2, either in whole at any time, or in part from time to time, upon not less than 30 and not more than 60 days prior notice, at a price equal to the greater of (i) par and (ii) the Canada Yield Price (as defined below), plus, in either case, accrued but unpaid interest, if any, to but excluding the date of redemption. "**Canada Yield Price**" means, in effect, a price equal to the price of the Medium Term Notes, Series 2 calculated in accordance with generally accepted financial practice in Canada to provide a yield to maturity equal to the Government of Canada Yield plus 0.46 percent per annum for the Medium Term Notes, Series 2 issued October 29, 2012. "**Government of Canada Yield**" means, on any date, in effect, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100 percent of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Notes, Series 2. The Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by Pembina. In certain circumstances following a Change of Control (as such term is defined in the Medium Term Note Indenture) and a resulting downgrade in the ratings of the Medium Term Notes, Series 2 to below an investment grade, Pembina will be required to make an offer to repurchase all or, at the option of any holder of Medium Term Notes, Series 2, any part, at a purchase price payable in cash equal to 101 percent of the aggregate outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

Medium Term Notes, Series 3

On April 30, 2013, Pembina issued and sold $200 million aggregate principal amount of Medium Term Notes, Series 3. Additionally, on February 2, 2015, Pembina issued and sold $150 million aggregate principal amount of Medium Term Notes, Series 3 through the re-opening of the series. The Medium Term Notes, Series 3 have an annual coupon rate of interest of 4.75 percent and mature on April 30, 2043. Pembina's obligations under the Medium Term Notes, Series 3 and the Medium Term Note Indenture are guaranteed by certain subsidiaries of Pembina.

Pembina may redeem the Medium Term Notes, Series 3, either in whole at any time, or in part from time to time, upon not less than 30 and not more than 60 days prior notice, (a) at any time prior to October 30, 2042 at a price equal to the greater of (i) par and (ii) the Canada Yield Price (as defined below), and (b) at any time on or after October 30, 2042 at a price equal to par, plus, in either case, accrued but unpaid interest, if any, to but excluding the date of redemption. "**Canada Yield Price**" means, in effect, a price equal to the price of the Medium Term Notes, Series 3 calculated in accordance with generally accepted financial practice in Canada to provide a yield to maturity equal to the Government of Canada Yield plus 0.585 percent per annum for the Medium Term Notes, Series 3 issued April 30, 2013. "**Government of Canada Yield**" means, on any date, in effect, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100 percent of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Notes, Series 3. The Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by Pembina. In certain circumstances following a Change of Control (as such term is defined in the Medium Term Note Indenture) and a resulting downgrade in the ratings of the Medium Term Notes, Series 3 to below an investment grade, Pembina will be required to make an offer to repurchase all or, at the option of any holder of Medium Term Notes, Series 3, any part, at a purchase price payable in cash equal to 101 percent of the aggregate outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

Medium Term Notes, Series 4

On April 4, 2014, Pembina issued and sold $600 million aggregate principal amount of Medium Term Notes, Series 4. The Medium Term Notes, Series 4 have an annual coupon rate of interest of 4.81 percent and mature on March 25, 2044. Pembina's obligations under the Medium Term Notes, Series 4 and the Medium Term Note Indenture are guaranteed by certain subsidiaries of Pembina.

Pembina may redeem the Medium Term Notes, Series 4, either in whole at any time, or in part from time to time, upon not less than 30 and not more than 60 days prior notice, (a) at any time prior to September 25, 2043 at a price equal to the greater of (i) par and (ii) the Canada Yield Price (as defined below), and (b) at any time on or after September 25, 2043 at a price equal to par, plus, in either case, accrued but unpaid interest, if any, to but excluding the date of redemption. "**Canada Yield Price**" means, in effect, a price equal to the price of the Medium Term Notes, Series 4 calculated in accordance with generally accepted financial practice in Canada to provide a yield to maturity equal to the Government of Canada Yield plus 0.45 percent per annum for the Medium Term Notes, Series 4 issued April 4, 2014. "**Government of Canada Yield**" means, on any date, in effect, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100 percent of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Notes, Series 4. The Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by Pembina. In certain circumstances following a Change of Control (as such term is defined in the Medium Term Note Indenture) and a resulting downgrade in the ratings of the Medium Term Notes, Series 4 to below an investment grade, Pembina will be required to make an offer to repurchase all or, at the option of any holder of Medium Term Notes, Series 4, any part, at a purchase price payable in cash equal to 101 percent of the aggregate outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

Medium Term Notes, Series 5

On February 2, 2015, Pembina issued and sold $450 million aggregate principal amount of Medium Term Notes, Series 5. The Medium Term Notes, Series 5 have an annual coupon rate of interest of 3.54 percent and mature on February 3, 2025. Pembina's obligations under the Medium Term Notes, Series 5 and the Medium Term Note Indenture are guaranteed by certain subsidiaries of Pembina.

Pembina may redeem the Medium Term Notes, Series 5, either in whole at any time, or in part from time to time, upon not less than 30 and not more than 60 days prior notice, (a) at any time prior to November 3, 2024 at a price equal to the greater of (i) par and (ii) the Canada Yield Price (as defined below), and (b) at any time on or after November 3, 2024 at a price equal to par, plus, in either case, accrued but unpaid interest, if any, to but excluding the date of redemption. "**Canada Yield Price**" means, in effect, a price equal to the price of the Medium Term Notes, Series 5 calculated in accordance with generally accepted financial practice in Canada to provide a yield to maturity equal to the Government of Canada Yield plus 0.54 percent per annum for the Medium Term Notes, Series 5 issued February 2, 2015. " **Government of Canada Yield**" means, on any date, in effect, the yield to maturity on such date compounded semi-annually which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100 percent of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Medium Term Notes, Series 5. The Government of Canada Yield will be the average of the yields determined by two major Canadian investment dealers selected by Pembina. In certain circumstances following a Change of Control (as such term is defined in the Medium Term Note Indenture) and a resulting downgrade in the ratings of the Medium Term Notes, Series 5 to below an investment grade, Pembina will be required to make an offer to repurchase all or, at the option of any holder of Medium Term Notes, Series 5, any part, at a purchase price payable in cash equal to 101 percent of the aggregate outstanding principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase.

Other Debt

Other debt at December 31, 2014 included $267 million in Series D senior unsecured notes bearing interest at 5.91 percent payable semi-annually due November 2019 (the "**Series D Senior Notes**"); and $200 million in Series C unsecured notes bearing interest at 5.58 percent payable semi-annually due September 2021 (the "**Series C Senior Notes**"). The Senior Notes are subject to the maintenance of certain financial ratios.

Credit Ratings

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

Pembina has paid each of S&P and DBRS (as defined below) their customary fees in connection with the provision of the below ratings. Pembina has not made any payments to S&P or DBRS over the past two years for services unrelated to the provision of such ratings.

DBRS Limited

DBRS Limited ("**DBRS**") has assigned a debt rating of "BBB" to each of the Medium Term Notes, Series 1, the Medium Term Notes, Series 2, the Medium Term Notes, Series 3, the Medium Term Notes, Series 4 and the Medium Term Notes, Series 5. DBRS has also rated Pembina's senior unsecured notes 'BBB'.

The BBB rating is the fourth highest of DBRS' ten rating categories for long-term debt, which range from AAA to D. DBRS uses "high" and "low" designations on ratings from AA to C to indicate the relative standing of securities being rated within a particular rating category. The absence of a "high" or "low" designation indicates that a rating is in the middle of the category. The BBB rating indicates that, in DBRS's view, the rated securities are of adequate credit quality. The capacity for the payment of financial obligations is considered acceptable; however the issuer may be vulnerable to future events.

The Series 1 Class A Preferred Shares, Series 3 Class A Preferred Shares, Series 5 Class A Preferred Shares and Series 7 Class A Preferred Shares have been rated Pfd-3 by DBRS. DBRS' ratings for preferred shares range from a high of Pfd-1 to a low of D. "High" or "low" grades are used to indicate the relative standing within a rating category. The absence of either a "high" or "low" designation indicates the rating is in the middle of the category. According to the DBRS rating system, preferred shares rated Pfd-3 are of adequate credit quality. While protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection.

When a significant event occurs that directly impacts the credit quality of a particular entity or group of entities, DBRS will attempt to provide an immediate rating opinion. However, if there is uncertainty regarding the outcome of the event, and DBRS is unable to provide an objective, forward-looking opinion in a timely fashion, then the ratings of the issuer will be placed "Under Review."

Standard & Poor's

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies (" **S&P**") has a long-term corporate credit rating on Pembina of 'BBB'. S&P also has assigned a rating of "BBB" to the Medium Term Notes, Series 1, the Medium Term Notes, Series 2, the Medium Term Notes, Series 3, the Medium Term Notes, Series 4 and the Medium Term Notes, Series 5.

The BBB rating is the fourth highest rating, of S&P's ten rating categories for long-term debt which range from AAA to D. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories. Issues of debt securities rated BBB are judged by S&P to exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

The Series 1 Class A Preferred Shares, Series 3 Class A Preferred Shares, Series 5 Class A Preferred Shares and Series 7 Class A Preferred Shares have been rated P-3 (High) by S&P. S&P's ratings for preferred shares range from a high of P-1 to a low of P-5. "High" or "low" grades are used to indicate the relative standing within a rating category. According to the S&P rating system, securities rated P-3 are regarded as having significant speculative characteristics. While such securities will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions. An obligation rated P-3 (High) is less vulnerable to non-payment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the obliger's inadequate capacity to meet its financial commitment on the obligation.

These securities ratings are not recommendations to purchase, hold or sell the securities inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

See "*Risk Factors – General Risk Factors – Credit Ratings*".

DIVIDENDS AND DISTRIBUTIONS

Cash Dividends

Common Shares

Pembina paid its initial monthly dividend of $0.13 per Common Share on November 15, 2010 to Shareholders of record on October 25, 2010. On April 12, 2012, following closing of the Provident Acquisition, Pembina announced an increase to its monthly dividend rate from $0.13 to $0.135 per Common Share. Another increase was announced on August 9, 2013, when Pembina raised its monthly dividend rate from $0.135 to $0.14 per Common Share. On May 8, 2014, Pembina announced a further increase to its monthly dividend rate from $0.14 to $0.145 per Common Share. The following table sets forth the amount of monthly cash dividends paid by Pembina in 2012, 2013, 2014 and to date in 2015.

Cash Dividends Per Common Share

Month of Payment Date	2015	2014	2013	2012
January	$ 0.145	$ 0.14	$ 0.135	$ 0.13
February	$ 0.145	$ 0.14	$ 0.135	$ 0.13
March		$ 0.14	$ 0.135	$ 0.13
April		$ 0.14	$ 0.135	$ 0.13
May		$ 0.14	$ 0.135	$ 0.135
June		$ 0.145	$ 0.135	$ 0.135
July		$ 0.145	$ 0.135	$ 0.135
August		$ 0.145	$ 0.135	$ 0.135
September		$ 0.145	$ 0.14	$ 0.135
October		$ 0.145	$ 0.14	$ 0.135
November		$ 0.145	$ 0.14	$ 0.135
December		$ 0.145	$ 0.14	$ 0.135
Total	$ 0.29	$ 1.715	$ 1.64	$ 1.60

On February 6, 2015, Pembina announced that the Board of Directors had declared a dividend of $0.145 per Common Share to be paid, subject to applicable law, on March 13, 2015 to holders of Common Shares of record on February 25, 2015.

Preferred Shares

Dividends on each issued series of Class A Preferred Shares are payable on the first day of March, June, September and December of each year, if, as and when declared by the Board. Additional information regarding dividends payable on the Class A Preferred Shares can be found under the heading "*Class A Preferred Shares*" herein. The initial dividend on the Series 1 Class A Preferred Shares was paid on December 1, 2013 to shareholders of record on November 1, 2013 for the period commencing on the date of issuance (July 26, 2013) up to but excluding November 30, 2013. The initial dividend on the Series 3 Class A Preferred Shares was paid on December 1, 2013 to shareholders of record on November 1, 2013 for the period commencing on the date of issuance (October 2, 2013) up to but excluding November 30, 2013. The initial dividend on the Series 5 Class A Preferred Shares was paid on March 1, 2014 for the period commencing on the date of issuance (April 4, 2014) up to but excluding March 1, 2014. The initial dividend on the Series 7 Class A Preferred Shares was paid on December 1, 2014 for the period commencing on the date of issuance (September 11, 2014) up to but excluding December 1, 2014.

Cash Dividends Per Class A Preferred Share

Quarterly Payment Date	Series 1	Series 3	Series 5	Series 7	Total
2013					
December 1	$ 0.3726	$ 0.1932	N/A	N/A	$ 0.5658
2014					
March 1	$ 0.265625	$ 0.29375	$ 0.1507	N/A	$ 0.710075
June 1	$ 0.265625	$ 0.29375	$ 0.3125	N/A	$ 0.871875
September 1	$ 0.265625	$ 0.29375	$ 0.3125	N/A	$ 0.871875
December 1	$ 0.265625	$ 0.29375	$ 0.3125	$ 0.2497	$ 1.1216

On January 12, 2015, Pembina announced that the Board of Directors had declared a quarterly dividend of $0.265625 per Series 1 Class A Preferred Share, $0.29375 per Series 3 Class A Preferred Share, $0.3125 per Series 5 Class A Preferred Share and $0.28125 per Series 7 Class A Preferred Share to be paid, subject to applicable law, on March 1, 2015 to holders of record on February 1, 2015.

The declaration and payment of any dividend by Pembina is at the discretion of the Board of Directors and will depend on numerous factors, including compliance with applicable laws and the financial performance, debt obligations, working capital requirements and future capital requirements of Pembina and its subsidiaries. See "*Risk Factors*".

The agreements governing Pembina's Credit Facilities provide that if an event of default has occurred under the Credit Facilities, the indebtedness may be accelerated by the lenders, and the ability to pay dividends thereupon ceases. Pembina is restricted from making distributions (including the declaration of dividends) if it is in default under its Credit Facilities (or a default would be expected to occur as a result of such distribution) or if its borrowings exceed its borrowing base threshold.

MARKET FOR SECURITIES

The Common Shares are listed and traded on the TSX under the symbol "PPL". The following table sets forth the price range for and trading volume of the Common Shares on the TSX for 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January	38.48	36.52	38.23	9,228,471
February	40.85	37.57	39.91	11,715,674
March	42.36	39.06	41.98	37,027,594
April	43.27	41.13	43.07	22,059,739
May	46.56	42.29	42.81	15,268,130
June	45.99	43.11	45.91	14,361,335
July	47.20	44.43	45.68	14,471,226
August	49.97	44.55	49.97	13,031,662
September	53.04	44.69	47.18	20,328,816
October	47.84	39.05	46.76	26,639,454
November	47.00	38.82	38.96	22,100,885
December	42.83	36.26	42.34	33,595,199

The Common Shares are also listed on the NYSE under the trading symbol "PBA". The following table sets forth the price range for and trading volume of the Common Shares on the NYSE for 2014, as reported by Bloomberg.

Month	High (US$)	Low (US$)	Close (US$)	Volume
January	35.20	33.55	34.34	114,279
February	36.65	33.80	35.54	151,288
March	38.44	35.09	36.08	154,135
April	39.51	37.57	38.37	143,008
May	42.76	38.72	40.36	153,447
June	43.02	39.55	41.53	163,493
July	43.65	41.61	42.68	129,804
August	46.03	40.84	43.63	188,596
September	48.89	40.14	45.96	323,201
October	42.76	30.45	40.73	416,150
November	41.64	34.46	38.69	362,865
December	36.96	31.30	34.37	437,080

The Series C Convertible Debentures are listed and traded on the TSX under the symbol "PPL.DB.C". The following table sets forth the price range for and trading volume of the Series C Convertible Debentures on the TSX for 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January	136.00	130.00	136.00	62,648
February	143.00	133.99	141.00	82,180
March	148.60	138.00	148.60	261,667
April	152.00	145.00	151.50	266,320
May	160.51	149.00	153.50	16,200
June	160.55	151.99	160.00	45,985
July	165.00	157.00	161.00	18,710
August	175.04	157.36	175.04	172,080
September	185.50	159.04	166.00	14,100
October	166.00	146.00	164.50	16,400
November	165.00	145.00	147.00	5,140
December	147.00	130.00	147.00	7,020

The Series E Convertible Debentures are listed and traded on the TSX under the symbol "PPL.DB.E". The following table sets forth the price range for and trading volume of the Series E Convertible Debentures on the TSX for 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January	153.30	146.50	152.47	14,740
February	160.13	150.85	160.00	3,430
March	169.07	156.10	169.00	11,880
April	173.00	166.00	172.18	96,810
May	182.36	171.50	178.50	2,130
June	180.00	176.00	180.00	1,550
July	187.08	180.87	184.29	4,330
August	199.16	182.00	199.16	2,030
September	211.75	180.09	190.00	13,025
October	185.00	180.00	184.44	590
November	175.00	170.00	170.00	990
December	160.00	150.00	160.00	700

The Series F Convertible Debentures are listed and traded on the TSX under the symbol "PPL.DB.F". The following table sets forth the price range for and trading volume of the Series F Convertible Debentures on the TSX for 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January	131.31	126.67	131.31	57,500
February	139.25	130.00	136.00	146,610
March	144.00	134.00	144.00	229,860
April	148.00	140.50	146.55	128,920
May	155.21	145.00	148.94	119,010
June	155.75	148.07	155.75	171,700
July	159.00	151.77	155.20	18,930
August	170.00	153.00	170.00	7,460
September	179.21	153.35	160.00	27,088
October	161.00	140.00	158.00	18,520
November	157.23	144.16	144.16	1,000
December	140.17	128.07	138.50	13,220

The Series 1 Class A Preferred Shares are listed and traded on the TSX under the symbol "PPL.PR.A". The following table sets forth the price range for and trading volume of the Series 1 Class A Preferred Shares on the TSX for 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January	24.80	23.60	24.00	262,342
February	23.99	23.49	23.88	123,318
March	24.50	23.79	24.41	180,179
April	24.95	24.21	24.71	108,079
May	25.00	23.88	23.92	154,113
June	24.54	23.33	24.35	130,975
July	25.00	24.28	24.47	135,901
August	24.71	24.04	24.69	106,148
September	24.50	24.18	24.44	353,968
October	24.90	24.17	24.90	105,975
November	25.04	24.59	24.93	128,123
December	25.17	22.79	24.40	156,619

The Series 3 Class A Preferred Shares are listed and traded on the TSX under the symbol "PPL.PR.C". The following table sets forth the price range for and trading volume of the Series 1 Class A Preferred Shares on the TSX for 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January	25.35	24.56	24.56	286,328
February	24.95	24.40	24.85	76,295
March	25.00	24.75	24.85	108,087
April	25.39	24.93	25.20	74,778
May	25.58	24.76	24.76	103,590
June	25.48	24.49	25.22	101,346
July	25.97	25.23	25.55	72,888
August	25.60	25.01	25.21	68,163
September	25.61	24.99	25.37	38,847
October	25.64	24.79	25.29	69,367
November	25.78	25.18	25.40	64,253
December	25.50	23.42	24.97	93,546

The Series 5 Class A Preferred Shares were listed and posted for trading on the TSX on January 16, 2014 under the symbol "PPL.PR.E". The following table sets forth the price range for and trading volume of the Series 5 Class A Preferred Shares on the TSX for January 16, 2014 through to December 31, 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
January 16-31	25.24	24.90	25.11	1,752,649
February	26.09	25.13	26.00	467,446
March	26.00	25.50	25.77	386,218
April	26.00	25.67	25.80	423,803
May	26.34	25.41	25.41	181,162
June	26.07	25.26	26.07	163,856
July	26.82	25.74	25.75	186,207
August	26.37	25.75	26.35	175,807
September	26.30	25.82	26.06	159,101
October	26.22	25.71	25.85	81,779
November	26.23	25.80	26.00	257,248
December	26.07	25.10	25.70	142,579

The Series 7 Class A Preferred Shares were listed and posted for trading on the TSX on September 11, 2014 under the symbol "PPL.PR.G". The following table sets forth the price range for and trading volume of the Series 7 Class A Preferred Shares on the TSX for September 11, 2014 through to December 31, 2014, as reported by the TSX.

Month	High ($)	Low ($)	Close ($)	Volume
September 11-30	25.52	25.05	25.40	1,639,789
October	25.65	25.10	25.58	352,728
November	25.75	25.29	25.54	96,093
December	25.41	24.56	25.02	391,861

DIRECTORS AND OFFICERS

Directors of Pembina

The following table sets out the name and residence for each director of Pembina as of the date of this Annual Information Form, the date on which they were appointed as a director of Pembina (or as a trustee of the Fund prior to an internal reorganization in which the directors of Pembina replaced a board of trustees of the Fund as the entity responsible for the governance of the Fund) and their principal occupations during the past five years.

Name and Residence	Date Appointed	Principal Occupation During the Past Five Years
Anne-Marie N. Ainsworth[2][4] Houston, Texas, USA	October 7, 2014	Independent businesswoman since March 2014; prior thereto, President and Chief Executive Officer and a member of the Board of Directors of the general partner of Oiltanking Partners, L.P. (a master limited partnership engaged in independent storage and transportation of crude oil, refined petroleum products and liquefied petroleum gas) and President and Chief Executive Officer of Oiltanking Holding Americas, Inc. from November 2012 to March 2014; prior thereto, Senior Vice President of Refining of Sunoco Inc. from November 2009 to March 2012. Currently member of the board of directors of Seventy Seven Energy Inc.
Grant D. Billing[2][3] Calgary, Alberta, Canada	April 2, 2012	Independent businessman since November 2011; prior thereto, Chairman and Chief Executive Officer of Superior Plus Corp. (a propane distribution, specialty chemicals and construction products distribution company) from July 2006 to November 2011 and Executive Chairman since 1998.
Michael H. Dilger Calgary, Alberta, Canada	January 1, 2014	President and Chief Executive Officer of Pembina since January 1, 2014; prior thereto, President and Chief Operating Officer of Pembina from February 2012 until December 31, 2012; prior thereto, Vice President, Chief Operating Officer of Pembina from November 2008 to February 2012. Currently member of the board of directors of Trilogy Energy Corp.
Randall J. Findlay[1][3][5][6][7] Calgary, Alberta, Canada	March 8, 2007	Corporate director; prior thereto, President of Provident Energy Trust from 2001 to 2006. Currently member of the board of directors of HNZ Group Inc., Superior Plus Corp., Whitemud Resources Inc. and Spyglass Resources Corp. (will not be standing for re-election for Spyglass Resources Corp. on May 13, 2015).

Name and Residence	Date Appointed	Principal Occupation During the Past Five Years
Lorne B. Gordon[2][4][6] Calgary, Alberta, Canada	October 24, 1997	Independent businessman; prior thereto, Vice Chairman of Coril Holdings Ltd. (a private investment and holding company) from 2004 to 2006.
David M.B. LeGresley[2][5] Toronto, Ontario, Canada	August 16, 2010	Independent businessman since September 2008; prior thereto, Vice Chairman of National Bank Financial from 2006 to 2008. Currently member of the board of directors of Equitable Group Inc.
Robert B. Michaleski[4][6] Calgary, Alberta, Canada	January 4, 2000	Corporate director; prior thereto, Chief Executive Officer of Pembina from February, 2012 until December 31, 2013; prior thereto, President and Chief Executive Officer of Pembina. Currently member of the board of directors of Essential Energy Services.
Leslie A. O'Donoghue[3][5] Calgary, Alberta, Canada	December 17, 2008	Executive Vice President, Corporate Development and Strategy and Chief Risk Officer of Agrium Inc. (a retail supplier of agricultural products and services and a producer and marketer of agricultural nutrients and industrial products) since October 30, 2012; prior thereto, Executive Vice President, Operations of Agrium Inc. from April 30, 2011 to October 30, 2012; prior thereto, Chief Legal Officer and Senior Vice President, Business Development of Agrium Inc.
Jeffrey T. Smith[4][5] Calgary, Alberta, Canada	April 2, 2012	Independent businessman. Currently serves on the board of NAL Resources Limited (an oil and gas company) and Spyglass Resources Corp.
Gordon J. Kerr Calgary, Alberta, Canada	January 15, 2015	Independent businessman since 2013; prior thereto, President and Chief Executive Officer and director of Enerplus Corporation (a North American energy producer) from May 2001 until July 2013. Currently member of the board of directors of Laricina Energy Ltd.

Notes:

(1) Chairman of the Board.
(2) Member of Audit Committee.
(3) Member of Human Resources and Compensation Committee.
(4) Member of the Health, Safety and Environment Committee.
(5) Member of the Governance Committee.
(6) Member of the Major Capital Projects Committee.
(7) Mr. Findlay was a director of Wellpoint Systems Inc. (a TSX Venture Exchange listed company) from June 2008 until January 31, 2011. Wellpoint Systems Inc. was placed into receivership by two of its lenders on January 31, 2011. Wellpoint Systems Inc. was a company supplying software to the energy industry in Canada, the U.S. and internationally.

Shareholders elect the directors of Pembina at each annual meeting of the Shareholders. The directors of Pembina serve until the next annual meeting of the Shareholders or until their successors are duly elected or appointed. All of Pembina's directors are "independent" within the meaning of National Instrument 58–101 – *Disclosure of Corporate Governance Practices*, adopted by the Canadian Securities Administrators, with the exception of Mr. Dilger, who is President and Chief Executive Officer of Pembina, and Mr. Michaleski, who was the Chief Executive Officer of Pembina until December 31, 2013 (and therefore deemed non-independent until December 31, 2016). In addition, Pembina has adopted Standards for Director Independence which meet or exceed the requirements set out in National Policy 58–201 – *Corporate Governance Guidelines*, National Instrument 52–110 – *Audit Committees*, the SEC rules and regulations, the *Sarbanes-Oxley Act of 2002* and the NYSE rules.

The Board of Directors has five committees, being the Audit Committee, the Health, Safety and Environment Committee, the Human Resources and Compensation Committee, the Governance Committee and the Major Capital Projects Committee. Additional information regarding the responsibilities of these committees will be contained in Pembina's information circular for its annual meeting of Shareholders to be held on May 8, 2015.

Executive Officers of Pembina

The following table sets out the name, residence and office held with Pembina for each executive officer of the Company, as well as their principal occupations during the past five years.

Name and Residence	Office with Pembina	Principal Occupation During the Past Five Years
Michael H. Dilger Calgary, Alberta, Canada	President and Chief Executive Officer	President and Chief Executive Officer since January 1, 2014; prior thereto, President and Chief Operating Officer of Pembina since February 15, 2012; prior thereto, Vice President, Chief Operating Officer of Pembina since November 2008.
Paul J. Murphy Calgary, Alberta, Canada	Senior Vice President, Pipeline and Crude Oil Facilities	Senior Vice President, Pipeline and Crude Oil Facilities since September 4, 2013; prior thereto, Vice President, Conventional Pipelines of Pembina since February 14, 2011; prior thereto, Vice President, NGL Extraction of Inter Pipeline Fund since July 2004.
Stuart V. Taylor Calgary, Alberta, Canada	Senior Vice President, NGL and Natural Gas Facilities	Senior Vice President, NGL and Natural Gas Facilities since September 4, 2013; prior thereto, Vice President, Gas Services of Pembina since July 1, 2009; prior thereto, Manager, Planning of Talisman Energy Inc. since November 2003.
J. Scott Burrows Calgary, Alberta, Canada	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer since January 1, 2015; prior thereto, Vice President, Capital Markets of Pembina since September 2013; prior thereto, Vice President, Corporate Development and Investor Relations since March 2013; prior thereto, Senior Manager, Corporate Development and Planning since February 2012.
Robert M. Jones Calgary, Alberta, Canada	Vice President, Crude Oil Midstream	Vice President, Crude Oil Midstream of Pembina since November 2008.
Andrew Gruszecki Calgary, Alberta, Canada	Vice President, Oil Sands & Heavy Oil	Vice President, Oil Sands & Heavy Oil of Pembina since October 2014; prior thereto, Vice President, Business Development from April 2012 to October 2014; prior thereto, Executive Vice President, Business Development of Provident from January 2006 to April 2012.

Name and Residence	Office with Pembina	Principal Occupation During the Past Five Years
Robert D. Lock Calgary, Alberta, Canada	Vice President, NGL Midstream	Vice President, NGL Midstream of Pembina since April 2012; prior thereto, Vice President, Supply and Extraction of Provident since 2005.
Jason T. Wiun Calgary, Alberta, Canada	Vice President, Conventional Pipelines	Vice President, Conventional Pipelines of Pembina since January 1, 2014; prior thereto, Vice President, Gas Services since September 2013; prior thereto, Senior Manager, Business Development, Conventional Pipelines since 2011; prior thereto, controller for the Conventional Pipelines business unit.
Jaret A. Sprott Calgary, Alberta, Canada	Vice President, Gas Services	Vice President, Gas Services of Pembina since January 1, 2015; prior thereto, Senior Manager, Peace River Arch (Alberta Montney), Northern Operating Area of Encana Corporation since March 2013; prior thereto, Senior Manager Bighorn (Deep Basin Cretaceous) since April 2012.
Debbie A. Sulkers Calgary, Alberta, Canada	Vice President, Corporate Services	Vice President, Corporate Services of Pembina since June 2011; prior thereto, Vice President, Human Resources of SemCAMS ULC (a natural gas gathering and processing company) from October 2006 to April 2011.
Harold K. Andersen Calgary, Alberta, Canada	Vice President, Legal and General Counsel	Vice President, Legal and General Counsel of Pembina since April 1, 2013; prior thereto, General Counsel of Pembina since December 2011; prior thereto, Partner and Associate at Stikeman Elliott LLP (a law firm) from June 2000 to December 2011.
Claudia D'Orazio Calgary, Alberta, Canada	Vice President, Compliance and Risk	Vice President, Compliance and Risk since October 2014; prior thereto, Vice President, Risk, Information Services and Procurement of Pembina since September 2013; prior thereto, Vice President, Risk and Treasurer since April 2012; prior thereto, Corporate Controller since 2006.

As at February 26, 2015, the directors and executive officers of Pembina beneficially owned, or controlled or directed, directly or indirectly, an aggregate of 1,721,237 Common Shares, representing approximately 0.6 percent of the then outstanding Common Shares.

Conflict of Interest

The directors and executive officers named above may be directors or officers of entities which are in competition with or are customers or suppliers of Pembina. As such, these directors or officers of Pembina may encounter conflicts of interest in the administration of their duties with respect to Pembina. See "*Risk Factors – General Risk Factors – Potential Conflicts of Interest*".

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The Audit Committee Charter is set forth in Appendix "A" to this Annual Information Form.

Composition of the Audit Committee and Relevant Education and Experience

Pembina's Audit Committee is comprised of David M.B. LeGresley, as Chairman, Anne-Marie Ainsworth, Lorne B. Gordon and Grant D. Billing each of whom is independent and financially literate within the meaning of National Instrument 52–110 – *Audit Committees* of the Canadian Securities Administrators and in accordance with Pembina's Standards for Director Independence available at www.pembina.com. Set forth below are additional details regarding each member of the Audit Committee.

David M.B. LeGresley

David M.B. LeGresley is the Chairman of the Audit Committee and has been a member of the Audit Committee since April 2, 2012. Mr. LeGresley is independent within the meaning of such term in National Instrument 52-110 – *Audit Committees*, and in accordance with the rules prescribed by the SEC and the NYSE. David LeGresley is a former executive of National Bank Financial and spent 12 years with that company, most recently serving as Vice Chairman from 2006 to 2008. Prior to that assignment he was National Bank Financial's Executive Vice President and Head of Corporate and Investment Banking (1999 to 2006); Managing Director and Head of Vancouver Investment Banking (1998 to 1999); and Managing Director, Investment Banking (1996 to 1998). Mr. LeGresley has extensive experience in the financial services industry including positions at Salomon Brothers Canada from 1990 to 1996 and CIBC Wood Gundy from 1986 to 1990. He also serves as a director of a TSX-listed company, Equitable Group Inc., as well as one private company, Woodland Biofuels Inc. He is on the advisory committee for CANFAR (the Canadian Foundation for AIDS Research). Mr. LeGresley received a Bachelor of Applied Science Degree in Engineering from the University of Toronto in 1981 and a Master of Business Administration from Harvard Business School in 1986. He is a graduate of the Institute of Corporate Directors – Rotman Directors Education Program and a member of the Institute of Corporate Directors. This business experience provides Mr. LeGresley with the skill set and financial literacy required to carry out his duties as a member of the Audit Committee.

Anne-Marie Ainsworth

Anne-Marie N. Ainsworth is independent within the meaning of such term in National Instrument 52-110 – Audit Committees, and in accordance with the rules prescribed by the SEC and the NYSE. Ms. Ainsworth currently serves as a member of the board of directors and audit committee of Seventy Seven Energy Inc. She has served as President and Chief Executive Officer and a member of the Board of Directors of the general partner of Oiltanking Partners, L.P. and as President and Chief Executive Officer of Oiltanking Holding Americas, Inc. from November 2012 to March 2014. Ms. Ainsworth previously held the position of Senior Vice President of Refining of Sunoco Inc. from November 2009 until March 2012. Prior to joining Sunoco, Ms. Ainsworth was employed by Motiva Enterprises, LLC, where she was the General Manager of the Motiva Norco Refinery in Norco, Louisiana from 2006 to 2009. From 2003 to 2006 Ms. Ainsworth was Director of Management Systems & Process Safety at Shell Oil Products U.S., and from 2000 to 2003 she was Vice President of Technical Assurance at Shell Deer Park Refining Company. Ms. Ainsworth holds a Master of Business Administration degree from Rice University, where she served as an adjunct professor from October 2000 to October 2009, and a Bachelor of Science degree in Chemical Engineering from the University of Toledo. This business experience provides Ms. Ainsworth with the skill set and financial literacy required to carry out her duties as a member of the Audit Committee.

Lorne B. Gordon

Lorne B. Gordon is independent within the meaning of such term in National Instrument 52-110 – *Audit Committees*, and in accordance with the rules prescribed by the SEC and the NYSE. Mr. Gordon is an independent businessman who served as the Vice-Chairman of Coril Holdings Ltd. (a private investment and holding company) from 2004 to 2006 and as President and CEO from 1997 to 2004. Mr. Gordon was the President and CEO of Pembina Resources Limited from 1985 to 1993. Until 2007, Mr. Gordon was a director of the privately held companies Mancal Corporation, Mancal Energy and Mancal Coal. He is a past Chairman of the Canadian Petroleum Association, a founding member of the Board of Governors of the Canadian Association of Petroleum Producers, and a member of the Institute of Corporate Directors. Mr. Gordon received his Chartered Accountant Designation in 1971. This business experience, coupled with his training as a Chartered Accountant, provides Mr. Gordon with the skill set and financial literacy required to carry out his duties as a member of the Audit Committee.

Grant D. Billing

Grant D. Billing has been a member of the Audit Committee since April 2, 2012. Mr. Billing is independent within the meaning of such term in National Instrument 52-110 – *Audit Committees*, and in accordance with the rules prescribed by the SEC and the NYSE. Mr. Billing was the Chairman and Chief Executive Officer of Superior Plus Corp. from 2006 to 2011, and prior thereto the Executive Chairman since 1998. Mr. Billing has extensive strategic and business experience gained over a period of more than 30 years in various CEO/senior management capacities, including as President and CEO of Norcen Energy Resources Ltd. He has served as chairman and director of a number of public companies, as well as the Canadian Association of Petroleum Producers. He holds a Bachelor of Science degree from the University of Calgary. This experience, coupled with his designation as a Chartered Accountant, received in 1976, provide Mr. Billing with the skill set and financial literacy required to carry out his duties as a member of the Audit Committee.

Pre-Approval Policies and Procedures for Audit and Non-Audit Services

The terms of engagement of Pembina's external auditors provide that audit services provided to Pembina by the external auditors, including the budgeted fees for such audit services and the representations and disclaimer relating thereto, must be pre-approved by the entire Audit Committee.

In addition, subject to any *de minimis* exemption available under applicable laws, all permitted non-audit services provided to Pembina by its external auditors, including the terms thereof and the fees related thereto, are pre-approved by the entire Audit Committee. Notwithstanding the foregoing, the Audit Committee's Mandate permits the Audit Committee to establish policies and procedures for the pre-approval of audit and permitted non-audit services to be provided by the external auditors. In particular, the Audit Committee may delegate the ability to grant such pre-approvals to one or more members of the Audit Committee to the extent permitted by law and the terms of engagement of the external auditors, provided that any pre-approvals granted pursuant to any such delegation must be detailed as to the particular service to be provided, may not delegate Audit Committee responsibilities to management of Pembina, and must be reported to the full Audit Committee at its next scheduled meeting following such pre-approval.

External Auditor Service Fees

The following table sets out the fees billed to Pembina for professional services provided by KPMG during each of the last two financial years:

Year	AUDIT FEES[1]	AUDIT-RELATED FEES[2]	TAX FEES[3]	ALL OTHER FEES[4]
2014	$ 1,809,000	$ 30,000	$ 436,305	NIL
2013	$ 1,935,225	$ 30,000	$ 208,835	NIL

Notes:

(1) Audit fees were for professional services rendered by KPMG LLP for the audit of Pembina's annual financial statements and reviews of Pembina's quarterly financial statements, as well as services provided in connection with statutory and regulatory filings or engagements. In 2014, fees included additional expense for Pembina's prospectus supplements in connection with the offerings of Medium Term Notes, Series 4, and Class A Preferred Shares, Series 5 and 7, and associated French translations. In addition to the 2014 fees stated above, KPMG billed $39,500 in 2015 prior to the date hereof, for fees related to Pembina's prospectus supplements in connection with the offerings of Medium Term Notes, Series 3 and Series 5 in February, 2015. In 2013, fees included additional expense for Pembina's base shelf prospectus, and prospectus supplements in connection with the offerings of Common Shares, Medium Term Notes, Series 3 and Class A Preferred Shares, Series 1 and 3, and associated French translations.

(2) Audit-related fees are for assurance and related services reasonably related to the performance of the audit or review of Pembina's financial statements and not reported under "*Audit Fees*" above. 2014 and 2013 fees included audit fees for the pension plan audit.

(3) Tax fees were for tax compliance, tax advice and tax planning. In addition to the 2014 fees stated above, KPMG billed $31,811 in 2015 prior to the date hereof. The fees were for services performed by Pembina's auditors' tax division except those tax services related to the audit. 2014 and 2013 (and 2015) fees included general tax consultation and tax compliance fees incurred for preparing and filing the tax returns for Pembina's subsidiaries.

(4) All other fees are fees for products and services provided by Pembina's auditors other than those described as "*Audit Fees*", "*Audit-related Fees*" and "*Tax Fees*".

RISK FACTORS

The following information is a summary only of certain risk factors relating to Pembina or an investment in securities of Pembina or its subsidiaries and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Shareholders and prospective investors should carefully consider these risk factors before investing in Pembina's securities, as each of these risks may negatively affect the trading price of Pembina's securities, the amount of dividends paid to Shareholders and holders of Class A Preferred Shares and the ability of Pembina to fund its debt obligations, including debt obligations under its outstanding Convertible Debentures, Medium Term Notes and any other debt securities that Pembina may issue from time to time.

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in Pembina's other public filings before making an investment decision.

Pembina continually works to mitigate the impact of potential risks to its business by identifying all significant risks so that they can be appropriately managed. To assist with identifying risk, Pembina has implemented a comprehensive enterprise risk management program.

Risks Inherent in Pembina's Business

Operational Risks

Operational risks include: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities, information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); spills at truck terminals and hubs; spills associated with the loading and unloading of harmful substances onto rail cars and trucks; failure to maintain adequate supplies of spare parts; operator error; labour disputes; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third party systems or refineries which may prevent the full utilization of Pembina's facilities and pipelines; and catastrophic events such as natural disasters, fires, floods, explosions, train derailments, earthquakes, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of Pembina. Pembina may also be exposed from time to time, to additional operational risks not stated in the immediately preceding sentences. The occurrence or continuance of any of these events could increase the cost of operating Pembina's assets or reduce revenue, thereby impacting earnings. Additionally, Pembina's facilities and pipelines are reliant on electrical power for their operations. A failure or disruption within the local or regional electrical power supply or distribution or transmission systems could significantly affect ongoing operations. Further, a significant increase in the cost of power or fuel could have a materially negative effect on the level of profit realized in cases where the relevant contracts do not provide for recovery of such costs.

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

Midstream Business – Market Risk

Pembina's Midstream business includes activities related to product storage, terminalling, and hub services. These activities expose Pembina to certain risks including that Pembina may experience volatility in revenue, and impairments related to the book value of stored product, due to fluctuations in commodity prices. Primarily, Pembina enters into contracts to purchase and sell crude oil at floating market prices. The prices of products that are marketed by Pembina are subject to volatility as a result of such factors as seasonal demand changes, extreme weather conditions, general economic conditions, changes in crude oil markets and other factors. Pembina manages its risk exposure by balancing purchases and sales to lock-in margins. Notwithstanding Pembina's management of price and quality risk, marketing margins for crude oil can vary and have varied significantly from period to period. This variability could have an adverse effect on the results of Pembina's commercial Midstream business and its overall results of operations. To assist in effectively smoothing that variability inherent in this business, Midstream is investing in assets that have a fee-based revenue component, and is looking to expand this area going forward.

The Midstream business is also exposed to possible price declines between the time Pembina purchases NGL feedstock and sells NGL products, and to narrowing frac spreads. Frac spread is the difference between the selling prices for NGL products and the cost of NGL sourced from natural gas and acquired at natural gas related prices. Frac spreads can change significantly from period to period depending on the relationship between crude oil and natural gas prices (the "**frac spread ratio**"), absolute commodity prices, and changes in the Canadian to US dollar foreign exchange rate. There is also a differential between NGL product prices and crude oil prices which can change margins realized for midstream products separate from frac spread ratio changes. The amount of profit or loss made on the extraction portion of the NGL midstream business will generally increase or decrease with frac spreads. This exposure could result in variability of cash flow generated by the NGL midstream business, which could affect Pembina and the cash dividends of Pembina.

Reputation

Reputational risk is the potential market or company specific events that could result in the deterioration of Pembina's reputation with key stakeholders. The potential for harming Pembina's corporate reputation exists in every business decision and all risks can have an impact on reputation, which in turn can negatively impact Pembina's business and its securities. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory and legal risks, among others, must all be managed effectively to safeguard Pembina's reputation. Pembina's reputation could also be impacted by the actions and activities of other companies operating in the energy industry, particularly other energy infrastructure providers, over which it has no control. In particular, Pembina's reputation could be impacted by negative publicity related to pipeline incidents, unpopular expansion plans or new projects, and due to opposition from organizations opposed to energy, oil sands and pipeline development and particularly with shipment of production from oil sands regions. Negative impacts from a compromised reputation could include revenue loss, reduction in customer base, delays in obtaining regulatory approvals with respect to growth projects, and decreased value of Pembina's securities.

Environmental Costs and Liabilities

Pembina's operations, facilities and petroleum product shipments are subject to extensive national, regional and local environmental, health and safety laws and regulations governing, among other things, discharges to air, land and water, the handling and storage of petroleum products and hazardous materials, waste disposal, the protection of employee health, safety and the environment, and the investigation and remediation of contamination. Pembina's facilities could experience incidents, malfunctions or other unplanned events that result in spills or emissions in excess of permitted levels and result in personal injury, fines, penalties or other sanctions and property damage. Pembina could also incur liability in the future for environmental contamination associated with past and present activities and properties. The facilities and pipelines must maintain a number of environmental and other permits from various governmental authorities in order to operate, and these facilities are subject to inspection from time to time. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Licenses and permits must be renewed from time to time and there is no guarantee that the license will be renewed on the same or similar conditions. There can be no assurance that Pembina will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. Further, if at any time regulatory authorities deem any one of Pembina's pipelines or facilities unsafe or not in compliance with applicable laws, they may order it to be shut down.

While Pembina believes its current operations are in compliance with all applicable significant environmental and safety regulations, there can be no assurance that substantial costs or liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, claims for damages to persons or property resulting from Pembina's operations, and the discovery of pre-existing environmental liabilities in relation to any of Pembina's existing or future properties or operations, could result in significant costs and liabilities to Pembina. In addition, the costs of environmental liabilities in relation to spill sites of which Pembina is currently aware (see "*Other Information Relating to Pembina's Business — Environmental Incidents*") could be greater than Pembina currently anticipates, and any such differences could be substantial. If Pembina is not able to recover the resulting costs or increased costs through insurance or increased tariffs, cash flow available to pay dividends and to service obligations under the Convertible Debentures, Medium Term Notes and Pembina's other debt obligations could be adversely affected.

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

Abandonment Costs

Pembina is responsible for compliance with all applicable laws and regulations regarding the abandonment of its pipeline systems and other assets at the end of their economic life, and these abandonment costs may be substantial.

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

Pembina has complied with the NEB requirements on its NEB-regulated pipelines for the creation of abandonment funds and has completed the compliance-based filings that are required under the applicable NEB rules and regulations regarding the abandonment of its pipeline systems and assets. Pembina also has a 50 percent ownership in an NEB-regulated pipeline lateral which is operated by a joint venture partner. The joint venture partner is responsible for the submission of the NEB-compliance based filings for this asset, which Pembina is in the process of reviewing. Pembina will continue to monitor any regulatory changes prior to the next five-year review, and will complete the annual reporting as required by the NEB. Pembina-operated rate-regulated pipelines account for less than 206 km, or three percent, of the total infrastructure in the Conventional Pipelines business.

Reserve Replacement, Throughput and Product Demand

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

Over the long-term, Pembina's business will depend, in part, on the level of demand for crude oil, condensate, NGL and natural gas in the markets served by the crude oil and NGL pipelines and gas processing and gathering infrastructure in which Pembina has an interest. Recent global economic events have had a substantial downward effect on the prices of such products and Pembina cannot predict the impact of future economic conditions on the energy and petrochemical industries or future demand for and prices of natural gas, crude oil, condensate and NGL. As lower commodity prices reduce drilling activity, the increasing supply that has been fuelling the growth in pipeline infrastructure could slow down. These factors could negatively affect pipeline and processing capacity value as transportation and processing capacity becomes more abundant. Future prices of these products are determined by supply and demand factors, including weather and general economic conditions as well as economic, political and other conditions in other oil and natural gas regions, all of which are beyond Pembina's control.

The volumes of natural gas processed through Pembina's gas processing assets and of NGL and other products transported in its pipelines depend on production of natural gas in the areas serviced by the business and pipelines. Without reserve additions, production will decline over time as reserves are depleted and production costs may rise. Producers may shut-in production at lower product prices or higher production costs. Producers in the areas serviced by the business may not be successful in exploring for and developing additional reserves or achieving technological improvements to increase recovery rates, and the gas plants and the pipelines may not be able to maintain existing volumes of throughput. Commodity prices may not remain at a level which encourages producers to explore for and develop additional reserves or produce existing marginal reserves. Given the current adverse global economic conditions, the prices of these products have decreased substantially from recently high levels and the risks that producers will not seek reserves additions has heightened. Lower production volumes will also increase the competition for natural gas supply at gas processing plants which could result in higher shrinkage premiums being paid to natural gas producers.

The rate and timing of production from proven natural gas reserves tied into the gas plants is at the discretion of the producers and is subject to regulatory constraints. The producers have no obligation to produce natural gas from these lands. Pembina's gas processing assets are connected to various third party trunk line systems. Operational disruptions or apportionment on those third party systems may prevent the full utilization of the business.

Over the long-term, Pembina's business will depend, in part, on the level of demand for NGL and natural gas in the geographic areas in which deliveries are made by pipelines and the ability and willingness of shippers having access or rights to utilize the pipelines to supply such demand. Pembina cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas and NGL.

Completion and Timing of Expansion Projects

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

Under most of Pembina's construction and operation agreements, the Company is obligated to construct the facilities regardless of delays and cost increases and Pembina bears the risk for any cost overruns, and future agreements with customers entered into with respect to expansions may contain similar conditions. While Pembina is not currently aware of any significant undisclosed cost overruns at the date hereof, any such cost overruns in the future may adversely affect the economics of particular projects, as well as Pembina's business operations and financial results, and could reduce Pembina's expected return on investment which, in turn, could reduce the level of cash available for dividends and to service obligations under Pembina's debt securities and other debt obligations. See "*– General Risk Factors – Additional Financing and Capital Resources*" and "*Shipper and Processing Contracts*" below.

Operating and Capital Costs

Operating and capital costs of Pembina's business may vary considerably from current and forecast values and rates and represent significant components of the cost of providing service. In general, as equipment ages, costs associated with such equipment may increase over time. Dividends may be reduced if significant increases in operating or capital costs are incurred and this may also impact the ability of Pembina to service obligations under its debt securities and other debt obligations.

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

Possible Failure to Realize Anticipated Benefits of Corporate Strategy

Pembina evaluates the value proposition for expansion projects, new acquisitions or divestitures on an ongoing basis. Planning and investment analysis is highly dependent on accurate forecasting assumptions and to the extent that these assumptions do not materialize, financial performance may be lower or more volatile than expected. Volatility in the economy, change in cost estimates, project scoping and risk assessment could result in a loss in profits for Pembina. Large scale acquisitions in particular may involve significant pricing and integration risk. As part of its ongoing strategy, Pembina may complete acquisitions of assets or other entities in the future. Achieving the benefits of completed and future acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Pembina's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Pembina. The integration of acquired businesses and entities requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Pembina's ability to achieve the anticipated benefits of any acquisitions. Acquisitions may also expose Pembina to additional risks, including entry into markets or businesses in which Pembina has little or no direct prior experience, increased credit risks through the assumption of additional debt, costs and contingent liabilities and exposure to liabilities of the acquired business or assets. See "*– General Risk Factors – Additional Financing and Capital Resources*" below.

Risks Relating to Crude/NGL by Rail

Pembina's operations include rail loading, offloading and terminalling facilities. Pembina relies on railroads and trucks to distribute its products for customers as well as to transport raw materials to its processing facilities. Costs for environmental damage, damage to property and personal injury in the event of a railway incident involving hydrocarbons have the potential to be significant and liabilities to Pembina are possible. At this time, the *Railway Safety Act* (Canada), which governs the operation of railway equipment, does not contemplate regulatory enforcement proceedings against shippers, but consignors and shippers may be subject to regulatory proceedings under the *Transportation of Dangerous Goods Act* (Canada), which specifies the obligations of shippers to identify and classify dangerous goods, select appropriate equipment and prepare shipping documentation. In 2014, the Canadian Transportation Agency conducted a review of third party liability insurance regulations for railways, and Transport Canada initiated a broader consultation process concerning the allocation of risk and responsibilities for third party liability among railways, shippers and other stakeholders. These consultations may result in further regulatory initiatives. In addition, major railway companies in Canada have implemented standard contract and/or tariff provisions aimed at shifting responsibility for certain damages and claims to shippers. Under various environmental statutes in both Canada and the United States, Pembina could be held responsible for environmental damage caused by hydrocarbons loaded at its facilities or being carried on its leased rail cars. Pembina partially mitigates this risk by securing insurance coverage.

Recent railway incidents in Canada and the United States have prompted regulatory bodies to initiate reviews of transportation rules and publish various directives. Regulators in Canada and the United States have begun to phase-in more stringent engineering standards for tank cars used to move petroleum products which will require all North American tank cars carrying crude or ethanol that do not currently meet these standards to be retrofitted by May 1, 2017, and will require all tank cars carrying flammable liquids to be compliant by May 1, 2025. While most legislative changes apply directly to railway companies, costs associated with retrofitting locomotives and rail cars, implementing safety systems, increased inspection and reporting requirements may be indirectly passed on to Pembina through increased freight rates and car leasing costs. In addition, regulators in Canada and the United States have implemented changes that impose obligations relating to certification of product and equipment procedures and emergency response procedures, directly on consignors and shippers such as Pembina.

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

Competition

Pembina competes with other pipelines, midstream and marketing and gas processing and handling services providers in its service areas as well as other transporters of crude oil and NGL. The introduction of competing transportation alternatives into Pembina's service areas could potentially have the impact of limiting Pembina's ability to adjust tolls as it may deem necessary and result in the reduction of throughput in Pembina's pipelines. Additionally, potential pricing differentials on the components of NGL may result in these components being transported by competing gas pipelines. Pembina believes it is prepared for and determined to meet these existing and potential competitive pressures. Pembina also competes with other businesses for growth and business opportunities, which could impact its ability to grow through acquisitions. See "*Conventional Pipelines Business – Competitive Environment*", "*Oil Sands and Heavy Oil Business – Competitive Environment*", "*Gas Services Business – Competitive Environment*", "*Midstream Business – Competitive Environment*".

Shipper and Processing Contracts

Throughput on Pembina's pipelines is or will be governed by transportation contracts or tolling arrangements with various producers of petroleum products. In addition, Pembina is party to numerous contracts of varying durations in respect of its gas gathering, processing and fractionation facilities. Any default by counterparties under such contracts or any expiration of such contracts or tolling arrangements without renewal or replacement may have an adverse effect on Pembina's business. Furthermore, some of the contracts associated its gas gathering, processing and fractionation facilities are comprised of a mixture of firm and interruptible service contracts and the revenue that Pembina earns on the contracts which are based on interruptible service is dependent on the volume of natural gas and NGL produced by producers in the relevant geographic areas and lower than historical production volumes in these areas (for reasons such as low commodity prices) may have an adverse effect on Pembina's revenue. See "*Description of Pembina's Business and Operations — Oil Sands & Heavy Oil Business*", "*Description of Pembina's Business and Operations — Conventional Pipelines Business*", and "*Description of Pembina's Business and Operations – Gas Services Business*".

Reliance on Principal Customers and Operators

Pembina relies on several significant customers to purchase product from the Midstream business. Ethane is predominately purchased by NOVA Chemicals and Dow Canada. Cenovus and its affiliates will purchase the majority of the condensate from the Empress debutanizer. Plains All American Pipeline operates the Plains E1 Plant at Empress, Alberta and the west to east system described herein, and NOVA Chemicals operates the Vantage Pipeline. Certain of Pembina's full-service terminals are operated under joint venture arrangements with third parties. If for any reason these parties were unable to perform their obligations under the various agreements with Pembina, the revenue and dividends of the Company and the operations of the Midstream business could be negatively impacted. See "- *General Risk Factors – Credit Risk*".

Risk Factors Relating to the Securities of Pembina

Dilution of Shareholders

Pembina is authorized to issue, among other classes of shares, an unlimited number of Common Shares for consideration and on terms and conditions as established by the Board of Directors without the approval of Shareholders in certain instances. The Shareholders will have no pre-emptive rights in connection with such further issues.

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

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

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

Market Value of Common Shares and Other Securities

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

Shareholders are encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to the holding of Common Shares, Class A Preferred Shares or Convertible Debentures.

General Risk Factors

Additional Financing and Capital Resources

The timing and amount of Pembina's capital expenditures, and the ability of the Company to repay or refinance existing debt as it becomes due, directly affects the amount of cash dividends that Pembina pays. Future acquisitions, expansions of Pembina's pipeline systems and midstream operations, and other capital expenditures and the repayment or refinancing of existing debt as it becomes due will be financed from sources such as cash generated from operations, the issuance of additional shares or other securities (including debt securities) of Pembina, and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to Pembina, or at all, to make additional investments, fund future expansions or make other required capital expenditures. As a result of the recent weakened global economic situation, Pembina may have restricted access to capital and increased borrowing costs. Although Pembina's business and asset base have not changed materially, the ability of Pembina to raise capital is dependent upon, among other factors, the overall state of capital markets and investor demand for investments in the energy industry and Pembina's securities in particular. To the extent that external sources of capital, including the issuance of additional shares or other securities or the availability of additional credit facilities, become limited or unavailable on favourable terms or at all due to credit market conditions or otherwise, the ability of Pembina to make the necessary capital investments to maintain or expand its operations, to repay outstanding debt and to invest in assets, as the case may be, may be impaired. To the extent Pembina is required to use cash flow to finance capital expenditures or acquisitions or to repay existing debt as it becomes due, the level of dividends payable may be reduced.

Regulation

Legislation in Alberta and British Columbia exists to ensure that producers have fair and reasonable opportunities to produce, process and market their reserves. In Alberta, the AER and in British Columbia, the BCUC, may, on application and following a hearing (and in Alberta with the approval of the Lieutenant Governor in Council), declare the operator of a pipeline a common carrier of oil or NGL and, as such, must not discriminate between producers who seek access to the pipeline. Producers and shippers may also apply to the regulatory authorities for a review of tariffs, and such tariffs may then be regulated if it is proven that the tariffs are not just and reasonable. Applications by producers to have a pipeline operator declared a common carrier are usually accompanied by an application to have the tariffs set by the regulatory authorities. The extent to which regulatory authorities in such instances can override existing transportation or processing contracts has not been fully decided. The potential for direct regulation of tolls, other than for Pembina's provincially regulated B.C. Pipelines, while considered remote by Pembina, could result in toll levels that are less advantageous to Pembina and could impair the economic operation of such regulated pipeline systems.

In June, 2013, the *Responsible Energy Development Act* ("**REDA**") came into force in Alberta. As a result of REDA, the AER assumed all the powers, duties and functions of the Energy Resource Conservation Board under Alberta's energy enactments. The AER also assumed responsibility for the land-use authorizations and dispositions for energy-related activities under the *Public Lands Act* and for exploration activity for petroleum, natural gas, and other minerals, except metallic and industrial minerals under *Mines and Minerals Act (Part 8).* In spring of 2014, the *Water Act* and the *Environmental Protection and Enhancement Act* also came under the AER. The AER is now the single regulatory body that Pembina primarily deals with related to Alberta-issued energy permits, with some minor exceptions. In 2015, Pembina will continue to monitor for legislative or procedural changes that could impose an administrative or financial burden on the company as a result of single regulator.

In addition to the regulatory requirements pertaining to the processing and transportation of natural gas, NGL and crude oil, Pembina's business and financial condition could be influenced by federal and foreign legislation affecting, in particular, foreign investment, through legislation such as the *Competition Act* (Canada) and the *Investment Canada Act* (Canada), and their equivalents in foreign jurisdictions.

Counterparty credit risk

Counterparty credit risk represents the financial loss Pembina would experience if a counterparty to a financial instrument failed to meet its contractual obligations in accordance with the terms and conditions of the financial instruments with Pembina. Counterparty credit risk arises primarily from Pembina's cash and cash equivalents, trade and other receivables, and from counterparties to its derivative financial instruments.

During the recent deterioration of global financial markets, Pembina continued to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions. This has resulted in Pembina reducing or mitigating its exposure to certain counterparties where it is deemed warranted and permitted under contractual terms. Pembina manages counterparty credit risk through established credit management techniques, including conducting comprehensive financial and other assessments for all new counterparties and regular reviews of existing counterparties to establish and monitor a counterparty's creditworthiness, setting exposure limits, monitoring exposures against these limits 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 establishment of counterparty exposure limits is governed by a Board-designated counterparty exposure limit matrix which represents the maximum dollar amounts of counterparty exposure by debt rating that can be approved for a counterparty. 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 may include guarantees, letters of credit and cash. As at December 31, 2014, letters of credit are held by Pembina on $41 million (December 31, 2013: $51 million) of its receivables balance.

Typically, Pembina has collected its receivables in full and at December 31, 2014, approximately 85 percent were current. Pembina has a general lien and a continuing and first priority security interest in, and a secured charge on, all of a shipper's petroleum in its custody. The risk of non-collection is considered to be low and no impairment of trade and other receivables has been made.

Pembina monitors and manages its concentration of counterparty credit risk on an ongoing basis. Pembina also evaluates counterparty risk from the perspective of future exposure that is created through commercial agreements with existing or new counterparties that support future capital expansion projects. 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.

Debt Service

At the end of 2014, Pembina had exposure to floating interest rates on $510 million in debt, which was subsequently repaid in February 2015. Debt exposure is managed by using derivative financial instruments. A one percent change in short-term interest rates would have an annualized impact of approximately $4 million on net cash flows.

Variations in interest rates and scheduled principal repayments, if required under the terms of the banking agreements could result in significant changes in the amounts required to be applied to debt service before payment of any dividends. Certain covenants in the agreements with the lenders may also limit payments and dividends paid by Pembina.

Pembina and its subsidiaries are permitted to borrow funds to finance the purchase of pipelines and other energy infrastructure assets, to fund capital expenditures and other financial obligations or expenditures in respect of those assets and for working capital purposes. Amounts paid in respect of interest and principal on debt incurred in respect of those assets reduce the amount of cash flow available for Common Share dividends. Variations in interest rates and scheduled principal repayments for which Pembina may not be able to refinance at favourable rates or at all, could result in significant changes in the amount required to be applied to service debt, which could have detrimental effects on the amount of cash available for Common Share dividends. Pembina, on a consolidated basis, is also required to meet certain financial covenants under the Credit Facilities and is subject to customary restrictions on its operations and activities, including restrictions on the granting of security, incurring indebtedness and the sale of its assets.

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

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

Credit Ratings

Rating agencies regularly evaluate Pembina, basing their ratings of its long-term and short-term debt on a number of factors. This includes Pembina's financial strength as well as factors not entirely within its control, including conditions affecting the industry in which Pembina operates generally and the wider state of the economy. There can be no assurance that one or more of Pembina's credit ratings will not be downgraded.

Pembina's borrowing costs and ability to raise funds are directly impacted by its credit ratings. Credit ratings may be important to suppliers or counterparties when they seek to engage in certain transactions. A credit rating downgrade could potentially impair Pembina's ability to enter into arrangements with suppliers or counterparties, to engage in certain transactions, and could limit Pembina's access to private and public credit markets and increase the costs of borrowing under its existing credit facilities. A downgrade could also limit Pembina's access to debt and preferred share markets and increase its cost of borrowing.

The occurrence of a downgrade in Pembina's credit ratings could adversely affect its ability to execute portions of its business strategy and could have a material adverse effect on its liquidity, results of operations and capital position.

Changes in Legislation

There can be no assurance that income tax laws, regulatory and environmental laws or policies and government incentive programs relating to the pipeline or oil and natural gas industry, will not be changed in a manner which adversely affects Pembina or its Shareholders or other securityholders.

Reliance on Management and Labour

Shareholders and other securityholders of Pembina will be dependent on senior management and directors of the Company in respect of the governance, administration and management of all matters relating to Pembina and its operations and administration. The loss of the services of key individuals could have a detrimental effect on Pembina. Further, the costs associated with retaining key individuals could adversely affect Pembina's business opportunities and financial results.

Competition for qualified personnel in the oil and gas industry is intense and there is no assurance that Pembina will continue to attract and retain all personnel necessary for the development and operation of its business.

Aboriginal Land Claims and Consultation Obligations

Aboriginal peoples have claimed title and rights to a substantial portion of the lands in western Canada. Such claims, if successful, could have a significant adverse effect on Pembina's Canadian operations. Further, the successful assertion of Aboriginal title or other claims could have a significant adverse effect on natural gas production or oil sands development in Alberta, which in turn could have a material adverse effect on Pembina's business and operations, including the volume of natural gas and NGL handled through Pembina's facilities.

Additionally, the federal and provincial governments in Canada have a duty to consult and, where appropriate, accommodate Aboriginal people where the interests of the Aboriginal peoples may be affected by a Crown action or decision. Accordingly, the Crown's duty may result in regulatory approvals being delayed or not being obtained in relation to Pembina's Canadian operations.

Potential Conflicts of Interest

Shareholders and other securityholders of Pembina are dependent upon senior management and the directors of Pembina for the governance, administration and management of the Company. Certain directors and officers of Pembina may be directors or officers of entities in competition to Pembina and, as such, these directors or officers of Pembina may encounter conflicts of interest in the administration of their duties with respect to Pembina.

Litigation

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

Variations in Interest Rates and Foreign Exchange Rates

Variations in interest rates could result in a significant change in the amount Pembina pays to service debt, potentially impacting dividends payable. Variations in the exchange rate for the Canadian dollar versus the U.S. dollar could affect future dividends.

Health and Safety

The operation of Pembina's business is subject to hazards of gathering, processing, transporting, fractionating, storing and marketing hydrocarbon products, including but not limited to: blowouts; fires; explosions; gaseous leaks; migration of harmful substances; oil spills; corrosion; and acts of vandalism and terrorism. Any of these hazards can interrupt operations, impact Pembina's reputation, cause loss of life or personal injury, result in loss of or damage to equipment, property, information technology systems, related data and control systems, and cause environmental damage that may include polluting water, land or air.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the directors and executive officers of Pembina, none of the directors or executive officers of Pembina, and no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of the Common Shares, and no associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction with Pembina since January 1, 2012 that has materially affected Pembina, or in any proposed transaction that would materially affect Pembina.

MATERIAL CONTRACTS

No contracts material to Pembina and its subsidiaries were entered into during 2014 or 2015 to date or are currently in effect, other than contracts entered into in the ordinary course of business.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings, or regulatory actions, penalties or sanctions material to Pembina to which Pembina or any of its direct or indirect subsidiaries is a party or in respect of which any of the properties of Pembina or any of its direct or indirect subsidiaries are subject, nor are there any such proceedings, actions, penalties or sanctions known to be contemplated.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Common Shares, the Convertible Debentures, the Medium Term Notes and the Class A Preferred Shares is Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta, Canada and Toronto, Ontario, Canada. The co-transfer agent and registrar for the Common Shares in the U.S. is Computershare Investor Services U.S., at its principal offices in Golden, Colorado, U.S.

INTERESTS OF EXPERTS

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations and also that they are independent accountants with respect to the Corporation under all relevant U.S. professional and regulatory standards.

ADDITIONAL INFORMATION

Additional information relating to Pembina and legacy Provident filed with the Canadian securities commissions and the SEC can be found on Pembina's profile on the SEDAR website at www.sedar.com, the EDGAR website at www.sec.gov, and on Pembina's website at www.pembina.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Pembina's securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in Pembina's information circular for its most recent annual meeting of securityholders that involved the election of directors. Furthermore, additional financial information relating to Pembina is provided in Pembina's audited consolidated financial statements and MD&A for its most recently completed financial year, which have also been filed on SEDAR and EDGAR.

Any document referred to in this Annual Information Form and described as being filed on SEDAR at www.sedar.com and on EDGAR at www.sec.gov (including those documents referred to as being incorporated by reference in this Annual Information Form) may be obtained free of charge from us by contacting our Investor Relations Department by telephone (toll free 1-855-880-7404) or by email (investor-relations@pembina.com).

APPENDIX "A" – AUDIT COMMITTEE CHARTER

I. ROLE AND OBJECTIVES

The Audit Committee is a committee of the Board of Directors (the "Board") of Pembina Pipeline Corporation (the "Corporation") to which the Board has delegated certain responsibilities relating to the integrity of financial reporting, oversight of the external auditors, oversight of Pembina's internal audit function and the performance of internal accounting procedures, for the Corporation and entities controlled by the Corporation (collectively, "Pembina"). The Audit Committee also prepares reports, if and when required, for inclusion in Pembina's disclosure documents.

The objectives of the Audit Committee are:

(a) assist Board oversight of the integrity, preparation and disclosure of the financial statements and related matters;

(b) to assist Board oversight of the external auditor's qualifications, independence and performance;

(c) to assist Board oversight of Pembina's compliance with legal and regulatory requirements;

(d) to assist Board oversight of Pembina's internal audit function;

(e) to increase the transparency, credibility and objectivity of financial reporting;

(f) to enhance communication between management, the external auditors, and the Board; and

(g) to discuss policies with respect to risk assessment and management.

II. MEMBERSHIP AND POLICIES

The Board, based on recommendation from the Governance Committee, will appoint members of the Audit Committee. Each member shall serve until his or her successor is appointed, unless he or she shall resign or be removed by the Board or he or she shall otherwise cease to be a director of the Corporation.

The Audit Committee must be composed of not less than three (3) members of the Board, each of whom must be independent and financially literate pursuant to the Corporation's Standards for Director Independence. In addition, at least one member must be an "audit committee financial expert" within the meaning of that term under the United States Securities Exchange Act of 1934, as amended, and the rules adopted by the United States Securities and Exchange Commission thereunder. The Board Chair, in consultation with the Governance Committee, will select the Chair of the Audit Committee from amongst its members.

The Audit Committee may at any time retain outside financial, legal or other advisors as it determines necessary to carry out its duties, at the expense of Pembina. Pembina shall provide for appropriate funding, as determined by the Audit Committee in its capacity as a committee of the Board, for payment of: (i) compensation to the external auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Pembina, (ii) compensation to any advisors employed by the Audit Committee, and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

In discharging its duties under this Charter, the Audit Committee may investigate any matter brought to its attention and will have access to all books, records, facilities and personnel, may conduct meetings or interview any officer or employee, the Corporation's legal counsel, external auditors and consultants, and may invite any such persons to attend any part of any meeting of the Audit Committee.

The Audit Committee has neither the duty nor the responsibility to conduct audit, accounting or legal reviews, or to ensure that the Corporation's financial statements are complete, accurate and in accordance with Canadian generally accepted accounting principles applicable to publicly accountable enterprises, which is within the framework of International Financial Reporting Standards as issued by the International Accounting Standards Board incorporated into the Canadian Institute of Chartered Accountants (CICA) Handbook - Part 1 (referred to as "GAAP"); rather, management is responsible for the financial reporting process, internal review process, and the preparation of the Corporation's financial statements in accordance with GAAP, and the Corporation's external auditors are responsible for auditing those financial statements.

III. FUNCTIONS

A External Auditor

The Audit Committee, in its capacity as a committee of the Board and subject to the rights of holders of the Corporation's shares ("Shareholders") and applicable law, is directly responsible for the overseeing the relationship of the external auditor firm with Pembina, including the appointment, termination, compensation, retention and oversight of the work of the external auditor engaged by the Corporation (including resolution of disagreements or disputes between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Pembina. The Audit Committee's selection of the external auditor is subject to approval by the Shareholders.

The external auditor will report directly to the Audit Committee.

The Audit Committee must pre-approve, subject to any *de minimis* exemption available under applicable laws, the appointment of the external auditor to provide all audit services and permitted non-audit services to be provided by the external auditor, including the terms thereof and the fees related thereto. If desired, the Audit Committee may establish detailed policies and procedures for pre-approval of the provision of audit services and permitted non-audit services by the external auditor. The Audit Committee may delegate this ability to one or more members of the Audit Committee to the extent permitted by applicable law, provided that any pre-approvals granted pursuant to any such delegation must be detailed as to the particular service to be provided, may not delegate Audit Committee responsibilities to management of Pembina, and must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee will consider whether the provision of any non-audit services is compatible with the auditor's independence.

The Audit Committee will obtain and review at least annually a written report by the external auditor setting out the auditor's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

The Audit Committee will review and discuss with the external auditor all relationships that the external auditor and its affiliates have with Pembina and its affiliates in order to determine the external auditor's independence, including, without limitation:

(a) requesting, receiving and reviewing, on a periodic basis but at least annually, a formal written statement from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to Pembina;

(b) discussing with the external auditor any disclosed relationships or services that the external auditor believes may affect the objectivity and independence of the external auditor; and

(c) recommending that the Board take appropriate action in response to the external auditor's report to satisfy itself of the external auditor's independence.

In addition, in respect of the external auditor, the Audit Committee will:

(a) consider whether the external auditor's quality controls are compatible with the auditor's independence;

(b) evaluate, at least annually, the auditor's qualifications, performance and independence;

(c) ensure the rotation of partners on the audit engagement team of the external auditor in accordance with applicable law;

(d) review and evaluate the lead partner of the external auditor;

(e) periodically consider whether, in order to assure continuing external auditor independence, it is appropriate to adopt a policy of rotating the external auditing firm on a regular basis; and

(f) set clear hiring policies for Pembina regarding partners and employees and former partners and employees of the present and former external auditor of the Corporation (it being understood that partners and employees and former partners and employees of the present and former external auditor may not be hired by the Corporation without the prior approval of the Audit Committee); and

(g) present its conclusions with respect to the external auditor to the Board on at least an annual basis.

B Internal Auditor

The Audit Committee, in its capacity as a committee of the Board will carry out the following responsibilities with regard to the internal audit function:

(a) review with management and the head of the internal audit the charter, activities, staffing, and organizational structure of internal audit;

(b) have final authority to review and approve the annual audit plan and all major changes to the plan; and

(c) ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the head of internal audit; and

(d) on a regular basis, meet separately with the head of internal audit to discuss any matters that the Audit Committee or the head of internal audit believes should be discussed privately.

C Oversight of Financial Statements and Internal Controls and Procedures

The Audit Committee will meet with management and the external auditor to review and discuss annual and quarterly financial statements and management's discussion and analyses and earnings press releases. The Audit Committee will review and discuss the financial information to be included in public disclosure documents and determine whether to recommend to the Board that the financial statements be presented to the Board and to the Shareholders and included in public disclosure documents. In connection with these procedures, the Audit Committee will, as applicable and without limitation:

(a) review and discuss with management the type and presentation of information to be included in earnings press releases, paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided by Pembina to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made);

(b) review with management and the external auditor any material correspondence with regulators or government agencies and any employee complaints or published reports which raise issues regarding the Corporation's financial statements or accounting policies;

(c) meet periodically with the appropriate legal advisors to review material legal issues, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies;

(d) will review major issues regarding accounting principles and financial statement presentations;

(e) review analyses prepared by, and discuss with, management and the external auditor with respect to significant financial reporting issues and judgments made in connection with the preparation of Pembina's financial statements, including any significant changes in Pembina's selection or application of accounting principles, any major issues as to the adequacy of Pembina's internal controls and any special steps adopted in light of material control deficiencies;

(f) review and discuss with management and the external auditor the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on Pembina's financial statements;

(g) review with the Chief Financial Officer (the "CFO") and the external auditor any changes in accounting policies as well as any other significant financial reporting issues; and

(h) review Pembina's financial reporting procedures and policies to ensure compliance with all legal and regulatory requirements and to investigate any non-adherence to those procedures and policies.

In addition, the Audit Committee will review and discuss a report from the external auditor at least quarterly regarding:

(a) all critical accounting policies and practices to be used;

(b) all alternative treatments of financial information within GAAP that have been discussed with management, including the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditor; and

(c) other material written communications between the external auditor and management, such as any management letter or schedule of unadjusted differences.

In connection with its review of the annual audited financial statements and quarterly financial statements, the Audit Committee will also review the process for the CEO and CFO certifications with respect to the financial statements and Pembina's disclosure controls and internal controls, including any material deficiencies or changes in those controls. The Audit Committee will review the disclosures made to the Audit Committee by the Corporation's CEO and CFO during their certification process. In particular, the Audit Committee will review with the CEO, CFO, internal auditor and external auditor: (i) all significant deficiencies and material weaknesses in the design or operation of Pembina's internal control over financial reporting that could adversely affect Pembina's ability to record, process, summarize and report financial information required to be disclosed by the Corporation in the reports that it files or submits under applicable securities laws, within the required time periods, and (ii) any fraud, whether or not material, that involves management of Pembina or other employees who have a significant role in Pembina's internal control over financial reporting. In addition, the Audit Committee will review with the CEO, CFO and the internal auditor Pembina's disclosure controls and procedures and at least annually will review management's conclusions about the efficacy of disclosure controls and procedures, including any significant deficiencies or material non-compliance with disclosure controls and procedures.

The Audit Committee will also annually discuss with the external auditor whether they have become aware of any illegal acts in the course of the audit of Pembina's financial statements.

In connection with the annual audit of Pembina's financial statements, the Audit Committee will review with the external auditor:

(a) prior to commencement of the audit, plans, staffing and scope for each annual audit;

(b) the results of the annual audit and resulting opinion including major issues regarding accounting and auditing principles and practices;

(c) the adequacy of internal controls;

(d) any audit problems or difficulties, including any restrictions on the scope of the external auditor's activities or on access to requested information, any significant disagreements with management, and management's response (such review should also include discussion of the responsibilities, budget and staffing of Pembina's internal audit function).

The Audit Committee will also establish a Whistleblower Policy, including procedures for:

(a) the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

D Risk Management

The Audit Committee will review, discuss and monitor Pembina's major financial risk exposures, including commodity and hedging risk, and risk management and assessment policies, and the steps taken by management to monitor and control those exposures. In respect of these responsibilities, the Audit Committee must discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and may develop such guidelines or policies that it deems necessary or desirable, or direct that any such guidelines or policies be developed under its supervision.

E Additional Duties and Responsibilities

The Audit Committee will also:

(a) review the appointment of the CFO and any other key financial executives who are involved in the financial reporting process;

(b) review and reassess the adequacy of this Charter annually and submit any proposed changes to the Governance Committee for approval;

(c) review Pembina's asset retirement obligations and receive reports related to future abandonment and decommissioning costs;

(d) facilitate information sharing with other committees as required to address matters of mutual interest or concern in respect of the Corporation's financial reporting;

(e) report regularly to the Board on its activities, including the results of meetings and reviews undertaken, any issues that arise with respect to quality or integrity of the Corporation's financial statements, Pembina's compliance with legal or regulatory requirements, the performance and independence of the external audit, or the internal audit function and any associated recommendations;

(f) receive and review reports from the Corporate Pension Committee at Pembina and to recommend or approve changes as appropriate with respect to risk management of pension assets and liabilities, actuarial valuation as required by statute, the Statement of Investment Policies and Procedures, funding policy and corporate performance for the pension plans;

(g) jointly with the Human Resources and Compensation Committee, report on the status of the pension plans to the Board at least annually;

(h) the Audit Committee shall meet separately with the internal auditor, periodically as the Audit Committee may deem appropriate, to consider any matter that the Audit Committee or internal auditor believes should be brought to the attention of the Board, the Audit Committee or the Shareholders;

(i) the Audit Committee shall meet separately with the external auditor, periodically as the Audit Committee may deem appropriate, to consider any matter that the Audit Committee or external auditor believes should be brought to the attention of the Board, the Audit Committee or the Shareholders; and

(j) the Audit Committee shall meet separately with the Corporation's management, periodically as the Audit Committee may deem appropriate, to consider any matter that the Audit Committee or management believes should be brought to the attention of the Board, the Audit Committee or the Shareholders.

In addition, The Audit Committee will perform such other functions as are assigned by law and the Corporation's by-laws, and on the instructions of the Board.

IV. MEETINGS

The Audit Committee will meet quarterly, or more frequently at the discretion of the members of the Audit Committee, as circumstances require.

Notice of each meeting of the Audit Committee will be given to each member and to the internal and external auditors, who are entitled to attend each meeting of the Audit Committee. The notice will:

(a) be in writing (which may be communicated by fax or email);

(b) be accompanied by an agenda that states the nature of the business to be transacted at the meeting in reasonable detail;

(c) to the extent practicable, be accompanied by copies of documentation to be considered at the meeting; and

(d) be given at least 48 hours preceding the time stipulated for the meeting, unless notice is waived by the committee members.

A quorum for a meeting of the Audit Committee is a majority of the members present in person or by telephone.

If the Chair is not present at a meeting of the Audit Committee, a Chair will be selected from among the members present. The Chair will not have a second or deciding vote in the event of an equality of votes.

At each meeting, the Audit Committee will meet in-camera, without management or internal or external auditors present, and will meet in separate sessions with each of the head of internal audit and the lead partner of the external auditor at least annually.

The Audit Committee may invite others to attend any part of any meeting of the Audit Committee as it deems appropriate. This includes other directors, members of management, any employee, the Corporation's legal counsel, external auditors and consultants.

Minutes will be kept of all meetings of the Audit Committee. The minutes will include copies of all resolutions passed at each meeting, will be maintained with the Corporation's records, and will be available for review by members of the Audit Committee, the Board, and the external auditor.

V. OTHER MATTERS

A Review of Charter

The Audit Committee shall review and reassess the adequacy of this Charter at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Governance Committee.

B Reporting

The Audit Committee shall report regularly to the Board about any issues that arise with respect to the quality or integrity of the Corporation's financial statements, Pembina's compliance with legal or regulatory requirements, the performance and independence of the external auditor, or the internal audit function.

C Evaluation

The Audit Committee's performance shall be evaluated annually by the Governance Committee and the Board as part of the Board assessment process established by the Governance Committee and the Board.

Exhibit 99.2



Pembina Pipeline Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the financial and operating results of Pembina Pipeline Corporation ("Pembina" or the "Company") is dated February 26, 2015 and is supplementary to, and should be read in conjunction with, Pembina's audited consolidated annual financial statements for the years ended December 31, 2014 and 2013 ("Consolidated Financial Statements"). All dollar amounts contained in this MD&A are expressed in Canadian dollars unless otherwise noted.

Management is responsible for preparing the MD&A. This MD&A has been reviewed and recommended by the Audit Committee of Pembina's Board of Directors and approved by its Board of Directors.

This MD&A contains forward-looking statements (see "Forward-Looking Statements & Information"). This report also refers to net revenue, operating margin, earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted cash flow from operating activities (and cash flow from operating activities per common share and adjusted cash flow from operating activities per common share), and total enterprise value, which are financial measures that are not defined by Generally Accepted Accounting Principles ("GAAP"). Pembina's methods of calculating these financial measures may not be directly comparable to that of other companies. Pembina considers these non-GAAP financial measures to provide useful information to both management and investors in measuring Pembina's financial performance and financial condition. For more information about the measures which are not defined by GAAP, including reconciliation to the most directly comparable GAAP measure, see "Non-GAAP and Additional GAAP Measures."

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

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

Other	
B.C.	British Columbia
DRIP	Premium Dividend™ and Dividend Reinvestment Plan
IFRS	International Financial Reporting Standards
NGL	Natural gas liquids
U.S.	United States
WCSB	Western Canadian Sedimentary Basin

About Pembina

Calgary-based Pembina Pipeline Corporation is a leading transportation and midstream service provider that has been serving North America's energy industry for over 60 years. Pembina owns and operates an integrated system of pipelines that transport various hydrocarbon liquids including conventional and synthetic crude oil, heavy oil and oil sands products, condensate (diluent) and NGL produced in western Canada and ethane produced in North Dakota. The Company also owns and operates gas gathering and processing facilities and an oil and NGL infrastructure and logistics business. With facilities strategically located in western Canada and in NGL markets in eastern Canada and the U.S., Pembina also offers a full spectrum of midstream and marketing services that spans across its operations. Pembina's integrated assets and commercial operations enable it to offer services needed by the energy sector along the hydrocarbon value chain.

Pembina is a trusted member of the communities in which it operates and is committed to generating value for its investors by running its businesses in a safe, environmentally responsible manner that is respectful of community stakeholders.

Pembina's goal is to provide highly competitive and reliable returns to investors through monthly dividends on its common shares while enhancing the long-term value of its securities. To achieve this, Pembina's strategy is to:

- *Preserve value by providing safe, responsible, cost-effective and reliable services;*
- *Diversify the Company's asset base along the hydrocarbon value chain by providing integrated service offerings which enhance profitability;*
- *Pursue projects or assets that are expected to generate increased cash flow per share and capture long-life, economic hydrocarbon reserves; and*
- *Maintain a strong balance sheet through the application of prudent financial management to all business decisions.*

Pembina is structured into four businesses: Conventional Pipelines, Oil Sands & Heavy Oil, Gas Services and Midstream, which are described in their respective sections of this MD&A.

Financial & Operating Overview

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions, except where noted)	**2014**	2013	**2014**	2013
Conventional Pipelines throughput *(mbpd)*	**612**	500	**575**	492
Oil Sands & Heavy Oil contracted capacity *(mbpd)*	**880**	880	**880**	880
Gas Services average volume processed *(mboe/d)* net to Pembina[1]	**97**	66	**86**	53
Midstream NGL sales volume *(mbpd)*	**130**	122	**119**	109
Total volume *(mbpd)*	**1,719**	1,568	**1,660**	1,534
Revenue	**1,259**	1,282	**6,069**	5,006
Net revenue[2]	**304**	379	**1,469**	1,306
Operating expenses	**117**	101	**401**	356
Realized gain (loss) on commodity-related derivative financial instruments	**8**	(3)	**10**	(1)
Operating margin[2]	**195**	275	**1,078**	949
Depreciation and amortization included in operations	**62**	42	**216**	163
Unrealized gain (loss) on commodity-related derivative financial instruments	**11**	2	**14**	7
Gross profit	**144**	235	**876**	793
General and administrative expenses	**28**	43	**156**	132
Other expenses	**2**	1	**18**	1
Net finance costs (income)	**(9)**	55	**130**	166
Share of loss of investment in equity accounted investees, net of tax			**22**	
Current tax expense	**28**	19	**103**	38
Deferred tax expense	**11**	22	**64**	105
Earnings	**84**	95	**383**	351
Earnings per common share – basic *(dollars)*	**0.22**	0.29	**1.07**	1.12
Earnings per common share – diluted *(dollars)*	**0.22**	0.29	**1.06**	1.12
EBITDA[2]	**170**	235	**920**	832
Cash flow from operating activities	**196**	208	**800**	685
Cash flow from operating activities per common share – basic *(dollars)*[2]	**0.58**	0.66	**2.45**	2.23
Adjusted cash flow from operating activities[2]	**164**	185	**777**	725
Adjusted cash flow from operating activities per common share – basic *(dollars)*[2]	**0.49**	0.59	**2.38**	2.36
Common share dividends declared	**146**	132	**563**	507
Dividends per common share *(dollars)*	**0.44**	0.42	**1.72**	1.65
Preferred share dividends declared	**10**	5	**31**	5
Capital expenditures	**483**	275	**1,412**	880
Total enterprise value *($ billions)*[2]	**18**	15	**18**	15

(1) Gas Services average volume processed converted to mboe/d from MMcf/d at 6:1 ratio.
(2) Refer to "Non-GAAP and Additional GAAP Measures."

Revenue in 2014 was $6.1 billion compared to $5 billion in 2013 while net revenue for 2014 was $1.5 billion compared to $1.3 billion during 2013. The increase in net revenue was largely due to the Company's Conventional Pipelines and Gas Services businesses which generated increases in net revenue of almost 25 percent and 36 percent, respectively, during 2014 compared to the prior year. Strong performance in each of these businesses was driven by new assets and facilities being placed into service as well as increased volumes on legacy assets.

Revenue for the fourth quarter of 2014 was $1.3 billion, essentially unchanged from the fourth quarter of 2013. Net revenue decreased by 20 percent in the fourth quarter of 2014 to $304 million from $379 million during the same period of 2013. This decrease was primarily due to the decline in commodity prices, which resulted in lower price differentials and an inventory write-down of $38 million in the Company's Midstream business. Partially offsetting net revenue was the Company's Conventional Pipelines business, which generated an increase of approximately 32 percent in net revenue in the fourth quarter of 2014 compared to the same period of 2013 due to contributions from the Phase I crude oil, condensate and natural gas liquids pipeline capacity expansions which were completed in December 2013 (the "Phase I Expansions"). In addition, start-up at the new Resthaven Facility and strong performance at the Company's Saturn I Facility helped drive an increase of over 39 percent in Gas Services' net revenue in the fourth quarter of 2014 compared to the same period of 2013.

Operating expenses were $401 million for the full-year in 2014 and $117 million during the fourth quarter compared to $356 million and $101 million during the same periods of 2013. The increase in operating expenses for the year and fourth quarter ended December 31, 2014 was primarily the result of new in-service assets, offset by a reduction in operating expenses in the Company's Midstream business resulting from Pembina's disposition of certain of its non-core trucking-related assets recognized in the second quarter of 2014.

During 2014, operating margin increased almost 14 percent to $1.1 billion compared to $949 million for the full-year of 2013. The year-over-year increase was primarily because of strong performance in the Company's Conventional Pipelines and Gas Services businesses, as well as the Midstream business in the first nine months of the year. Operating margin totalled $195 million during the fourth quarter of 2014, down from $275 million in the same period last year. This decrease was largely related to the Midstream business, which was impacted by weak commodity prices during the last several months of 2014, as discussed above.

Depreciation and amortization included in operations during 2014 was $216 million compared to $163 million for the full-year of 2013. This increase was partially due to depreciation and amortization of $40 million stemming from the growth in Pembina's asset base since 2013. This includes the acquisition of the Vantage pipeline system (the "Vantage Pipeline") which increased the Company's asset base by seven percent and contributed $4 million in depreciation expense since the closing of the acquisition (discussed below). In addition, Pembina recognized $13 million in accelerated depreciation associated with the Company's non-core trucking-related assets in the second quarter of 2014, as well as a reduced recovery recognized in 2014 compared to 2013 with respect to the re-measurement of the decommissioning provision due to changes in discount rates. In the fourth quarter of 2014, depreciation and amortization included in operations rose to $62 million compared to $42 million during the same period in 2013 as a result of the same factors which impacted the full-year results noted above.

Gross profit for 2014 was $876 million compared to $793 million for 2013. This 10 percent year-over-year increase was driven by strong operating performance in 2014 as previously mentioned. In the fourth quarter of 2014, decreased operating margin coupled with increased depreciation and amortization included in operations contributed to gross profit of $144 million, a 39 percent reduction compared to $235 million in the same period in 2013.

For the year ended December 31, 2014, Pembina incurred general and administrative expenses (excluding corporate depreciation and amortization) of $156 million compared to $132 million during 2013. The increase was largely due to higher salaries, benefits, incentives and rental expenses related to the addition of new employees and consultants to support Pembina's growth. General and administrative expenses (excluding corporate depreciation and amortization) were $28 million in the fourth quarter of 2014 compared to $43 million in the same period of 2013. This decrease was primarily due to lower share-based payment expenses which were partially offset by an increase in salaries, benefits and rental expenses. The decrease in share-based payment expense in the fourth quarter of 2014 is correlated with the Company's share price, which decreased during that period compared to an increase in the Company's share price in the fourth quarter of 2013. Every $1 change in share price is expected to change Pembina's annual share-based incentive expense by approximately $1 million.

Pembina generated EBITDA of $920 million in 2014 ($976 million prior to an inventory write-down and other expenses, as discussed below), 11 percent higher than EBITDA of $832 million in 2013. The increase in EBITDA was due to higher operating margin, partially offset by an inventory write-down of $38 million (2013: nil) in the Company's Midstream business recorded in the fourth quarter of the year and other expenses of $18 million (2013: $1 million). Other expenses increased year-over-year primarily due to a net impairment for non-recoverable costs associated with the Cornerstone pipeline project (which did not proceed), arbitration settlement costs and acquisition-related expenses for the Vantage Pipeline. EBITDA was $170 million during the fourth quarter of 2014, down from $235 million during the fourth quarter of 2013 due to decreased operating margin, which was partially offset by reduced general and administrative and other expenses. EBITDA for the fourth quarter of 2014 before the $38 million inventory write-down was $208 million.

Full-year net finance costs in 2014 totalled $130 million, down from $166 million in 2013. Net finance costs were lower in 2014 primarily due to a $30 million decrease in the loss on the revaluation of the conversion feature of the series E and F convertible debentures resulting from fewer debentures outstanding and lower prices for these securities. A $9 million decrease in interest expense on the convertible debentures as a result of conversions during the year and foreign exchange gains and other of $3 million also contributed to lower net finance costs. These changes were partially offset by an increase of $8 million in the loss on fair value of non-commodity-related derivative financial instruments and increased interest expense of $2 million on loans and borrowings, reflecting increased borrowing levels, net of capitalized borrowing costs.

Income tax expense for 2014 totalled $167 million, including current tax of $103 million and deferred tax of $64 million, compared to income tax expense of $143 million in 2013, including current tax of $38 million and deferred tax of $105 million. The current tax rose in 2014 primarily as a result of taxable income exceeding losses and deductions available for carry-over in certain of Pembina subsidiary corporations. Income tax expense was $39 million for the fourth quarter of 2014, including current tax of $28 million and deferred tax of $11 million, compared to $41 million, including current tax of $19 million and deferred tax of $22 million in the same period of 2013 for the same reasons noted above.

The Company's earnings increased to $383 million in 2014 compared to $351 million in 2013. This was largely due to higher gross profit in the Conventional Pipelines, Gas Services and Midstream businesses and lower finance costs, which were offset by increased general and administrative expenses, other expenses, share of loss from equity accounted investees and income tax expense. Despite increased earnings, earnings per share decreased from $1.12 per common share in 2013 to $1.07 per common share in 2014, largely because of the increased weighted average number of common shares outstanding due to shares issued in the following ways: upon conversion of convertible debentures; under the dividend reinvestment component of Pembina's Premium Dividend™ and Dividend Reinvestment Plan; and in association with the Vantage Pipeline acquisition. Also offsetting the increase in earnings was the Company's share of loss from equity accounted investees, which included accelerated depreciation of $25 million for certain out-of-service assets at Pembina's Fort Saskatchewan ethylene storage facility which was recorded in the third quarter of 2014. The Company's earnings decreased to $84 million ($0.22 per common share) during the fourth quarter of 2014 compared to $95 million ($0.29 per common share) during the fourth quarter of 2013 largely due to reduced gross profit in the Company's Midstream business, higher taxes and depreciation and amortization included in operations in 2014.

Cash flow from operating activities for the year ended December 31, 2014 was $800 million ($2.45 per common share) compared to $685 million ($2.23 per common share) during 2013. The increase was mainly due to higher earnings as well as a decreased change in non-cash working capital in 2014 compared to 2013 and partially offset by increased taxes paid. Cash flow from operating activities was $196 million ($0.58 per common share) during the fourth quarter of 2014 compared to $208 million ($0.66 per common share) for the same period last year, with the decrease primarily due to lower fourth quarter earnings in 2014.

Adjusted cash flow from operating activities in 2014 was $777 million ($2.38 per common share) compared to $725 million ($2.36 per common share) during 2013. The increase was largely related to higher operating margin offset by increased current taxes, share-based payment expenses and preferred share dividends declared and paid. Adjusted cash flow from operating activities for the fourth quarter of 2014 was $164 million ($0.49 per common share) compared to $185 million ($0.59 per common share) during the fourth quarter of 2013. This decrease was primarily due to lower operating margin, increased current taxes and preferred share dividends declared and paid.

Operating Results

	3 Months Ended December 31 (unaudited)				12 Months Ended December 31			
	2014		2013		**2014**		2013	
($ millions)	**Net Revenue[1]**	**Operating Margin[1]**	Net Revenue[1]	Operating Margin[1]	**Net Revenue[1]**	**Operating Margin[1]**	Net Revenue[1]	Operating Margin[1]
Conventional Pipelines	**146**	**74**	111	59	**513**	**302**	411	251
Oil Sands & Heavy Oil	**52**	**34**	53	34	**204**	**136**	195	131
Gas Services	**46**	**29**	33	21	**165**	**107**	121	78
Midstream	**61**	**57**	183	161	**587**	**528**	580	486
Corporate	**(1)**	**1**	(1)			**5**	(1)	3
Total	**304**	**195**	379	275	**1,469**	**1,078**	1,306	949

[1] Refer to "Non-GAAP and Additional GAAP Measures."

Conventional Pipelines

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions, except where noted)	**2014**	2013	**2014**	2013
Average throughput *(mbpd)*	**612**	500	**575**	492
Revenue	**146**	111	**513**	411
Operating expenses	**72**	52	**211**	162
Realized gain on commodity-related derivative financial instruments				2
Operating margin[1]	**74**	59	**302**	251
Depreciation and amortization included in operations	**17**	7	**42**	12
Unrealized (loss) gain on commodity-related derivative financial instruments	**(2)**	(1)		1
Gross profit	**55**	51	**260**	240
Capital expenditures	**232**	126	**628**	325

(1) Refer to "Non-GAAP and Additional GAAP Measures."

Business Overview

Pembina's Conventional Pipelines business comprises a well-maintained and strategically located 8,800 km pipeline network that transports hydrocarbon products and extends across much of Alberta and parts of B.C. In addition, the recently acquired Vantage Pipeline transports specification ethane from gas plants in North Dakota and Saskatchewan to Empress, Alberta, where it is delivered onto a third-party pipeline. The primary objectives of this business are to provide safe, responsible and reliable transportation services for customers, pursue opportunities for increased throughput, and maintain and/or grow sustainable operating margin on invested capital by capturing incremental volumes, expanding its pipeline systems, managing revenue and following a disciplined approach to its operating expenses.

Operational Performance

Conventional Pipelines' throughput averaged 575 mbpd for 2014, up 17 percent compared to 492 mbpd for 2013. During the fourth quarter of 2014, throughput averaged a record 612 mbpd. This represents an increase of approximately 22 percent compared to the same period of 2013, when average throughput was 500 mbpd.

These increases were primarily due to Pembina's Phase I Expansions, which were placed into service in December 2013 and which allowed for the receipt of higher volumes at Pembina's existing connections and truck terminals. As a result of the expansions, volumes on Pembina's Peace Pipeline increased almost 69 mbpd or 32 percent over 2014 as compared to 2013. The Company also placed several new connections into service during 2014, which further contributed to increased throughput on its systems. In addition, during the fourth quarter of 2014, Pembina began transporting volumes on the Vantage Pipeline. As a result of these factors, in December of 2014, Pembina reached a record average monthly volume performance of 631 mbpd.

Financial Performance

Conventional Pipelines' revenue in 2014 was $513 million, 25 percent higher compared to $411 million for 2013. During the fourth quarter of 2014, revenue was $146 million, almost 32 percent higher than the $111 million generated in the same quarter of the previous year. The increases during the 2014 periods were primarily due to the Phase I Expansions noted above, strong volumes from existing and new connections, including Pembina's Saturn I and Resthaven facilities and selective toll increases implemented in 2014. The addition of the Vantage Pipeline also had a positive impact on revenue during the fourth quarter.

Operating expenses were $211 million for 2014 compared to $162 million in 2013 and $72 million in the fourth quarter of 2014 compared to $52 million in the same period of the prior year. On a full-year basis, higher operating expenses in 2014 were largely driven by increases in repairs and maintenance, integrity costs, labour, property taxes as well as increased insurance costs related to additional in-service assets. The increase in the fourth quarter of 2014 was partially due to maintenance costs incurred on the Company's Peace and Western systems which were incremental to Pembina's ongoing pipeline maintenance and integrity management program. Further contributing to the increase in operating expenses in the fourth quarter of 2014, as compared to the same period in 2013, were increased labour costs due to additional staff and vehicle units within the Conventional Pipelines business.

As a result of higher revenue, which was partially offset by an increase in operating expenses, operating margin was $302 million for the full-year of 2014 and $74 million for the fourth quarter, 20 percent and 25 percent higher, respectively, than the $251 million and $59 million recorded for the commensurate periods of 2013.

Depreciation and amortization included in operations for the year ended December 31, 2014 was $42 million compared to $12 million for 2013. During the fourth quarter of 2014, depreciation and amortization included in operations was $17 million compared to $7 million during the same period of the prior year. The increase for the full-year and fourth quarter of 2014 resulted from additional in-service assets associated with the Phase I Expansions and the Vantage Pipeline, as well as a reduction in the recovery recognized in 2014 compared to 2013 with respect to the re-measurement of the decommissioning provision due to changes in discount rates.

Gross profit was $260 million and $55 million for the year and three months ended December 31, 2014, respectively, compared to $240 million and $51 million during the same periods of 2013. These increases were due to higher operating margin, which was partially offset by increased depreciation and amortization included in operations, as discussed above.

Capital expenditures totalled $628 million and $232 million for the full-year and fourth quarter of 2014, respectively, compared to $325 million and $126 million for the same periods of 2013. The majority of the spending in 2014 related to Pembina's pipeline expansion projects which are described throughout this document.

New Developments

As announced in September 2014, Pembina is increasing the size of its Phase III Pipeline Expansion program (the "Phase III Expansion") due to strong customer demand throughout the year. Pembina now plans to construct two pipelines between Fox Creek and Namao, Alberta (one 16-inch diameter and one 24-inch diameter) with an initial combined capacity of 420 mbpd and an ultimate capacity of over 690 mbpd with the addition of midpoint pump stations. Another segment was also added to the project between Wapiti and Kakwa, Alberta. These additions are expected to increase capital spending for the mainline project from $2 billion to $2.44 billion. Subject to regulatory and environmental approvals, Pembina expects the 16-inch and 24-inch diameter pipelines to be in-service between late-2016 and mid-2017. Pembina submitted its regulatory application for both pipelines from Fox Creek to Namao on September 2, 2014.

The Phase III Expansion continued to receive positive customer support through the latter part of 2014, with new contracts being signed for volumes. Pembina announced on September 10, 2014 that it had commitments for 289 mbpd and by September 25, 2014, the Company announced that it had secured additional agreements, bringing total volume under contract to 307 mbpd. Since then, Pembina has received further commitments for an additional 55 mbpd, despite challenging markets near the end of the year. Total committed volume is now 362 mbpd, or 86 percent of the initial 420 mbpd capacity.

Pembina placed its previously announced pipeline expansion between Simonette and Fox Creek into service on August 6, 2014. With this expansion, Pembina expects to be able to deliver an initial 40 mbpd into its Peace Pipeline from Fox Creek into Edmonton once the crude oil and condensate Phase II Expansion, discussed below, is complete. The 35 km segment from Lator to Simonette is also complete and came into service in January 2015 and construction is progressing on the 35 km segment from Kakwa to Lator, with an anticipated April 2015 in-service date. To date, over 10 percent of the overall Phase III Expansion program has been completed on time and on budget.

Also during 2014, Pembina was successful in its commercial efforts to secure the majority of its existing crude and condensate volumes under long-term, firm-service contracts. In aggregate, Pembina has now contracted 690 mbpd of crude oil, condensate and NGL through its recontracting efforts and through its Phase I, II and III conventional pipeline expansions. Once the Phase III Expansion is brought into service, virtually all of the throughput on Pembina's Peace and Northern systems will be under long-term, fee-for-service contracts.

With the completion of the Phase III Expansion, the Company will have four pipelines in the corridor between Fox Creek and Namao which will allow for operational efficiencies and improved quality management of product on its systems.

Work continued on the Phase II crude oil, condensate and NGL expansions ("Phase II Expansions") over the fourth quarter of 2014. Pembina expects the crude oil and condensate portion of the project to be mechanically complete in April 2015 and commissioned in the second quarter of 2015. Pembina has now received all regulatory and environmental approvals for the NGL portion of the pipeline and expects this component of the project to be in-service in the third quarter of 2015. Overall, the Phase II Expansions are continuing to track on budget.

The Company is also continuing to progress its previously announced plans to expand its presence in the Edson and Willesden Green areas of Alberta. Pembina expects the Willesden Green pipeline lateral to be in-service in mid-2015 and, subject to regulatory and environmental approvals, its pipeline laterals in the Edson area to be in-service mid-2016.

On November 11, 2014, Pembina announced that it has entered into binding agreements to proceed with a $220 million expansion to its pipeline infrastructure in northeast British Columbia ("B.C.") (the "NEBC Expansion"). The NEBC Expansion will transport condensate and NGL for various producers in the liquids-rich Montney resource play.

The project entails the construction of approximately 160 km of up to 12-inch diameter pipeline with a base capacity of up to 75 mbpd that will parallel the Company's Blueberry pipeline system northwest of Taylor, B.C. to the Highway/Blair Creek area of B.C. The project is underpinned by a long-term, cost-of-service agreement with an anchor tenant. Subject to regulatory and environmental approvals, Pembina anticipates bringing the NEBC Expansion on-stream in late-2017.

Subsequent to the acquisition of the Vantage pipeline (see "Acquisition of Vantage Pipeline") and year end, on February 10, 2015, the Company announced that it has entered into agreements to expand the Vantage pipeline system (the "Vantage Expansion") for an estimated capital cost of $85 million.

The Vantage Expansion entails increasing the Vantage Pipeline's mainline capacity from 40 mbpd to 68 mbpd through the addition of mainline pump stations and the construction of a new 80 km, 8-inch gathering lateral. The Vantage Expansion is supported by a long-term, fee-for-service agreement, with a substantial take-or-pay component, and the gathering lateral is underpinned by a fixed return on invested capital agreement. Subject to regulatory and environmental approvals, the Vantage Expansion is expected to be in-service in early-2016.

Oil Sands & Heavy Oil

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions, except where noted)	**2014**	2013	**2014**	2013
Contracted capacity *(mbpd)*	**880**	880	**880**	880
Revenue	**52**	53	**204**	195
Operating expenses	**18**	19	**68**	64
Operating margin[(1)]	**34**	34	**136**	131
Depreciation and amortization included in operations	**4**	2	**17**	17
Gross profit	**30**	32	**119**	114
Capital expenditures	**6**	5	**41**	38

(1) Refer to "Non-GAAP and Additional GAAP Measures."

Business Overview

Pembina plays an important role in supporting Alberta's oil sands and heavy oil industry. Pembina is the sole transporter of crude oil for Syncrude Canada Ltd. (via the Syncrude Pipeline) and Canadian Natural Resources Ltd.'s Horizon Oil Sands operation (via the Horizon Pipeline) to delivery points near Edmonton, Alberta. Pembina also owns and operates the Nipisi and Mitsue pipelines, which provide transportation for producers operating in the Pelican Lake and Peace River heavy oil regions of Alberta, and the Cheecham Lateral, which transports synthetic crude to oil sands producers operating southeast of Fort McMurray, Alberta. The Oil Sands & Heavy Oil business operates approximately 1,650 km of pipeline and has 880 mbpd of capacity under long-term, extendible contracts, which provide for the flow-through of eligible operating expenses to customers. As a result, operating margin from this business is primarily driven by the amount of capital invested and is predominantly not sensitive to fluctuations in operating expenses or actual throughput.

Financial Performance

In 2014, Oil Sands & Heavy Oil revenue was $204 million, an increase from 2013 revenue of $195 million, largely due to higher interruptible volumes on the Nipisi Pipeline and revenue generated by the Nipisi to Trans Mountain Pipeline connection. Higher operating expenses related to scheduled integrity work in the first three quarters of 2014, which were recovered under Pembina's contractual arrangements with its customers, also contributed to the increase in revenue. For the fourth quarter of 2014, revenue was $52 million, essentially unchanged compared to the fourth quarter of last year.

Operating expenses were $68 million for the year ended December 31, 2014, compared to $64 million for 2013 . Increased costs related to scheduled integrity work and maintenance were the main contributors to the incremental operating expenses. Operating expenses were $18 million during the fourth quarter of 2014 compared to $19 million for the same period of the prior year.

Operating margin was $136 million and $34 million for the year and three months ended December 31, 2014 compared to $131 million and $34 million, respectively, generated during the same periods of 2013. The 2014 full-year increase was primarily due to greater interruptible volumes on the Nipisi Pipeline and the incremental revenue from the Nipisi to Trans Mountain Pipeline connection as discussed above.

Depreciation and amortization included in operations during the year and fourth quarter ended December 31, 2014 was $17 million and $4 million, compared to $17 million and $2 million, respectively in the commensurate periods of the prior year. The quarterly increase was due to an increase in the useful life on the Nipisi and Mitsue systems during the fourth quarter of 2013.

Gross profit was $119 million and $30 million for the twelve and three months ended December 31, 2014, respectively, compared to $114 million and $32 million during the same periods of 2013. Gross profit increased in 2014 due to the same factors that resulted in higher operating margin. Gross profit decreased slightly during the fourth quarter of 2014 compared to the same quarter of the prior year due to increased depreciation and amortization included in operations, as discussed above.

Full-year capital expenditures within the Oil Sands & Heavy Oil business totalled $41 million in 2014, primarily relating to the Cornerstone pipeline project and pipeline connections. On September 25, 2014, Pembina was informed that Statoil's Cornerstone oil sands project had been deferred for an indeterminate period of time. The engineering support agreement between Pembina and Statoil for the related Cornerstone oil sands pipeline expired, and no additional capital will be spent on the pipeline project. Pembina will retain the right to use the engineering for other commercial discussions and recognized a net impairment of non-recoverable costs of $6 million related to the Cornerstone pipeline project. Of the total expenditures on the Cornerstone project, $25 million has been recovered. The capital expenditures in 2013 totalled $38 million, which primarily related to the construction of additional pump stations on the Nipisi and Mitsue pipelines.

Gas Services

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions, except where noted)	**2014**	2013	**2014**	2013
Average volume processed *(MMcf/d)* net to Pembina[1]	**584**	397	**515**	319
Average volume processed *(mboe/d)*[2] net to Pembina	**97**	66	**86**	53
Revenue	**46**	33	**165**	121
Operating expenses	**17**	12	**58**	43
Operating margin[3]	**29**	21	**107**	78
Depreciation and amortization included in operations	**7**	7	**22**	20
Gross profit	**22**	14	**85**	58
Capital expenditures	**79**	56	**295**	258

(1) Volumes at the Musreau Gas Plant exclude deep cut processing as those volumes are counted when they are processed through the shallow cut portion of the plant.
(2) Average volume processed converted to mboe/d from MMcf/d at a 6:1 ratio.
(3) Refer to "Non-GAAP and Additional GAAP Measures."

Business Overview

Pembina's operations include a growing natural gas gathering and processing business, which is strategically-positioned in active and emerging NGL-rich plays in the WCSB and integrated with Pembina's other businesses. Gas Services provides gas gathering, compression, and both shallow and deep cut processing services for its customers, primarily on a fee-for-service basis under long-term contracts. The NGL extracted through this business' facilities are transported on Pembina's Conventional Pipelines. Operating assets within Gas Services include:

- Pembina's Cutbank Complex – located near Grand Prairie, Alberta, this facility includes four shallow cut sweet gas processing plants (the Cutbank Gas Plant, the Musreau Gas Plant, the Musreau II Facility and the Kakwa Gas Plant) and one deep cut gas processing plant (the Musreau Deep Cut Facility). In total, the Cutbank Complex has 525 MMcf/d of processing capacity (468 MMcf/d net to Pembina) and 205 MMcf/d of ethane-plus extraction capacity (net to Pembina). The Cutbank Complex also includes approximately 350 km of gathering pipelines.
- Pembina's Saturn I Facility – located near Hinton, Alberta, this facility includes 200 MMcf/d of ethane-plus extraction capacity as well as approximately 25 km of gathering pipelines.
- Pembina's Resthaven Facility – located near Resthaven, Alberta, this facility includes 200 MMcf/d (134 MMcf/d net to Pembina) of extraction capacity.

These facilities are connected to Pembina's Peace Pipeline System. The Company continues to progress construction and development of numerous other facilities in its Gas Services business to meet the growing needs of producers in west central Alberta and Saskatchewan, as discussed in more detail below.

Operational Performance

Within Pembina's Gas Services business, on a full-year basis, volumes increased more than 61 percent to 515 MMcf/d compared to 319 MMcf/d in 2013. Higher volumes during 2014 were primarily related to the addition of the Saturn I Facility, which was placed into service in late October 2013 and which operated above its nameplate capacity of 200 MMcf/d during a large portion of 2014. Improved operational performance at the Cutbank Complex also contributed to the growth in volumes. Overall, during 2014, Pembina continued to benefit from producer activity in the areas surrounding its assets that is focused on liquids-rich natural gas.

Average volume processed, net to Pembina, was 584 MMcf/d during the fourth quarter of 2014, approximately 47 percent higher than the 397 MMcf/d processed during the fourth quarter of the previous year. Increased volumes were related to a full quarter's contribution from the Saturn I Facility, as well as volumes from the Resthaven Facility, which was placed into service on October 6, 2014 and the Musreau II Facility, which was placed into service on December 17, 2014.

Financial Performance

Gas Services generated revenue of $165 million in 2014 compared to $121 million in 2013. During the fourth quarter of 2014, $46 million in revenue was generated, up from $33 million in the same period of the prior year. These 36 and 39 percent increases, respectively, primarily reflect the new facilities that were placed into service in this business, as discussed above.

Full-year operating expenses totalled $58 million, up from $43 million during the prior year. For the fourth quarter of 2014, Gas Services incurred operating expenses of $17 million compared to $12 million during the fourth quarter of 2013. The full-year and quarterly increases during 2014 were mainly due to additional operating costs associated with the new Saturn I Facility, as well as the Resthaven Facility and Musreau II Facility being placed into service later in the year, and higher operating costs related to the increase in volumes processed at the Cutbank Complex. Pembina also conducted turnarounds at its Cutbank and Musreau gas plants and expensed associated costs during the second and third quarters of 2014, respectively. Expenditures associated with these turnarounds are recovered under Pembina's contractual arrangements with its customers; however, processing revenue and service fees are not earned during outages.

Gas Services realized operating margin of $107 million in 2014 and $29 million in the fourth quarter of 2014 compared to $78 million and $21 million during the same periods of the previous year. On a full-year basis, operating margin increased primarily as a result of strong operating performance and the addition of new assets since the prior period. Increased volumes and revenue during the three months ended December 31, 2014 resulted in improved operating margin over the fourth quarter.

Depreciation and amortization included in operations for the full-year of 2014 totalled $22 million compared to $20 million in 2013, with the increase primarily attributable to the addition of new assets as discussed above. For the fourth quarter of 2014, depreciation and amortization included in operations totalled $7 million, unchanged from the same period of the prior year.

On a full-year basis, gross profit was $85 million in 2014 compared to $58 million during 2013. For the three months ended December 31, 2014, gross profit was $22 million compared to $14 million in the same period of 2013. These increases reflect higher operating margin during the 2014 periods compared to the same periods of 2013, primarily resulting from new assets being placed into service.

For the year ended December 31, 2014, capital expenditures within Gas Services totalled $295 million compared to $258 million during 2013. Capital spending in 2014 was largely to progress the multi-year construction projects at Resthaven, Saturn II, and Musreau II, which are discussed below. In 2013, capital expenditures were primarily related to the Saturn I Facility, Saturn II, Musreau II and Resthaven.

New Developments

The Company continued to attract significant support for new gas gathering and processing infrastructure throughout 2014 and successfully progressed its roster of projects within this business.

On October 6, 2014, Pembina placed its 200 MMcf/d (134 MMcf/d net) Resthaven Facility into service and it is now delivering NGL into Pembina's Peace Pipeline.

On October 10, 2014, Pembina announced that it plans to proceed with a $170 million (gross) 100 MMcf/d expansion of the Resthaven Facility and to build, own and operate a new gas gathering pipeline that will deliver gas into the plant (collectively, the "Resthaven Expansion"). The Resthaven Expansion is underpinned by a long-term fee-for-service agreement and Pembina expects the plant expansion to be in-service in mid-2016 and the gathering pipeline to be in-service in mid-2015.

On November 27, 2014, Pembina announced that it plans to construct a new 100 MMcf/d shallow cut facility ("Musreau III") and further expand its gas processing capacity at Musreau for an estimated cost of $105 million. Musreau III, which is underpinned by long-term agreements with several area producers, will be built adjacent to Pembina's existing Musreau I and Musreau II facilities. The new gas plant will leverage the engineering, design and execution strategy from the Company's Musreau I and Musreau II facilities and will use the same pipeline lateral to access Pembina's Peace Pipeline System. Pembina expects Musreau III to have liquids extraction capacity of 3 mbpd, subject to gas compositions. The agreements for Musreau III are take-or-pay in nature and provide flow through of operating expenses. Subject to regulatory and environmental approvals, Pembina anticipates bringing Musreau III on-stream in mid-2016.

In total, once Musreau III is complete, the Cutbank Complex will have 568 MMcf/d of shallow cut processing capacity, net to Pembina, 205 MMcf/d of deep cut processing capacity and will be able to produce roughly 25 mbpd of liquids for transportation on Pembina's Conventional Pipelines.

Pembina has also completed commissioning of its newly constructed 100 MMcf/d shallow cut gas plant, the Musreau II Facility, which came in slightly under budget and was placed into service on December 17, 2014, ahead of its previously anticipated in-service date of the first quarter 2015.

The Company is progressing the construction of the newly-acquired SEEP facility. The project is currently on budget and on schedule for a mid-2015 in-service date with plant site construction approximately 25 percent complete. All regulatory and environmental approvals have been obtained and all engineering, fabrication and construction services have been largely contracted.

Pembina's Saturn II Facility (a 200 MMcf/d 'twin' of the Saturn I Facility) is on schedule and on budget and is expected to be commissioned in the third quarter and placed into service by late-2015. To-date, the Company has completed 36 percent of site construction.

Once the facilities listed above come on-stream, Pembina expects Gas Services' processing capacity to reach 1.5 bcf/d (net to Pembina), including ethane-plus extraction capacity of 870 MMcf/d (net to Pembina). The volumes from Pembina's existing assets and those under development (as discussed above) will be processed largely on a contracted, fee-for-service basis and could result in 70 mbpd of NGL, subject to gas compositions, that would be transported for toll revenue on Pembina's Conventional Pipelines. Volumes from these projects support Pembina's pipeline expansion plans as discussed under "Conventional Pipelines."

Midstream

	3 Months Ended December 31 [1] (unaudited)		12 Months Ended December 31 [1]	
($ millions, except where noted)	**2014**	2013	**2014**	2013
NGL sales volume *(mbpd)*	**130**	122	**119**	109
Revenue	**1,052**	1,115	**5,259**	4,346
Cost of goods sold, including product purchases	**991**	932	**4,672**	3,766
Net revenue[2]	**61**	183	**587**	580
Operating expenses	**12**	19	**69**	91
Realized gain (loss) on commodity-related derivative financial instruments	**8**	(3)	**10**	(3)
Operating margin[2]	**57**	161	**528**	486
Depreciation and amortization included in operations	**34**	26	**135**	114
Unrealized gain on commodity-related derivative financial instruments	**13**	3	**14**	6
Gross profit	**36**	138	**407**	378
Capital expenditures	**135**	87	**390**	254

(1) Share of loss from equity accounted investees not included in these results.
(2) Refer to "Non-GAAP and Additional GAAP Measures."

Business Overview

Pembina offers customers a comprehensive suite of midstream products and services through its Midstream business as follows:

- Crude oil midstream assets include 17 truck terminals (including three capable of emulsion treatment and water disposal) and terminalling at downstream hub locations at the Pembina Nexus Terminal ("PNT"), which features storage, crude-oil-by-rail services and terminal connectivity. PNT includes: 21 inbound pipeline connections; 13 outbound pipeline connections; in excess of 1.2 mmbpd of crude oil and condensate supply connected to the terminal; and 310 mbbls of surface storage in and around the Edmonton and Fort Saskatchewan, Alberta areas.
- NGL midstream includes two NGL operating systems – Redwater West and Empress East.
  - The Redwater West NGL system ("Redwater West") includes the 750 MMcf/d (322.5 MMcf/d net to Pembina) Younger extraction and fractionation facility in B.C.; a 73 mbpd NGL fractionator and 7.9 mmbbls of finished product cavern storage at Redwater, Alberta; and third-party fractionation capacity in Fort Saskatchewan, Alberta. Redwater West purchases NGL mix from various natural gas and NGL producers and fractionates it into finished products for further distribution and sale. Also located at the Redwater site is Pembina's rail-based terminal which services Pembina's proprietary and customer needs for importing and exporting specification NGL and crude oil.
  - The Empress East NGL system ("Empress East") includes 2.3 bcf/d capacity in the straddle plants at Empress, Alberta; 20 mbpd of fractionation capacity and 1.1 mmbbls of cavern storage in Sarnia, Ontario; and 5.1 mmbbls of hydrocarbon storage at Corunna, Ontario. Empress East extracts NGL mix from natural gas at the Empress straddle plants and purchases NGL mix from other producers/suppliers. Ethane and condensate are generally fractionated out of the NGL mix at Empress and sold into Alberta markets. The remaining NGL mix is transported by pipeline to Sarnia, Ontario for further fractionation, distribution and sale.

The financial performance of Pembina's Midstream business can be affected by seasonal demands for products and other market factors. In NGL midstream, propane inventory generally builds over the second and third quarters of the year and is sold in the fourth quarter and the first quarter of the following year during the winter heating season. Condensate, butane and ethane are generally sold rateably throughout the year. See "Risk Factors" in this MD&A for more information.

Operational & Financial Performance

In the Midstream business, net revenue was $587 million in 2014 compared to $580 million in 2013. Higher net revenue was primarily due to increased storage opportunities in the first half of 2014 along with higher throughput volumes and wider margins, offset by a challenging fourth quarter, as noted below. Pembina generated net revenue of $61 million during the fourth quarter of 2014, down from $183 million during the fourth quarter of 2013. The decrease was largely due to the significant decline in commodity prices (particularly the weaker quarter-over-quarter propane prices), which resulted in Pembina recording an inventory write-down of $38 million. Lower price differentials across all commodities, combined with lower crude oil midstream storage revenue, also contributed to the decrease in net revenue from the prior period.

Operating expenses during the full-year and fourth quarter of 2014 were $69 million and $12 million, respectively, compared to $91 million and $19 million in the comparable periods of 2013. The decrease during the full-year and fourth quarter was largely due to the Company's sale of its non-core trucking-related subsidiary in the third quarter of 2014.

Operating margin was $528 million during the full-year and $57 million during the fourth quarter of 2014 compared to $486 million and $161 million in the respective periods of 2013 . The increase in full-year operating margin was primarily due to stronger NGL pricing early in the year and the factors that positively impacted annual net revenue, discussed above. Lower fourth quarter net revenue in 2014, as previously mentioned, contributed to the decrease in operating margin over the comparable period in 2013.

The Company's crude oil midstream operating margin for the year ended December 31, 2014 totalled $188 million compared to $147 million during the prior year. The higher full-year results were due to increased storage opportunities in the first half of 2014, higher volumes and wider margins offset by lower price differentials and lower storage revenue later in 2014 . Crude oil midstream operating margin was $36 million in the fourth quarter of 2014 compared to $47 million in the same period of 2013. This decrease was largely due to the factors which impacted net revenue, particularly low differentials and weaker commodity prices.

For the year ended December 31, 2014, operating margin for NGL midstream was $340 million compared to $339 million during 2013. Despite weak fourth quarter results, NGL midstream contributed strong operating margin for 2014, primarily related to positive market prices for propane, particularly in Empress East, earlier in the year. Operating margin for Pembina's NGL midstream activities was $21 million for the fourth quarter of 2014 compared to $114 million for the fourth quarter of 2013. The rapid decline in market pricing for NGL in general and propane specifically throughout the fourth quarter contributed to this reduction. Pembina's average realized sales price for propane declined approximately 30 percent in the fourth quarter of 2014 compared to the same period of 2013. Further, while NGL sales volumes were seven percent higher during the fourth quarter of 2014 than during the same period of 2013, at 130 mbpd, the low commodity price environment inhibited Pembina's ability to generate revenue on these volumes. Volumes increased primarily due to higher ethane production at Empress East resulting from Pembina's increased ownership share in the Empress Facilities as well as opportunities related to gas extraction.

Full-year depreciation and amortization included in operations for Pembina's Midstream business totalled $135 million, up from $114 million in 2013. This increase reflects the growth in this business' asset base since the prior period. Additionally, in the second quarter of 2014, the Company recognized a $13 million charge for accelerated depreciation associated with the disposal of non-core trucking-related assets. Depreciation and amortization included in operations during the fourth quarter of 2014 totalled $34 million compared to $26 million during the fourth quarter of 2013, with the increase attributable to the same reasons which impacted the full-year.

For the twelve and three months ended December 31, 2014 , gross profit in this business was $407 million and $36 million, respectively, compared to $378 million and $138 million during the same periods in 2013 due to the same factors which impacted net revenue, operating expenses, and depreciation and amortization included in operations, as noted above.

For the year ended December 31, 2014, capital expenditures within the Midstream business totalled $390 million compared to $254 million during 2013. Capital spending in this business in 2014 was primarily directed towards the development of Pembina's second fractionator ("RFS II") as well as NGL storage caverns and associated infrastructure. Capital was also deployed to progress the build-out of Pembina's full-service terminal network, including completion of the Cynthia Full-Service Terminal, which commenced service in June 2014 and above-ground storage in the Edmonton area. Capital expenditures in 2013 primarily related to cavern development at the Company's Redwater facility.

New Developments

Pembina continues to progress facility construction of its second 73 mbpd ethane-plus fractionator at the Company's Redwater site ("RFS II"). Over 80 percent of equipment has been set on site and module fabrication is substantially complete. On site construction is currently 65 percent complete. The project is on schedule and anticipated to be on-stream late in the fourth quarter of 2015.

With the addition of RFS III, Pembina's third fractionator at its Redwater site with propane-plus capacity of 55 mbpd, which was announced in May 12, 2014, fractionation capacity will total 210 mbpd, making the Company's Redwater complex the largest fractionation facility in Canada. Detailed engineering work is underway and over 30 percent of long-lead equipment has been ordered, with all critical orders in place. Pembina has now received regulatory approval and has submitted its application for environmental approval, which it anticipates receiving later this year. Subject to obtaining this approval, Pembina expects RFS III to be in-service in the third quarter of 2017. Overall, the project is tracking on schedule and on budget.

As announced on October 9, 2014, Pembina plans to develop the Canadian Diluent Hub ("CDH"), a large-scale condensate and diluent terminal at its Heartland Terminal site near Fort Saskatchewan, Alberta. The proposed facilities are designed to accommodate contracted diluent supply volumes from the Company's previously announced field gas plant, pipeline and NGL fractionator expansions. The Company expects CDH to become a new market hub for condensate and other diluents by offering its customers a variety of value-added services.

Site preparation began in late-2013 and is on-going. Subject to further regulatory and environmental approvals, Pembina anticipates phasing-in incremental pipeline connections to regional condensate delivery systems in 2016 with a view to achieving full connectivity and service offerings at CDH in mid-2017.

On June 16, 2014, Pembina's Midstream business placed a new full-service truck terminal in the Cynthia area of Alberta into service which was operating at full capacity by the end of the year. The Company also continued with the development of storage capacity at its Edmonton North Terminal. During the fourth quarter, Pembina progressed construction at the site with a view to bringing the additional 540 mbbls of above-ground storage tanks into service in mid-2016.

At its storage and terminalling facilities in Corunna, Ontario, Pembina progressed development of a new brine pond, rail upgrades, and the installation of a new propane truck rack to meet increased demand for services. Pembina also continued throughout the year on its underground hydrocarbon cavern development program at its Redwater facility.

In September, the Company communicated its plans to proceed with developing a 37 mbpd west coast propane export terminal under an agreement with the Port of Portland, Oregon. This agreement sets forth the terminal site, which includes an existing marine berth located within the city of Portland, for the development of the project. Since the announcement, Pembina's dedicated project team is continuing to make progress with community, regulatory and special interest group engagement, and is also advancing detailed engineering design work in advance of a number of permit applications to be submitted throughout 2015. The project is anticipated to be brought into service in early-2018 (subject to obtaining required permits and approvals). The Company expects that the proposed terminal will provide growing Canadian propane supply (that is derived from natural gas produced in western Canada) with access to large, international markets, while complementing Pembina's expanding integrated service offering for products that are derived from natural gas.

Acquisition of Vantage Pipeline

On October 24, 2014, Pembina acquired the Vantage Pipeline and Mistral Midstream Inc.'s ("Mistral") interest in SEEP for total consideration of $733 million (U.S.$653 million). To enact the purchase, Pembina acquired all of the issued and outstanding equity interests of Vantage Pipeline Canada ULC, Vantage Pipeline US LP and Mistral. Consideration for the transaction consisted of cash of $217 million (U.S.$193 million), the issuance of 5,610,317 common shares of the Company valued at $266 million (U.S.$237 million), and repayment of Vantage's bank indebtedness of $250 million (U.S.$223 million) at closing (the "Vantage Acquisition"). The fair value of the common shares issued was based on the TSX listed share price on the date of the Vantage Acquisition.

The Vantage Pipeline is a recently constructed high vapour pressure pipeline that is approximately 700 km long with a capacity of approximately 40 mbpd. The pipeline originates in Tioga, North Dakota and terminates near Empress, Alberta and it provides long-term, fee-for-service cash flow and access to the North Dakota Bakken play for future NGL opportunities. The Vantage Pipeline forms part of Pembina's Conventional Pipelines business.

As part of the Vantage Acquisition, Pembina also acquired pipeline infrastructure from Mistral and Mistral's interest in SEEP, an under construction, 60 MMcf/d deep cut gas processing facility that is centrally located to service the southeast Saskatchewan Bakken region. SEEP, which is underpinned by both a long-term ethane sales agreement and a long-term, fee-for-service processing agreement, is expected to produce approximately 4.5 mbpd of ethane and connects into the Vantage Pipeline through a pipeline lateral. Pembina expects SEEP and the associated pipeline lateral to be in-service in mid-2015. SEEP and the associated pipeline lateral form part of Pembina's Gas Services business.

Subsequent to year end, the Company announced on February 10, 2015 that it has entered into agreements to proceed with Vantage Expansion for an estimated capital cost of $85 million. Subject to regulatory and environmental approvals, the Vantage Expansion is expected to be in-service in early-2016. See "Operating Results – Conventional Pipelines – New Developments" for more information.

Other Non-Operating Expenses

Pension Liability

Pembina maintains a defined contribution plan and non-contributory defined benefit pension plans covering employees and retirees. The defined benefit plans include a funded registered plan for all qualified employees and an unfunded supplemental retirement plan for those employees affected by the Canada Revenue Agency maximum pension limits. At the end of 2014, the pension plans carried an obligation of $20 million compared to an obligation of $2 million at the end of 2013. At December 31, 2014, plan obligations amounted to $157 million (2013: $126 million) compared to plan assets of $138 million (2013: $124 million). In 2014, the pension plans' expense was $8 million (2013: $10 million). Contributions to the pension plans totaled $10 million in 2014 and $13 million in 2013.

In 2015, contributions to the pension plans are expected to be $9 million and the pension plans' net expenses are anticipated to be $12 million. Management anticipates an annual increase in compensation of four percent, which is consistent with current industry standards.

Financing Activity

On January 16, 2014, Pembina closed its offering of 10 million cumulative redeemable rate reset class A preferred shares, Series 5 ("Series 5 Preferred Shares") at a price of $25.00 per share for aggregate proceeds of $250 million. Dividends on the Series 5 Preferred Shares are $0.3125 quarterly, or $1.25 per share on an annualized basis, payable on the 1st day of March, June, September and December, as and when declared by the Board of Directors of Pembina, for the initial fixed rate period to but excluding June 1, 2019. The Series 5 Preferred Shares began trading on the Toronto Stock Exchange on January 16, 2014 under the symbol PPL.PR.E.

On April 4, 2014, the Company issued $600 million senior unsecured medium-term notes and subsequently repaid the $75 million senior unsecured term facility on April 7, 2014 and the $175 million senior unsecured notes (Series A) on June 16, 2014.

On September 11, 2014, Pembina closed its offering of 10 million cumulative redeemable rate reset class A preferred shares, series 7 ("Series 7 Preferred Shares") at a price of $25.00 per share for aggregate gross proceeds of $250 million. Dividends on the Series 7 Preferred Shares are $0.2813 quarterly, or $1.125 per share on an annualized basis, payable on the 1st day of March, June, September and December, as and when declared by the Board of Directors of Pembina, for the initial fixed rate period to but excluding December 1, 2019. The Series 7 Preferred Shares began trading on the Toronto Stock Exchange on September 11, 2014 under the symbol PPL.PR.G.

Subsequent to the year-end, on February 2, 2015, Pembina closed an offering of $600 million of senior unsecured medium-term notes. The offering was conducted in two tranches consisting of $450 million in senior unsecured medium-term notes, series 5 having a fixed coupon of 3.54 percent per annum, paid semi-annually, and maturing on February 3, 2025, and $150 million through the re-opening of its 4.75 percent medium-term notes, series 3, due April 30, 2043. Net proceeds were used to reduce short-term indebtedness of the Company under its credit facilities, and will also be used to fund Pembina's capital program and for other general corporate purposes.

Liquidity & Capital Resources

($ millions)	**December 31, 2014**	December 31, 2013
Working capital[1]	**(17)**	(170)
Variable rate debt[2]		
Bank debt	**510**	50
Total variable rate debt outstanding (average of 2.74%)	**510**	50
Fixed rate debt[2]		
Senior unsecured notes	**467**	642
Senior unsecured term debt		75
Senior unsecured medium-term notes	**1,500**	900
Subsidiary debt		8
Total fixed rate debt outstanding (average of 4.8%)	**1,967**	1,625
Convertible debentures[2]	**410**	633
Finance lease liability	**10**	9
Total debt and debentures outstanding	**2,897**	2,317
Cash and unutilized debt facilities	**1,073**	1,531

(1) As at December 31, 2014, working capital includes $4 million (December 31, 2013: $262 million) associated with the current portion of loans and borrowings.
(2) Face value.

Pembina anticipates cash flow from operating activities will be more than sufficient to meet its short-term operating obligations and fund its targeted dividend level. Recent global economic conditions have had a downward effect on commodity pricing; however, Pembina's business model is largely comprised of cash flow derived from fee-for-service arrangements, which helped mitigate the impact of the market downturn during the latter part of 2014. Pembina believes that its reliable cash flow, limited commodity exposure (with the exception of portions of its Midstream business) and strong credit profile will enable it to preserve its financial strength into the foreseeable future, particularly as the Company brings its $5.8 billion of long-term, fee-for-service-based projects into service throughout the 2015 to late 2017 timeframe. In the short-term, Pembina expects to source funds required for capital projects from cash and cash equivalents, unutilized debt facilities and the DRIP. Further, based on its successful access to financing in the debt and equity markets recently and over the past several years, Pembina believes it should continue to have access to funds at attractive rates, if and when required, despite the recent weakened global economic environment. Refer to "Risk Factors – Additional Financing and Capital Resources" for more information. Management remains satisfied that the leverage employed in Pembina's capital structure is sufficient and appropriate given the characteristics and operations of the underlying asset base.

Management may make adjustments to Pembina's capital structure as a result of changes in economic conditions or the risk characteristics of the underlying assets. To maintain or modify Pembina's capital structure in the future, Pembina may renegotiate new debt terms, repay existing debt, seek new borrowing and/or issue additional equity.

Pembina's credit facilities at December 31, 2014 consisted of an unsecured $1.5 billion (2013: $1.5 billion) revolving credit facility, which maturity was extended during the year to March 2019, and an operating facility of $30 million (2013: $30 million) due July 2015, which is expected to be renewed on an annual basis. Borrowings on the revolving credit facility and the operating facility bear interest at prime lending rates plus nil to 1.25 percent (2013: nil to 1.25 percent) or Bankers' Acceptances rates plus 1.00 percent to 2.25 percent (2013: 1.0 to 2.25 percent). Margins on the credit facilities are based on the credit rating of Pembina's senior unsecured debt. There are no repayments due over the term of these facilities. As at December 31, 2014, Pembina had $1,073 million (2013: $1,531 million) of cash and unutilized debt facilities. Pembina also had an additional $38 million (2013: $8 million) in letters of credit issued in a separate demand letter of credit facility. At December 31, 2014, Pembina had loans and borrowings (excluding amortization, letters of credit and finance lease liabilities) of $2,477 million (2013: $1,675 million). Pembina's senior debt to total capital at December 31, 2014 was 27 percent (2013: 22 percent). Pembina is required to meet certain specific and customary affirmative and negative financial covenants under its senior unsecured notes, medium-term notes and revolving credit and operating facilities including a requirement to maintain certain financial ratios. Pembina is also subject to customary restrictions on its operations and activities under its notes and facilities, including restrictions on the granting of security, incurring indebtedness and the sale of its assets. Pembina was in compliance with all covenants under its notes and facilities as at the quarter ended December 31, 2014 and as at December 31, 2013.

During the fourth quarter of 2014, $21 million of Pembina's convertible debentures (face value) were converted into one million common shares. The conversions were primarily of Series C convertible debentures maturing November 30, 2020 with a conversion price of $28.55 per common share.

Credit Ratings

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

DBRS rates Pembina's senior unsecured notes and senior unsecured medium-term notes 'BBB' and Series 1, Series 3, Series 5 and Series 7 Preferred Shares Pfd-3. S&P's long-term corporate credit rating on Pembina is 'BBB' and its rating of the Class A preferred shares, Series 1, Series 3, Series 5 and Series 7 is P-3.

Capital Expenditures

	3 Months Ended December 31 (Unaudited)		12 Months Ended December 31	
($ millions)	**2014**	2013	**2014**	2013
Development capital				
Conventional Pipelines	**232**	126	**628**	325
Oil Sands & Heavy Oil	**6**	5	**41**	38
Gas Services	**79**	56	**295**	258
Midstream	**135**	87	**390**	254
Corporate/other projects	**31**	1	**58**	5
Total development capital	**483**	275	**1,412**	880

During the full-year and fourth quarter of 2014, capital expenditures were $1,412 million and $483 million, respectively, compared to $880 million and $275 million in the same periods of 2013.

The majority of the capital expenditures in the 2014 periods were in Pembina's Conventional Pipelines, Midstream, and Gas Services businesses. Conventional Pipelines' capital was for the most part incurred to complete its previously announced Simonette Expansion and progress its Phase II and Phase III Expansions. Midstream's capital expenditures were primarily directed towards RFS II, cavern development, the Cynthia Full-Service Terminal, above ground storage and related infrastructure at the Redwater facility. Gas Services' capital was deployed to progress the Resthaven, Saturn II and Musreau II facilities.

With respect to Pembina's planned capital expenditures for 2015, refer to "Conventional Pipelines – New Developments", "Oil Sands & Heavy Oil – New Developments", "Gas Services – New Developments" and "Midstream – New Developments." Also refer to "Risk Factors – Completion and Timing of Expansion Projects" and "Risk Factors – Possible Failure to Realize Anticipated Benefits of Corporate Strategy" and Pembina's press release dated December 1, 2014.

Contractual Obligations at December 31, 2014

($ millions)	Payments Due By Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 3 years**	**3 – 5 years**	**After 5 years**
Operating and finance leases[1]	745	55	145	153	392
Loans and borrowings[2][4]	3,951	94	189	964	2,704
Convertible debentures[2]	534	25	73	187	249
Construction commitments[3][5]	1,983	1,724	192	67	
Provisions	410		34	3	373
Total contractual obligations[2]	7,623	1,898	633	1,374	3,718

(1) Includes office space, vehicles, and over 3,500 rail car leases supporting future propane transportation in the Midstream business (approximately 1,200 rail car leases at December 31, 2014).
(2) Excluding deferred financing costs.
(3) Excluding significant projects that are awaiting regulatory approval.
(4) Including interest payments on senior unsecured notes.
(5) Including investment commitments to equity accounted investees of $5 million.

Pembina is, subject to certain conditions, contractually committed to the construction and operation of the Saturn II Facility, the Musreau II and III facilities, the Resthaven Expansion, SEEP, RFS II, RFS III, the Phase II, III and NEBC pipeline expansions, as well as certain pipeline connections and laterals and select caverns at the Company's Redwater site. See "Forward-Looking Statements & Information" and "Liquidity & Capital Resources."

The Company updated its estimates for decommissioning obligations as outlined in Note 15 to the Consolidated Financial Statements. The Company has estimated the net present value of its total decommissioning obligations based on a total future liability of $410 million (2013: $309 million). The estimate has applied a medium-term inflation rate and current discount rate and includes a revision in the decommissioning assumptions and associated costs and timing of payments. The obligations are expected to be paid over the next 75 years (2013: 75 years) with majority being paid between 30 and 40 years. The Company applied a 2 percent inflation rate per annum (2013: 2 percent) and a risk free rate of 2.3 percent (2013: 3.2 percent) to calculate the present value of the decommissioning provision.

Trading Activity and Total Enterprise Value[1]

		As at and for the 12 months ended	
($ millions, except where noted)	**February 24, 2015[2]**	December 31, 2014	December 31, 2013
Trading volume and value			
Total volume *(millions of shares)*	**40**	240	142
Average daily volume *(thousands of shares)*	**1,091**	955	566
Value traded	**1,592**	10,379	4,580
Shares outstanding *(millions of shares)*	**340**	338	315
Closing share price *(dollars)*	**39.82**	42.34	37.42
Market value			
Common shares	**13,526**	14,308	11,793
Series 1 Preferred Shares (PPL.PR.A)	**216[3]**	244[4]	242[5]
Series 3 Preferred Shares (PPL.PR.C)	**135[6]**	150[7]	151[8]
Series 5 Preferred Shares (PPL.PR.E)	**251[9]**	257[10]	
Series 7 Preferred Shares (PPL.PR.G)	**242[11]**	250[12]	
5.75% convertible debentures (PPL.DB.C)	**324[13]**	347[14]	396[15]
5.75% convertible debentures (PPL.DB.E)	**38[16]**	37[17]	244[18]
5.75% convertible debentures (PPL.DB.F)	**206[19]**	208[20]	219[21]
Market capitalization	**14,938**	15,801	13,045
Senior debt	**2,607**	2,477	1,617
Cash and cash equivalents	**(26)**	(53)	(51)
Total enterprise value[22]	**17,519**	18,225	14,611

(1) Trading information in this table reflects the activity of Pembina securities on the Toronto Stock Exchange only.
(2) Based on 37 trading days from January 2, 2015 to February 24, 2015, inclusive.
(3) 10 million preferred shares outstanding at a market price of $21.65 at February 24, 2015.
(4) 10 million preferred shares outstanding at a market price of $24.40 at December 31, 2014.
(5) 10 million preferred shares outstanding at a market price of $24.26 at December 31, 2013.
(6) 6 million preferred shares outstanding at a market price of $22.50 at February 24, 2015.
(7) 6 million preferred shares outstanding at a market price of $24.97 at December 31, 2014.
(8) 6 million preferred shares outstanding at a market price of $25.15 at December 31, 2013.
(9) 10 million preferred shares outstanding at a market price of $25.11 at February 24, 2015.
(10) 10 million preferred shares outstanding at a market price of $25.70 at December 31, 2014.
(11) 10 million preferred shares outstanding at a market price of $24.15 at February 24, 2015.
(12) 10 million preferred shares outstanding at a market price of $25.02 at December 31, 2014.
(13) $231 million principal amount outstanding at a market price of $140.00 at February 24, 2015 and with a conversion price of $28.55.
(14) $236 million principal amount outstanding at a market price of $147.00 at December 31, 2014 and with a conversion price of $28.55.
(15) $299 million principal amount outstanding at a market price of $132.63 at December 31, 2013 and with a conversion price of $28.55.
(16) $23 million principal amount outstanding at a market price of $160.90 at February 24, 2015 and with a conversion price of $24.94.
(17) $23 million principal amount outstanding at a market price of $160.00 at December 31, 2014 and with a conversion price of $24.94.
(18) $163 million principal outstanding at a market price of $149.95 at December 31, 2013 and with a conversion price of $24.94.
(19) $150 million principal amount outstanding at a market price of $137.84 at February 24, 2015 and with a conversion price of $29.53.
(20) $150 million principal amount outstanding at a market price of $138.50 at December 31, 2014 and with a conversion price of $29.53.
(21) $172 million principal outstanding at a market price of $127.50 at December 31, 2013 with a conversion price of $29.53.
(22) Refer to "Non-GAAP and Additional GAAP Measures."

As indicated in the table above, Pembina's total enterprise value was $18.2 billion at December 31, 2014. The increase from 2013 was primarily due to greater common shares outstanding related to the DRIP and debenture conversions, shares issued in relation to the Vantage Acquisition, an increase in the price of Pembina's common shares and the addition of the preferred shares and additional debt.

Common Share Dividends

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

Preferred Share Dividends

The holders of Pembina's preferred shares are entitled to receive fixed cumulative dividends payable quarterly on the 1st day of March, June, September and December, if, as and when declared by the Board of Directors of Pembina, for the initial fixed rate period for each series of preferred share.

DRIP

Eligible Pembina shareholders have the opportunity to receive, by reinvesting the cash dividends declared payable by Pembina on their common shares, either (i) additional common shares at a discounted subscription price equal to 95 percent of the Average Market Price (as defined in the DRIP), pursuant to the "Dividend Reinvestment Component" of the DRIP, or (ii) a premium cash payment (the "Premium Dividend™") equal to 102 percent of the amount of reinvested dividends, pursuant to the "Premium Dividend™ Component" of the DRIP. Additional information about the terms and conditions of the DRIP can be found at www.pembina.com.

Participation in the DRIP for the year end and fourth quarter 2014 was 57 percent of common shares outstanding. Proceeds for 2014 and the fourth quarter of 2014 totalled $321 million and $83 million respectively.

Critical Accounting Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are based on the circumstances and estimates at the date of the 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.

The following judgment and estimation uncertainties are those management considers material to the Company's financial statements:

Judgments

(i) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make judgments about future possible events. The assumptions with respect to determining the fair value of property, plant and equipment and intangible assets acquired generally require the most judgment.

(ii) Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets are based on management's judgment of the most appropriate method to reflect the pattern of an asset's future economic benefit expected to be consumed by the Company. Among other factors, these judgments are based on industry standards and historical experience.

(iii) Functional currency

The determination of the Company's and its subsidiaries' functional currency requires assessing several factors, including the currency that predominantly influences sales price, operational and other costs, and to a lesser extent financing of the operations. Management has determined the functional currency of certain Conventional Pipelines operations to be the U.S. dollar. The functional currency of all other entities was determined to be the Canadian dollar.

(iv) Impairment

Assessment of impairment is based on management’s judgment of whether there are sufficient internal and external factors that would indicate that an asset, or cash generating unit ("CGU") is impaired. The determination of a CGU is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

Estimates

(i) Business Combinations

Estimates of future cash flows, forecast prices, interest rates and discount rates are made in determining the fair value of assets acquired and liabilities assumed. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, intangible assets and goodwill in the purchase price equation. Future earnings can be affected as a result of changes in future depreciation and amortization, asset or goodwill impairment.

(ii) Provisions and contingencies

Provisions recognized are based on management's judgment about assessing contingent liabilities and timing, scope and amount of assets and liabilities. Management uses judgment in determining the likelihood of realization of contingent assets and liabilities to determine the outcome of contingencies.

Based on the long-term nature of the decommissioning provision, the most significant uncertainties in estimating the provision are the discount rates used, the costs that will be incurred and the timing of when these costs will occur. In addition, in determining the provision it is assumed that the Company will utilize technology and materials that are currently available.

(iii) 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.

(iv) Depreciation and amortization

Estimated useful lives of property, plant and equipment and intangible assets are based on management's assumptions and estimates of the physical useful lives of the assets, the economic lives, which may be associated with the reserve lives and commodity type of the production area, in addition to the estimated residual value.

(v) Impairment tests

Impairment tests include management's best estimates of future cash flows and discount rates.

Changes in Accounting Policies

The following new standards, interpretations, amendments and improvements to existing standards issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Standards Interpretations Committee ("IFRIC") were adopted as of January 1, 2014 without any material impact to Pembina's Financial Statements: IAS 32 Financial Instruments and IFRIC 21 Levies.

New Standards and Interpretations Not Yet Adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC and are effective for accounting periods beginning on or after January 1, 2015. These standards have not been applied in preparing these Consolidated Financial Statements. Those which may be relevant to Pembina are described below:

IFRS 9 Financial Instruments (2014) is effective January 1, 2018 and is available for early adoption. The Company is currently evaluating the impact that the standard will have on its results of operations and financial position and is assessing when adoption will occur.

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2017. The Company intends to adopt IFRS 15 for the annual period beginning on January 1, 2017. The Company is currently evaluating the impact that the standard will have on its results of operations and financial position.

Controls and Procedures

Disclosure Controls and Procedures

Pembina maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in Pembina's filings is reviewed, recognized and disclosed accurately and in the appropriate time period.

An evaluation, as of December 31, 2014, of the effectiveness of the design and operation of Pembina's disclosure controls and procedures, as defined in Rule 13a – 15(e) and 15d – 15(e) under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), was carried out by management, including the Chief Executive Offer ("CEO") and the Chief Financial Officer ("CFO"). Based on that evaluation, the CEO and CFO have concluded that the design and operation of Pembina's disclosure controls and procedures were effective as at December 31, 2014 to ensure that material information relating to the Company is made known to the CEO and CFO by others, particularly during the period during which the annual filings are being prepared.

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

Internal Control over Financial Reporting

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

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

Management, including the CEO and the CFO, has conducted an evaluation of Pembina's internal control over financial reporting based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on management's assessment as at December 31, 2014, the CEO and CFO have concluded that Pembina's internal control over financial reporting is effective.

Further, there has been no change in the Company's internal control over financial reporting that occurred during the year covered by this Annual Report that has materially affected, or are reasonably likely to materially affect, Pembina's internal control over financial reporting.

The effectiveness of internal control over financial reporting as of December 31, 2014 was audited by KPMG LLP, an independent registered public accounting firm, as stated in their Report of Independent Registered Public Accounting Firm, which is included in this 2014 Annual Report to Shareholders.

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 of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate.

Risk Factors

Pembina's value proposition is based on maintaining a low risk profile. In addition to contractually eliminating the majority of its business risk, Pembina has a formal Risk Management Program including policies, procedures and systems designed to mitigate any residual risks. The risks that may affect the business and operation of Pembina and its operating subsidiaries are described at a high level within this MD&A and more fully within Pembina's Annual Information Form ("AIF"), an electronic copy of which is available at www.pembina.com or on Pembina's SEDAR profile at www.sedar.com. Further, additional discussion about counterparty risk, market risk, liquidity risk and additional information on financial risk management can be found in Note 24 to the Consolidated Financial Statements.

Shareholders and prospective investors should carefully consider these risk factors before investing in Pembina's securities, as each of these risks may negatively affect the trading price of Pembina's securities, the amount of dividends paid to shareholders and the ability of Pembina to fund its debt obligations, including debt obligations under its outstanding convertible debentures and any other debt securities that Pembina may issue from time to time.

Operational Risks

Operational risks include: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities, information systems or processes; the compromise of information and control systems; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design, construction or manufacturing defects); spills at truck terminals and hubs; spills associated with the loading and unloading of harmful substances onto rail cars and trucks; failure to maintain adequate supplies of spare parts; operator error; labour disputes; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third-party systems or refineries which may prevent the full utilization of Pembina's facilities and pipelines; and catastrophic events such as natural disasters, fires, floods, explosions, train derailments, earthquakes, acts of terrorists and saboteurs, and other similar events, many of which are beyond the control of Pembina. Pembina may also be exposed from time to time, to additional operational risks not stated in the immediately preceding sentences. The occurrence or continuance of any of these events could increase the cost of operating Pembina's assets or reduce revenue, thereby impacting earnings. Additionally, Pembina's facilities and pipelines are reliant on electrical power for their operations. A failure or disruption within the local or regional electrical power supply or distribution or transmission systems could significantly affect ongoing operations. In addition, a significant increase in the cost of power or fuel could have a materially negative effect on the level of profit realized in cases where the relevant contracts do not provide for recovery of such costs.

Additional Financing and Capital Resources

The timing and amount of Pembina's capital expenditures, and the ability of the Company to repay or refinance existing debt as it becomes due, directly affects the amount of cash dividends that Pembina pays. Future acquisitions, expansions of Pembina's pipeline systems and midstream operations, and other capital expenditures and the repayment or refinancing of existing debt as it becomes due will be financed from sources such as cash generated from operations, the issuance of additional shares or other securities (including debt securities) of Pembina, and borrowings. Dividends may be reduced, or even eliminated, at times when significant capital or other expenditures are made. There can be no assurance that sufficient capital will be available on terms acceptable to Pembina, or at all, to make additional investments, fund future expansions or make other required capital expenditures. As a result of the recent weakened global economic situation, Pembina may have restricted access to capital and increased borrowing costs. Although Pembina's business and asset base have not changed materially, the ability of Pembina to raise capital is dependent upon, among other factors, the overall state of capital markets and investor demand for investments in the energy industry and Pembina's securities in particular. To the extent that external sources of capital, including the issuance of additional shares or other securities or the availability of additional credit facilities, become limited or unavailable on favourable terms or at all due to credit market conditions or otherwise, the ability of Pembina to make the necessary capital investments to maintain or expand its operations, to repay outstanding debt and to invest in assets, as the case may be, may be impaired. To the extent Pembina is required to use cash flow to finance capital expenditures or acquisitions or to repay existing debt as it becomes due, the level of dividends payable may be reduced.

Commodity price risk

Pembina's Midstream business includes activities related to product storage, terminalling, and hub services. These activities expose Pembina to certain risks including that Pembina may experience volatility in revenue due to fluctuations in commodity prices. Primarily, Pembina enters into contracts to purchase and sell crude oil at floating market prices. The prices of products that are marketed by Pembina are subject to volatility as a result of such factors as seasonal demand changes, extreme weather conditions, general economic conditions, changes in crude oil markets and other factors. Pembina manages its risk exposure by balancing purchases and sales to lock-in margins. Notwithstanding Pembina's management of price and quality risk, marketing margins for crude oil can vary and have varied significantly from period to period. This variability could have an adverse effect on the results of Pembina's commercial Midstream business and its overall results of operations. To assist in effectively smoothing that variability inherent in this business, Midstream is investing in assets that have a fee-based revenue component, and is looking to expand this area going forward.

The Midstream business is also exposed to possible price declines between the time Pembina purchases NGL feedstock and sells NGL products, and to decreasing frac spreads. Frac spread is the difference between the selling prices for NGL products and the cost of NGL sourced from natural gas and acquired at natural gas-related prices. Frac spreads can change significantly from period to period depending on the relationship between crude oil and natural gas prices (the "frac spread ratio"), absolute commodity prices, and changes in the Canadian to U.S. dollar foreign exchange rate. There is also a differential between NGL product prices and crude oil prices which can change margins realized for midstream products separate from frac spread ratio changes. The amount of profit or loss made on the extraction portion of the NGL midstream business will generally increase or decrease with frac spreads. This exposure could result in variability of cash flow generated by the NGL midstream business, which could affect Pembina and the cash dividends of Pembina.

Pembina responds to commodity price risk by using an active Risk Management Program to fix revenues on a minimum of 50 percent of the committed term natural gas supply costs. Pembina's Midstream business is also exposed to variability in quality, time and location differentials. The Company utilizes financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity price risk as a result of these activities. The Company does not trade financial instruments for speculative purposes.

Foreign exchange risk

Pembina's commodity-related cash flows and some of its capital are subject to currency risk, primarily arising from the denomination of specific earnings and cash flows in U.S. dollars. Pembina responds to this risk using an active Risk Management Program to exchange foreign currency for domestic currency at a fixed rate.

Interest rate risk

Pembina has floating interest rate debt which subjects the Company to interest rate risk. Pembina responds to this risk under the active Risk Management Program by entering into financial derivative contracts to fix interest rates.

Reputation

Reputational risk is the potential for market or company-specific events that could result in the deterioration of Pembina's reputation with key stakeholders. The potential for harming Pembina's corporate reputation exists in every business decision and all risks can have an impact on reputation, which in turn can negatively impact Pembina's business and its securities. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory and legal risks, among others, must all be managed effectively to safeguard Pembina's reputation. Pembina's reputation could also be impacted by the actions and activities of other companies operating in the energy industry, particularly other energy infrastructure providers, over which it has no control. In particular, Pembina's reputation could be impacted by negative publicity related to pipeline incidents, unpopular expansion plans or new projects, and due to opposition from organizations opposed to energy, oil sands and pipeline development and particularly shipment of production from oil sands regions. Negative impacts from a compromised reputation could include revenue loss, reduction in customer base, delays in regulatory approvals on growth projects, and decreased value of Pembina's securities.

Environmental Costs and Liabilities

Pembina's operations, facilities and petroleum product shipments are subject to extensive national, regional and local environmental, health and safety laws and regulations governing, among other things, discharges to air, land and water, the handling and storage of petroleum products and hazardous materials, waste disposal, the protection of employee health, safety and the environment, and the investigation and remediation of contamination. Pembina's facilities could experience incidents, malfunctions or other unplanned events that result in spills or emissions in excess of permitted levels and result in personal injury, fines, penalties or other sanctions and property damage. Pembina could also incur liability in the future for environmental contamination associated with past and present activities and properties. The facilities and pipelines must maintain a number of environmental and other permits from various governmental authorities in order to operate, and these facilities are subject to inspection from time to time. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Licenses and permits must be renewed from time to time and there is no guarantee that the license will be renewed on the same or similar conditions. There can be no assurance that we will be able to obtain all of the permits, licenses, registrations, approvals and authorizations that may be required to conduct operations that it may wish to undertake. Further, if at any time regulatory authorities deem any one of Pembina's pipelines or facilities unsafe or not in compliance with applicable laws, they may order it shut down.

While Pembina believes its current operations are in compliance with all applicable significant environmental and safety regulations, there can be no assurance that substantial costs or liabilities will not be incurred. Moreover, it is possible that other developments, such as increasingly strict environmental and safety laws, regulations and enforcement policies thereunder, claims for damages to persons or property resulting from Pembina's operations, and the discovery of pre-existing environmental liabilities in relation to any of the Company's existing or future properties or operations, could result in significant costs and liabilities to Pembina. In addition, the costs of environmental liabilities in relation to spill sites of which Pembina is currently aware could be greater than the Company currently anticipates, and any such differences could be substantial. If Pembina is not able to recover the resulting costs or increased costs through insurance or increased tariffs, cash flow available to pay dividends to shareholders and to service obligations under Pembina's debt securities and other debt obligations could be adversely affected.

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

Abandonment Costs

Pembina is responsible for compliance with all applicable laws and regulations regarding the abandonment of its pipeline systems and other assets at the end of their economic life, and these abandonment costs may be substantial. The proceeds of the disposition of certain assets, including, in respect of certain pipeline systems, line fill, may be available to offset abandonment costs. While Pembina estimates future abandonment costs, actual costs may differ. Pembina may, in the future, determine it prudent or be required by applicable laws or regulations to establish and fund additional reclamation funds to provide for payment of future abandonment costs. Such reserves could decrease cash flow available for dividends to shareholders and to service obligations under Pembina's debt securities and other debt obligations.

Pembina has complied with the National Energy Board ("NEB") requirements on its NEB-regulated pipelines for the creation of abandonment funds and has completed the compliance-based filings that are required under the applicable NEB rules and regulations regarding the abandonment of its pipeline systems and assets. Pembina also has a 50 percent ownership in a NEB-regulated pipeline lateral which is operated by a joint venture partner. The joint venture partner is responsible for the submission of the NEB-compliance based filings for this asset, which Pembina is in the process of reviewing. Pembina will continue to monitor any regulatory changes prior to the next five-year review, and will complete the annual reporting as required by the NEB. Pembina-operated rate regulated pipelines account for less than 206 km, or three percent, of the total infrastructure in the Conventional Pipelines business.

Reserve Replacement, Throughput and Product Demand

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

Over the long term, Pembina's business will depend, in part, on the level of demand for crude oil, condensate, NGL and natural gas in the markets served by the crude oil and NGL pipelines and gas processing and gathering infrastructure in which the Company has an interest. Recent global economic events have had a substantial downward effect on the prices of such products and Pembina cannot predict the impact of future economic conditions on the energy and petrochemical industries or future demand for and prices of natural gas, crude oil, condensate and NGL. As lower commodity prices reduce drilling activity, the supply growth that has been fuelling the growth in pipeline infrastructure could slow down. These factors could negatively affect pipeline and processing capacity value as transportation and processing capacity becomes more abundant. Future prices of these products are determined by supply and demand factors, including weather and general economic conditions as well as economic, political and other conditions in other oil and natural gas regions, all of which are beyond Pembina's control.

The volumes of natural gas processed through Pembina's gas processing assets and of NGL and other products transported in the pipelines depend on production of natural gas in the areas serviced by the business and pipelines. Without reserve additions, production will decline over time as reserves are depleted and production costs may rise. Producers may shut-in production at lower product prices or higher production costs. Producers in the areas serviced by the business may not be successful in exploring for and developing additional reserves or achieving technological improvements to increase recovery rates, and the gas plants and the pipelines may not be able to maintain existing volumes of throughput. Commodity prices may not remain at a level which encourages producers to explore for and develop additional reserves or produce existing marginal reserves. Given the current adverse global economic conditions, the prices of these products have decreased substantially from recently high levels and the risks that producers will not seek reserves additions has heightened. Lower production volumes will also increase the competition for natural gas supply at gas processing plants which could result in higher shrinkage premiums being paid to natural gas producers.

The rate and timing of production from proven natural gas reserves tied into the gas plants is at the discretion of the producers and is subject to regulatory constraints. The producers have no obligation to produce natural gas from these lands. Pembina's gas processing assets are connected to various third-party trunk line systems. Operational disruptions or apportionment on those third-party systems may prevent the full utilization of the business.

Over the long-term, Pembina's business will depend, in part, on the level of demand for NGL and natural gas in the geographic areas in which deliveries are made by pipelines and the ability and willingness of shippers having access or rights to utilize the pipelines to supply such demand. Pembina cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas and NGL.

Completion and Timing of Expansion Projects

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

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

Possible Failure to Realize Anticipated Benefits of Corporate Strategy

Pembina evaluates the value proposition for expansion projects, new acquisitions or divestitures on an ongoing basis. Planning and investment analysis is highly dependent on accurate forecasting assumptions and to the extent that these assumptions do not materialize, financial performance may be lower or more volatile than expected. Volatility in the economy, change in cost estimates, project scoping and risk assessment could result in a loss in profits for Pembina. Large-scale acquisitions in particular may involve significant pricing and integration risk. As part of its ongoing strategy, Pembina may complete acquisitions of assets or other entities in the future. Achieving the benefits of completed and future acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Pembina's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Pembina. The integration of acquired businesses and entities requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Pembina's ability to achieve the anticipated benefits of any acquisitions. Acquisitions may also expose Pembina to additional risks, including entry into markets or businesses in which Pembina has little or no direct prior experience, increased credit risks through the assumption of additional debt, costs and contingent liabilities and exposure to liabilities of the acquired business or assets.

Debt Service

At the end of 2014, Pembina had exposure to floating interest rates on $510 million in debt, which was subsequently repaid in February 2015. Debt exposure is managed by using derivative financial instruments. A one percent change in short-term interest rates would have an annualized impact of approximately $4 million on net cash flows.

Variations in interest rates and scheduled principal repayments, if required, under the terms of the banking agreements could result in significant changes in the amounts required to be applied to debt service before payment of any dividends. Certain covenants in the agreements with the lenders may also limit payments and dividends paid by Pembina.

Pembina and its subsidiaries are permitted to borrow funds to finance the purchase of pipelines and other energy infrastructure assets, to fund capital expenditures and other financial obligations or expenditures in respect of those assets and for working capital purposes. Amounts paid in respect of interest and principal on debt incurred in respect of those assets reduce the amount of cash flow available for common share dividends. Variations in interest rates and scheduled principal repayments for which Pembina may not be able to refinance at favourable rates, or at all, could result in significant changes in the amount required to be applied to service debt, which could have detrimental effects on the amount of cash available for common share dividends. Pembina, on a consolidated basis, is also required to meet certain financial covenants under the credit facilities and is subject to customary restrictions on its operations and activities, including restrictions on the granting of security, incurring indebtedness and the sale of its assets.

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

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

Selected Quarterly Operating Information

	2014				2013				2012
	Q4	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Average volume *(mbpd unless stated otherwise)*									
Conventional Pipelines throughput	**612**	**564**	**573**	**553**	500	489	484	494	480
Oil Sands & Heavy Oil contracted capacity, end of period	**880**	**880**	**880**	**880**	880	880	870	870	870
Gas Services processing *(mboe/d)*[1]	**97**	**71**	**87**	**88**	66	48	48	50	46
NGL sales volume	**130**	**107**	**105**	**133**	122	99	94	123	116
Total	**1,719**	**1,622**	**1,645**	**1,654**	1,568	1,516	1,496	1,537	1,512

(1) Net to Pembina. Converted to mboe/d from MMcf/d at a 6:1 ratio.

Selected Quarterly Financial Information

	2014				2013				2012
($ millions, except where noted)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Revenue	**1,259**	**1,445**	**1,606**	**1,759**	1,282	1,300	1,175	1,249	1,265
Operating expenses	**117**	**98**	**91**	**95**	101	87	91	77	86
Cost of goods sold, including product purchases	**955**	**1,087**	**1,246**	**1,312**	903	983	880	934	968
Realized gain (loss) on commodity-related derivative financial instruments	**8**	**4**		**(2)**	(3)	(4)	4	2	11
Operating margin[1]	**195**	**264**	**269**	**350**	275	226	208	240	222
Depreciation and amortization included in operations	**62**	**51**	**51**	**52**	42	47	32	42	48
Unrealized gain (loss) on commodity-related derivative financial instruments	**11**	**3**	**(4)**	**4**	2	(2)	1	6	(2)
Gross profit	**144**	**216**	**214**	**302**	235	177	177	204	172
EBITDA[1]	**170**	**199**	**235**	**316**	235	201	185	211	198
Cash flow from operating activities	**196**	**188**	**155**	**261**	208	94	151	232	145
Cash flow from operating activities per common share – basic *(dollars)*[1]	**0.58**	**0.57**	**0.48**	**0.82**	0.66	0.30	0.49	0.78	0.50
Adjusted cash flow from operating activities[1]	**164**	**158**	**191**	**264**	185	188	150	202	172
Adjusted cash flow from operating activities per common share – basic[1] *(dollars)*	**0.49**	**0.48**	**0.59**	**0.83**	0.59	0.61	0.49	0.68	0.59
Earnings for the period	**84**	**75**	**77**	**147**	95	72	93	91	81
Earnings per common share – basic *(dollars)*	**0.22**	**0.20**	**0.21**	**0.44**	0.29	0.22	0.30	0.30	0.28
Earnings per common share – diluted (dollars)	**0.22**	**0.20**	**0.21**	**0.41**	0.29	0.22	0.30	0.30	0.28
Common shares outstanding *(millions)*:									
Weighted average – basic	**335**	**327**	**323**	**319**	314	311	308	296	292
Weighted average – diluted	**336**	**329**	**325**	**340**	315	312	309	297	293
End of period	**338**	**329**	**325**	**321**	315	312	310	307	293
Common share dividends declared	**146**	**143**	**140**	**134**	132	129	125	121	118
Common dividends per share *(dollars)*	**0.435**	**0.435**	**0.430**	**0.420**	0.420	0.415	0.405	0.405	0.405
Preferred share dividends declared	**10**	**8**	**7**	**6**	5				

(1) Refer to "Non-GAAP and Additional GAAP Measures."

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

- Increased oil production from customers operating in the Montney, Cardium and Deep Basin Cretaceous formations of west central Alberta, which resulted in increased service offerings, new connections and capacity expansions in these areas;
- Increased liquids-rich natural gas production from producers in the WCSB (Deep Basin, Montney and emerging Duvernay Shale plays), which resulted in increased gas gathering and processing at the Company's Gas Services assets, additional associated NGL transported on its pipelines and expansion of its fractionation capacity;
- New assets being placed into service;

- An improved propane market in North America throughout the fourth quarter of 2013 and first quarter of 2014 and an overall significantly weaker commodity market (especially the weaker propane market) during the fourth quarter of 2014;
- Increased shares outstanding due to: the DRIP, debenture conversions, the Vantage Acquisition and the bought deal equity financing in the first quarter of 2013; and
- Increased preferred share dividend payments due to additional preferred shares issued in the first and third quarter of 2014.

Selected Annual Financial Information

($ millions, except where noted)	**2014**	2013	2012
Revenue	**6,069**	5,006	3,427
Earnings	**383**	351	225
Per common share – basic *(dollars)*	**1.07**	1.12	0.87
Per common share – diluted *(dollars)*	**1.06**	1.12	0.87
Total assets	**11,262**	9,142	8,284
Long-term financial liabilities[(1)]	**3,428**	2,454	3,005
Declared dividends per common share *($ per share)*	**1.72**	1.65	1.61
Preferred share dividends declared	**31**	5	

(1) Includes loans and borrowings, convertible debentures, long-term derivative financial instruments, deferred revenue, provisions and employee benefits, share-based payments and other.

Additional Information

Additional information about Pembina filed with Canadian and U.S. securities commissions, including quarterly and annual reports, AIFs (filed with the U.S. Securities and Exchange Commission under Form 40-F), Management Information Circulars and financial statements can be found online at www.sedar.com, www.sec.gov and at Pembina's website at www.pembina.com.

Non-GAAP and Additional GAAP Measures

Throughout this MD&A, Pembina has used the following terms that are not defined by GAAP but are used by management to evaluate the performance of Pembina and its businesses. Since non-GAAP and additional GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP and additional GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP and additional GAAP measures are calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

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

Investors should be cautioned that net revenue, EBITDA, adjusted cash flow from operating activities, operating margin and total enterprise value should not be construed as alternatives to earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Pembina's performance.

Net revenue

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

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions)	**2014**	2013	**2014**	2013
Revenue	**1,259**	1,282	**6,069**	5,006
Cost of goods sold, including product purchases	**955**	903	**4,600**	3,700
Net revenue	**304**	379	**1,469**	1,306

EBITDA

EBITDA is a non-GAAP measure and is calculated as results from operating activities plus share of profit (loss) from equity accounted investees (before tax, depreciation and amortization) plus depreciation and amortization (included in operations and general and administrative expense) and unrealized gains or losses on commodity-related derivative financial instruments. The exclusion of unrealized gains or losses on commodity-related derivative financial instruments eliminates the non-cash impact.

Management believes that EBITDA provides useful information to investors as it is an important indicator of the issuer's ability to generate liquidity through cash flow from operating activities. EBITDA is also used by investors and analysts for assessing financial performance and for the purpose of valuing an issuer, including calculating financial and leverage ratios. Management utilizes EBITDA to set objectives and as a key performance indicator of the Company's success.

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions, except per share amounts)	**2014**	2013	**2014**	2013
Results from operating activities	**114**	191	**702**	660
Share of profit from equity accounted investees (before tax, depreciation and amortization)	**2**	2	**6**	8
Depreciation and amortization	**65**	44	**226**	171
Unrealized gain on commodity-related derivative financial instruments	**(11)**	(2)	**(14)**	(7)
EBITDA	**170**	235	**920**	832
EBITDA per common share – basic *(dollars)*	**0.51**	0.75	**2.82**	2.71

Adjusted cash flow from operating activities

Adjusted cash flow from operating activities is a non-GAAP measure which is defined as cash flow from operating activities plus the change in non-cash operating working capital, adjusting for current tax and share-based payment expenses, and less preferred share dividends declared. Adjusted cash flow from operating activities excludes preferred share dividends because they are not attributable to common shareholders. The calculation has been modified to include current tax and share-based payment expense as it allows management to better assess the obligations discussed below. Management believes that adjusted cash flow from operating activities provides comparable information to investors for assessing financial performance during each reporting period.

Management utilizes adjusted cash flow from operating activities to set objectives and as a key performance indicator of the Company's ability to meet interest obligations, dividend payments and other commitments.

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions, except per share amounts)	**2014**	2013	**2014**	2013
Cash flow from operating activities	**196**	208	**800**	685
Add (deduct):				
Change in non-cash operating working capital	**(14)**	10	**33**	96
Current tax expenses	**(28)**	(19)	**(103)**	(38)
Tax paid	**11**		**81**	
Accrued share-based payments	**9**	(9)	**(33)**	(30)
Share-based compensation payment			**30**	17
Preferred share dividends declared	**(10)**	(5)	**(31)**	(5)
Adjusted cash flow from operating activities	**164**	185	**777**	725
Cash flow from operating activities per common share – basic *(dollars)*	**0.58**	0.66	**2.45**	2.23
Adjusted cash flow from operating activities per common share – basic *(dollars)*	**0.49**	0.59	**2.38**	2.36

Operating margin

Operating margin is an additional GAAP measure which is defined as gross profit before depreciation and amortization included in operations and unrealized gain/loss on commodity-related derivative financial instruments. Management believes that operating margin provides useful information to investors for assessing the financial performance of the Company's operations. Management utilizes operating margin in setting objectives and views it as a key performance indicator of the Company's success.

Reconciliation of operating margin to gross profit:

	3 Months Ended December 31 (unaudited)		12 Months Ended December 31	
($ millions)	**2014**	2013	**2014**	2013
Revenue	**1,259**	1,282	**6,069**	5,006
Cost of sales (excluding depreciation and amortization included in operations)				
Operating expenses	**117**	101	**401**	356
Cost of goods sold, including product purchases	**955**	903	**4,600**	3,700
Realized gain (loss) on commodity-related derivative financial instruments	**8**	(3)	**10**	(1)
Operating margin	**195**	275	**1,078**	949
Depreciation and amortization included in operations	**62**	42	**216**	163
Unrealized gain on commodity-related derivative financial instruments	**11**	2	**14**	7
Gross profit	**144**	235	**876**	793

Total enterprise value

Total enterprise value is a non-GAAP measure which is calculated by aggregating the market value of common shares, preferred shares and convertible debentures at a specific date plus senior debt less cash and cash equivalents. Management believes that total enterprise value provides useful information to investors to assess the overall market value of the Company and as an input to calculate financial ratios. Management utilizes total enterprise value to assess Pembina's growth.

Forward-Looking Statements & Information

In the interest of providing Pembina's securityholders and potential investors with information regarding Pembina, including management's assessment of the Company's future plans and operations, certain statements contained in this MD&A constitute forward-looking statements or information (collectively, "forward-looking statements") within the meaning of the "safe harbour" provisions of applicable securities legislation. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "believe", "plan", "intend", "target", "view", "maintain", "projection", "schedule", "objective", "strategy", "likely", "potential", "outlook", "goal", "would", and similar expressions suggesting future events or future performance.

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

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

- the future levels of cash dividends that Pembina intends to pay to its shareholders, the dividend payment date and the tax treatment thereof;
- planning, construction, capital expenditure estimates, schedules, regulatory and environmental applications and approvals, expected capacity, incremental volumes, in-service dates, rights, activities, benefits and operations with respect to new construction of, or expansions on existing, pipelines, gas services facilities, fractionation facilities, terminalling, storage and hub facilities and other facilities or energy infrastructure;
- pipeline, processing, fractionation and storage facility and system operations and throughput levels;
- Pembina's strategy and the development and expected timing of new business initiatives and growth opportunities;
- Pembina's strategy for payment of future abandonment costs;
- increased throughput potential due to increased oil and gas industry activity and new connections and other initiatives on Pembina's pipelines and at Pembina's facilities;
- expected future cash flows, future contractual obligations, future financing options, availability of capital to fund growth plans, operating obligations and dividends and the use of proceeds from financings;
- expected contributions and expenses pertaining to Pembina's pension plans;
- anticipated impact of acquisitions on the Company's future cash flows, financial position and commercial opportunities;
- processing, transportation, fractionation, storage and services commitments and contracts; and
- the impact of share price and discount rate on annual share-based incentive expense.

Various factors or assumptions are typically applied by Pembina in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking statements based on information currently available to Pembina. These factors and assumptions include, but are not limited to:

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

The actual results of Pembina could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below:

- the regulatory environment and decisions;
- the impact of competitive entities and pricing;
- labour and material shortages;
- reliance on key relationships and agreements and the outcome of stakeholder engagement;
- the strength and operations of the oil and natural gas production industry and related commodity prices;
- non-performance or default by counterparties to agreements which Pembina or one or more of its affiliates has entered into in respect of its business;
- actions by governmental or regulatory authorities including changes in tax laws and treatment, changes in royalty rates or increased environmental regulation;
- fluctuations in operating results;
- adverse general economic and market conditions in Canada, North America and elsewhere, including changes in interest rates, foreign currency exchange rates and commodity prices; and
- the other factors discussed under "Risk Factors" in Pembina's AIF for the year ended December 31, 2014. Pembina's MD&A and AIF are available at www.pembina.com and in Canada under Pembina's company profile on www.sedar.com and in the U.S. on the Company's profile at www.sec.gov.

These factors should not be construed as exhaustive. Unless required by law, Pembina does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

MANAGEMENT'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 Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a – 15(f) and 15d – 15(f) under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act") and under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

Management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has conducted an evaluation of Pembina's internal control over financial reporting based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Further, there has been no change in the Company's internal control over financial reporting that occurred during the year covered by this Annual Report that has materially affected, or are reasonably likely to materially affect, Pembina's internal control over financial reporting.

Based on management's assessment as at December 31, 2014, management has 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 of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate.

The Board of Directors of the Company (the "Board") is responsible for ensuring management fulfils its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee, which consists of four non-management directors. The Audit Committee meets periodically with management and the 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 the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), and have also audited the effectiveness of Pembina's internal control over financial reporting as of December 31, 2014 and has included an attestation report on management's assessment in their reports which follow. The independent auditors have full and unrestricted access to the Audit Committee to discuss their audit and their related findings.

/s/ M. H. Dilger
M. H. Dilger
President and Chief Executive Officer
Pembina Pipeline Corporation

/s/ J. Scott Burrows
J. Scott Burrows
Vice President, Finance and Chief Financial Officer
Pembina Pipeline Corporation

February 26, 2015



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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Pembina Pipeline Corporation

We have audited the accompanying consolidated financial statements of Pembina Pipeline Corporation, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pembina Pipeline Corporation as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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Other Matter

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Pembina Pipeline Corporation's internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2015 expressed an unmodified (unqualified) opinion on the effectiveness of Pembina Pipeline Corporation's internal control over financial reporting.

KPMG LLP

Chartered Accountants
Calgary, Canada

February 26, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Pembina Pipeline Corporation

We have audited Pembina Pipeline Corporation (the "Corporation") internal control over financial reporting as at December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation'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 Report. Our responsibility is to express an opinion on the Corporation's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 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.

An entity'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. An entity'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 entity; (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 entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity'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.

In our opinion, the Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Corporation as of December 31, 2014 and December 31, 2013, and the related consolidated statements of earnings and comprehensive income, changes in equity and cash flows for the years then ended, and our report dated February 26, 2015 expressed an unmodified (unqualified) opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants
Calgary, Canada

February 26, 2015

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 *($ millions)*	Note	**2014**	2013
Assets			
Current assets			
Cash and cash equivalents		**53**	51
Trade receivables and other	7	**447**	434
Derivative financial instruments	24	**51**	4
Inventory		**137**	159
		688	648
Non-current assets			
Property, plant and equipment	8	**7,560**	5,750
Intangible assets and goodwill	9	**2,841**	2,564
Investments in equity accounted investees	10	**153**	165
Derivative financial instruments	24	**1**	
Deferred tax assets	11	**19**	15
		10,574	8,494
Total Assets		**11,262**	9,142
Liabilities and Equity			
Current liabilities			
Trade payables and accrued liabilities	12	**550**	461
Tax payable		**58**	38
Dividends payable		**49**	44
Loans and borrowings	13	**4**	262
Derivative financial instruments	24	**44**	13
		705	818
Non-current liabilities			
Loans and borrowings	13	**2,466**	1,409
Convertible debentures	14	**391**	604
Derivative financial instruments	24	**73**	107
Employee benefits and share-based payments		**44**	20
Deferred revenue	17	**44**	5
Provisions	15	**410**	309
Deferred tax liabilities	11	**793**	699
		4,221	3,153
Total Liabilities		**4,926**	3,971
Equity			
Equity attributable to shareholders of the Company			
Common share capital	16	**6,876**	5,972
Preferred share capital	16	**880**	391
Deficit		**(1,400)**	(1,189)
Accumulated other comprehensive income		**(20)**	(8)
		6,336	5,166
Non-controlling interest			5
Total Equity		**6,336**	5,171
Total Liabilities and Equity		**11,262**	9,142

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

Year Ended December 31 *($ millions, except per share amounts)*	Note	**2014**	2013
Revenue	20	**6,069**	5,006
Cost of sales		**5,217**	4,219
Gain on commodity-related derivative financial instruments		**24**	6
Gross profit	20	**876**	793
General and administrative		**156**	132
Other expense		**18**	1
		174	133
Results from operating activities		**702**	660
Net finance costs	19	**130**	166
Earnings before income tax and equity accounted investees		**572**	494
Share of loss of investment in equity accounted investees, net of tax		**22**	
Current tax expense	11	**103**	38
Deferred tax expense	11	**64**	105
Income tax expense		**167**	143
Earnings for the year attributable to shareholders		**383**	351
Other comprehensive income (loss)			
Remeasurements of defined benefit liability, net of tax	22	**(14)**	18
Items that will not be reclassified into earnings, net of tax		**(14)**	18
Exchange differences on translation of foreign operations		**2**	
Other comprehensive income (loss), net of tax		**(12)**	18
Total comprehensive income attributable to shareholders		**371**	369
Earnings per common share – basic *(dollars)*	21	**1.07**	1.12
Earnings per common share –diluted *(dollars)*	21	**1.06**	1.12
Weighted average number of common shares *(millions)*			
Basic	21	**326**	307
Diluted	21	**328**	308

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

($ millions)	Note	Attributable to Shareholders of the Company					Non-controlling Interest	Total Equity
		Common Shares	Preferred Shares	Deficit	Accumulated Other Comprehensive Income	Total		
December 31, 2012		5,324		(1,028)	(26)	4,270	5	4,275
Total comprehensive income								
Earnings				351		351		351
Other comprehensive income								
Defined benefit plan actuarial gains, net of tax of $6	22				18	18		18
Total comprehensive income				351	18	369		369
Transactions with shareholders of the Company								
Common shares issued, net of issue costs	16	335				335		335
Preferred shares issued, net of issue costs	16		391			391		391
Dividend reinvestment plan	16	286				286		286
Share-based payment transactions, debenture conversions and other	16	27				27		27
Dividends declared – common	16			(507)		(507)		(507)
Dividends declared – preferred	16			(5)		(5)		(5)
Total transactions with shareholders of the Company		648	391	(512)		527		527
December 31, 2013		5,972	391	(1,189)	(8)	5,166	5	5,171
Total comprehensive income								
Earnings				383		383		383
Other comprehensive income								
Defined benefit plan actuarial losses, net of tax of ($5)	22				(14)	(14)		(14)
Exchange differences on translation of foreign operations					2	2		2
Total comprehensive income				383	(12)	371		371
Transactions with shareholders of the Company								
Common shares issued, net of issue costs	6, 16	265				265		265
Preferred shares issued, net of issue costs	16		489			489		489
Dividend reinvestment plan	16	321				321		321
Debenture conversions	16	293				293		293
Share-based payment transactions and other	16	25				25		25
Dividends declared – common	16			(563)		(563)		(563)
Dividends declared – preferred	16			(31)		(31)		(31)
Total transactions with shareholders of the Company		904	489	(594)		799		799
Disposal of subsidiary							(5)	(5)
December 31, 2014		6,876	880	(1,400)	(20)	6,336		6,336

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31 *($ millions)*	Note	**2014**	2013
Cash provided by (used in)			
Operating activities			
Earnings		**383**	351
Adjustments for			
Depreciation and amortization		**226**	171
Net finance costs	19	**130**	166
Share of loss of investment in equity accounted investees, net of tax		**22**	
Income tax expense	11	**167**	143
Share-based compensation expense	23	**39**	34
Unrealized gain on commodity-related derivative financial instruments	20	**(14)**	(7)
Net impairment – non-recoverable costs		**6**	
Inventory write-down	20	**38**	
Change in non-cash operating working capital		**(33)**	(96)
Payments from equity accounted investees and other		**23**	20
Share-based compensation payment		**(30)**	(17)
Net interest paid	19	**(76)**	(80)
Tax paid	11	**(81)**	
Cash flow from operating activities		**800**	685
Financing activities			
Bank borrowings and issuance of debt		**1,113**	370
Repayment of loans and borrowings		**(304)**	(649)
Issuance of common shares			345
Issuance of preferred shares		**500**	400
Issue costs and financing fees		**(21)**	(29)
Exercise of stock options		**20**	17
Dividends paid (net of shares issued under the dividend reinvestment plan)		**(269)**	(221)
Cash flow from financing activities		**1,039**	233
Investing activities			
Capital expenditures		**(1,412)**	(880)
Changes in non-cash investing working capital and other		**84**	34
Interest paid during construction	19	**(44)**	(35)
Contributions to equity accounted investees		**(8)**	(13)
Acquisition	6	**(457)**	
Cash flow used in investing activities		**(1,837)**	(894)
Change in cash		**2**	24
Cash, beginning of year		**51**	27
Cash and cash equivalents, end of year		**53**	51

See accompanying notes to the consolidated financial statements

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Pembina Pipeline Corporation ("Pembina" or the "Company") is an energy transportation and service provider domiciled in Canada. The consolidated financial statements ("Financial Statements") include the accounts of the Company, its subsidiary companies, partnerships and any interests in associates and joint arrangements as at and for the year ended December 31, 2014. These Financial Statements present fairly the financial position, financial performance and cash flows of the Company.

Pembina owns or has interests in conventional crude oil, condensate and natural gas liquids ("NGL") pipelines, oil sands and heavy oil pipelines, gas gathering and processing facilities, an NGL infrastructure and logistics business and midstream services that span across its operations. The Company's assets are located in Canada and in the United States.

2. BASIS OF PREPARATION

a. Basis of measurement and statement of compliance

The Financial Statements have been prepared on a historical cost basis with some exceptions, as detailed the accounting policies set out below in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These accounting policies have been applied consistently for all periods presented in these financial statements.

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

The Financial Statements were authorized for issue by the Board of Directors on February 26, 2015.

b. Functional and presentation currency

The Financial Statements are presented in Canadian dollars. All financial information presented in Canadian dollars has been disclosed in millions, except where noted. The assets and liabilities of subsidiaries 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 are included in Other Comprehensive Income.

c. Use of estimates and judgments

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that are based on the circumstances and estimates at the date of the 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.

The following judgment and estimation uncertainties are those management considers material to the Company's financial statements:

Judgments

(i) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make judgments about future possible events. The assumptions with respect to determining the fair value of property, plant and equipment and intangible assets acquired generally require the most judgment.

(ii) Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets are based on management's judgment of the most appropriate method to reflect the pattern of an asset's future economic benefit expected to be consumed by the Company. Among other factors, these judgments are based on industry standards and historical experience.

(iii) Functional currency

The determination of the Company's and its subsidiaries' functional currency requires assessing several factors, including the currency that predominantly influences sales price, operational and other costs, and to a lesser extent financing of the operations. Management has determined the functional currency of certain Conventional Pipelines operations to be the U.S. dollar. The functional currency of all other entities was determined to be the Canadian dollar.

(iv) Impairment

Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset, or cash generating unit ("CGU"), or group of CGU's are impaired. The determination of a CGU is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability, each CGU's carrying value is compared to its recoverable amount, defined as the greater of fair value less costs to sell and value in use.

Estimates

(i) Business Combinations

Estimates of future cash flows, forecast prices, interest rates and discount rates are made in determining the fair value of assets acquired and liabilities assumed. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, intangible assets and goodwill in the purchase price equation. Future earnings can be affected as a result of changes in future depreciation and amortization, asset or goodwill impairment.

(ii) Provisions and contingencies

Provisions recognized are based on management's judgment about assessing contingent liabilities and timing, scope and amount of assets and liabilities. Management uses judgment in determining the likelihood of realization of contingent assets and liabilities to determine the outcome of contingencies.

Based on the long-term nature of the decommissioning provision, the most significant uncertainties in estimating the provision are the discount rates used, the costs that will be incurred and the timing of when these costs will occur. In addition, in determining the provision it is assumed that the Company will utilize technology and materials that are currently available.

(iii) 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.

(iv) Depreciation and amortization

Estimated useful lives of property, plant and equipment and intangible assets are based on management's assumptions and estimates of the physical useful lives of the assets, the economic lives, which may be associated with the reserve lives and commodity type of the production area, in addition to the estimated residual value.

(v) Impairment tests

Impairment tests include management's best estimates of future cash flows and discount rates.

3. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, accounting policies as disclosed in Note 4 have been applied to all periods consistently.

The following new standards, interpretations, amendments and improvements to existing standards issued by the IASB or International Financial Reporting Standards Interpretations Committee ("IFRIC") were adopted as of January 1, 2014 without any material impact to Pembina's Financial Statements: IAS 32 Financial Instruments and IFRIC 21 Levies.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies as set out below have been applied consistently to all periods presented in these Financial Statements.

a. Basis of consolidation

i) Business combinations

The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in earnings.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a separate component of equity. Their share of net income and other comprehensive income is also recognized in this separate component of equity. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

ii) Subsidiaries

Subsidiaries are entities, including unincorporated entities such as partnerships, controlled by the Company. The financial statements of subsidiaries are included in the 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 the Company.

iii) Investments in associates

Associates are those entities in which the Company has significant influence and thereby has the power to participate in the financial and operational decisions, but does not control or jointly control the investee. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

The Financial Statements include the Company's share of the earnings and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company's investments in associates are accounted for using the equity method and are recognized initially at cost, including transaction costs.

When the Company'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 the Company has an obligation or has made payments on behalf of the investee.

iv) Joint arrangements

Joint arrangements represent activities where the Company has joint control established by a contractual agreement. Joint control requires unanimous consent for the relevant financial and operational decisions. A joint arrangement is either a joint operation, whereby the parties have rights to the assets and obligations for the liabilities, or a joint venture, whereby the parties have rights to the net assets.

For a joint operation the consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses and cash flows of the arrangement with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Joint ventures are accounted for using the equity method of accounting and recognized at cost and adjusted thereafter for the post acquisition change in the Company's share of the joint venture's net assets. The Company's consolidated financial statements include its share of the joint venture's profit or loss and other comprehensive income included in investment in joint ventures, until the date that joint control ceases.

Determining the type of joint arrangement as either joint operation or joint venture is based on management's assumptions of whether it has joint control over another entity. The considerations include, but are not limited to, determining if the arrangement is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity direct rights to the assets and obligations for the liabilities within the normal course of business. Other facts and circumstances are also assessed by management, including the entity's rights to the economic benefits of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized revenue and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company'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.

vi) Foreign currency

Transactions in foreign currencies are translated to the Company'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 retranslated to the Company's functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

Foreign currency differences arising on retranslation are recognized in earnings.

b. Inventories

Inventories are measured at the lower of cost and net realizable value and consist primarily of crude oil and NGL. 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 costs, and transportation costs. 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 the inventories are reflected in inventories and cost of sales.

c. Financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company 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

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through earnings) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company 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 the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories:

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 that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses.

ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through earnings) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities are comprised of the following: bank overdrafts, trade payables and accrued liabilities, tax payable, dividends payable, loans and borrowings including finance lease obligations and the liability component of convertible debentures.

Such 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.

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

iii) Common share capital

Common shares 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.

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 the Company'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) Compound financial instruments

The Company's convertible debentures are compound financial instruments consisting of a financial liability and an embedded conversion feature. In accordance with IAS 39, the embedded derivatives are required to be separated from the host contracts and accounted for as stand-alone instruments.

Debentures containing a cash conversion option allow Pembina to pay cash to the converting holder of the debentures, at the option of the Company. As such, the conversion feature is presented as a financial derivative liability within long-term derivative financial instruments. Debentures without a cash conversion option are settled in shares on conversion, and therefore the conversion feature is presented within equity, in accordance with its contractual substance.

On initial recognition and at each reporting date, the embedded conversion feature is measured using a method whereby the fair value is measured using an option pricing model. Subsequent to initial recognition, any unrealized gains or losses arising from fair value changes are recognized through earnings in the statement of earnings and comprehensive income at each reporting date. If the conversion feature is included in equity, it is not remeasured subsequent to initial recognition. On initial recognition, the debt component, net of issue costs, is recorded as a financial liability and accounted for at amortized cost. Subsequent to initial recognition, the debt component is accreted to the face value of the debentures using the effective interest rate method. Upon conversion, the corresponding portions of the debt and equity are removed from those captions and transferred to share capital.

vi) Derivative financial instruments

The Company holds derivative financial instruments to manage its interest rate, commodity, power costs and foreign exchange risk exposures as well as cash conversion features on convertible debentures and a redemption liability. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative meet the definition of a derivative, and the combined instrument is not measured at fair value through earnings. Derivatives are recognized initially at fair value with attributable transaction costs recognized in earnings as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in non-commodity-related derivatives are recognized immediately in earnings in net finance costs and changes in commodity-related derivatives are recognized immediately in earnings in operating activities.

d. Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less 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 also may 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 are recognized within other expense (income) 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 the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of maintenance and repair expenses of the property, plant and equipment are recognized in earnings as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets, other than land, are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation is recognized in earnings 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. Pipeline assets and facilities are generally depreciated using the straight line method over 6 to 75 years (an average of 33 years) or declining balance method at rates ranging from 7 percent to 37 percent per annum (an average rate of 6 percent per annum). Facilities and equipment are depreciated using straight line method over 4 to 40 years (at an average rate of 34 years) or declining balance method at rates ranging from 10 to 20 percent (at an average rate of 6 percent per annum). Other assets are depreciated using the straight line method over 2 to 60 years (an average of 37 years) or declining balance method at rates ranging from 7 percent to 21 percent (at an average rate of 6 percent per annum). These rates are established to depreciate remaining net book value over the shorter of their useful lives, economic lives or contractual duration of the related assets.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

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

e. Intangible assets

i) Goodwill

Goodwill that arises upon acquisitions is included in intangible assets. See Note 4(a)(i) for the policy on measurement of goodwill at initial recognition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the investment and not to any asset, including goodwill, that forms the carrying amount of the equity accounted investee.

ii) Other intangible assets

Other intangible assets acquired individually by the Company and have finite useful lives are recognized and measured at cost less accumulated amortization and accumulated impairment losses.

iii) Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. 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. The estimated useful lives of other intangible assets with finite useful lives range from 2 to 33 years (at an average of 15 years) or declining balance method at 9 percent per annum.

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

f. Leased assets

Leases which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is initially recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Company's statement of financial position.

g. Lease payments

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining life.

i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to a lessee the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes, for a finance lease, that it is impracticable to separate the payments reliably, an asset and liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

h. Impairment

i) Non-derivative financial assets

A financial asset not carried at fair value through earnings is assessed at each reporting date to determine whether it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has a negative impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security or a significant or prolonged decline in the fair value below cost.

Trade receivables ("Receivables")

The Company considers evidence of impairment for Receivables at both a specific asset and collective level. All individually significant Receivables are assessed for specific impairment. All individually significant Receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together Receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in earnings and reflected in an allowance account against Receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through earnings.

ii) Non-financial assets

The carrying amounts of the Company'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 at December 31st of each year. An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the purpose of goodwill impairment testing, CGUs are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal 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.

The Company'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 belongs.

Impairment losses are recognized in earnings. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses recognized in respect 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 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.

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. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

ii) Defined benefit pension plans

A defined benefit pension plan is a post-employment benefit plan other than a defined contribution plan. The Company'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. When the calculation results in a benefit to the Company, 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company 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.

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

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment 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 under short-term cash bonus if the Company 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, 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, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are remeasured at each reporting date based on the best estimate of the settlement amount. The unwinding of the discount rate is recognized as a finance cost.

Decommissioning obligation

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value, based on a risk free rate, of management's best estimate of expenditure required to settle the obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the 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 finance costs whereas increases or decreases due to changes in the estimated future cash flows or risk free rate are added to or deducted from the cost of the related asset.

k. Revenue

Revenue in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer or the service has been provided, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfer of significant risks and rewards varies depending on the individual terms of the sales or service agreement. For product sales, usually transfer of significant risks and rewards occurs when the product is delivered to a customer. For pipeline transportation revenues and storage revenue, transfer of significant risks and rewards usually occurs when the service is provided as per the contract with the customer. For rate or contractually regulated pipeline operations, revenue is recognized in a manner that is consistent with the underlying rate design as mandated by agreement or regulatory authority.

Certain commodity buy/sell arrangements where the risks and rewards of ownership have not transferred are recognized on a net basis in earnings.

l. Finance income and finance costs

Finance income comprises interest income on funds deposited and invested, gains on non-commodity-related derivatives measured at fair value through earnings and foreign exchange gains. Interest income is recognized as it accrues in earnings, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings and convertible debentures, unwinding of discount rate on provisions, losses on disposal of available for sale financial assets, losses on non-commodity-related derivatives, impairment losses recognized on financial assets (other than trade and other receivables) 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 method.

m. Income tax

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognized in earnings except to the extent that it relates to a business combination, or items 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 the Company 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 if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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, the Company 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 the Company 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.

n. Earnings per common share

The Company 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 the Company by the weighted average number of common shares outstanding during the period. Earnings attributable to shareholders 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 convertible debentures and share options granted to employees ("Convertible Instruments"). Only outstanding and Convertible Instruments that will have a dilutive effect are included in fully diluted calculations.

The dilutive effect of Convertible Instruments is determined whereby outstanding Convertible Instruments at the end of the period are assumed to 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 Convertible Instruments are added back to earnings for the diluted calculations. The shares issued upon conversion are included in the denominator of per share basic calculations for the date of issue.

o. Segment reporting

An operating segment is a component of the Company 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 by the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and 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 SVPs include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, corporate general and administrative expenses, finance income and costs and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

p. Cash flow statements

The cash flow statement is prepared using the indirect method for calculating cash flow from operating activities. Changes in balance sheet items that have not resulted in cash flows such as share-based payment expense, unwinding of discount rates, unrealized gains and losses, depreciation and amortization, employee future benefit expenses, deferred income tax expense, share of profit from equity accounted investees, among others, have been eliminated for the purpose of preparing this statement. Dividends paid to ordinary shareholders, among other expenditures, are included in financing activities. Interest paid is included in operating activities, with the exception of interest paid during construction, which is included in investing activities.

q. New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC and are effective for accounting periods beginning on or after January 1, 2015. These standards have not been applied in preparing these Financial Statements. Those which may be relevant to Pembina are described below:

IFRS 9 Financial Instruments (2014) is effective January 1, 2018 and is available for early adoption. The Company is currently evaluating the impact that the standard will have on its results of operations and financial position and is assessing when adoption will occur.

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1, 2017. The Company intends to adopt IFRS 15 for the annual period beginning on January 1, 2017. The Company is currently evaluating the impact that the standard will have on its results of operations and financial position.

5. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property, plant and equipment

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

ii) Intangible assets

The fair value of intangible assets acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

iii) Derivatives

Fair value of derivatives are estimated by reference to independent monthly forward prices, interest rate yield curves, currency rates, quoted market prices per share and volatility rates at the period ends.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the company, entity and counterparty when appropriate.

iv) Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the convertible debentures, the fair value is determined by the market price of the convertible debenture on the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

v) Share-based payment transactions

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

The fair value of the long-term share unit award incentive plan and associated distribution units are measured based on the reporting date market price of the Company's shares. Expected dividends are not taken into account in determining fair value as they are issued as additional distribution share units.

vi) Inventories

The net realizable value of inventories is determined based on the estimated selling price in the ordinary course of business less estimated cost to sell.

vii) Finance lease assets

The fair value of finance lease assets is based on market values at the inception date.

6. ACQUISITION

On October 24, 2014, the acquisition date, Pembina acquired the Vantage pipeline system ("Vantage") and Mistral Midstream Inc.'s ("Mistral") interest in the Saskatchewan Ethane Extraction Plant ("SEEP") for total consideration of $733 million (U.S.$653 million). To enact the purchase, Pembina acquired all of the issued and outstanding equity interests of Vantage Pipeline Canada ULC, Vantage Pipeline US LP and Mistral. Consideration for the transaction consisted of cash of $217 million (U.S.$193 million), the issuance of 5,610, 317 common shares of the Company valued at $266 million (U.S.$237 million), and repayment of Vantage's bank indebtedness of $250 million (U.S.$223 million) at closing (the "Acquisition). The fair value of the common shares issued was based on the Toronto Stock Exchange listed share price on the date of acquisition.

Vantage is a recently constructed, 700 kilometre, 40 thousand barrel per day ("mbpd"), high vapour pressure pipeline that originates in Tioga, North Dakota and terminates near Empress, Alberta. Vantage provides long-term, fee-for-service cash flow and strategic access to the prolific and growing North Dakota Bakken play for future natural gas liquids opportunities.

SEEP is an under construction 60 million cubic feet per day deep cut gas processing facility that is centrally located to service the southeast Saskatchewan Bakken region. The facility is underpined by both a long-term ethane sales agreement and a long-term, fee-for-service processing agreement.

The purchase price equation, subject to finalization of property, plant and equipment and deferred tax liabilities, is based on assessed fair values and is as follows:

($ millions)	
Cash	10
Trade receivables and other	4
Property, plant and equipment	447
Intangible assets	204
Goodwill	130
Other long-term assets	2
Trade payables and accrued liabilities	(23)
Deferred tax liabilities	(41)
	733

The determination of fair values and the purchase price equation are based upon an independent valuation. The primary drivers that generate goodwill are synergies and business opportunities from the integration of Pembina and Vantage. Of the recognized goodwill, $2 million is expected to be deductible for tax purposes.

The Company has recognized $2 million in acquisition-related expenses. These expenses are included in Other expenses in the Financial Statements. With the exception of share issue costs, which have been capitalized, all acquisition-related expenses have been expensed as incurred.

Revenue generated by the Vantage business for the period from the Acquisition date of October 24, 2014 to December 31, 2014, before intersegment eliminations, was $6 million. Net earnings, before intersegment eliminations, for the same period were $1 million. If the acquisition had occurred on January 1, 2014, management estimates that consolidated revenue would have increased an additional $24 million, and consolidated profit for the year would have been $3 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014. In addition, no corporate allocations of general and administrative expenses have been considered as these are assumed to be insignificant.

7. TRADE RECEIVABLES AND OTHER

December 31 *($ millions)*	**2014**	2013
Trade accounts receivable from customers	**429**	419
Prepayments	**18**	15
Total current trade and other receivables	**447**	434

8. PROPERTY, PLANT AND EQUIPMENT

($ millions)	**Land and Land Rights**	**Pipelines**	**Facilities and Equipment**	**Linefill and Other**	**Assets Under Construction**	**Total**
Cost						
Balance at December 31, 2012	88	2,594	2,072	506	752	6,012
Additions	7	104	285	59	425	880
Change in decommissioning provision		(19)	(8)			(27)
Capitalized interest		5	5		25	35
Transfers	11	105	320	130	(566)	
Disposals and other		(6)	(4)	2		(8)
Balance at December 31, 2013	106	2,783	2,670	697	636	6,892
Acquisition (Note 6)	38	345	18		46	447
Additions	4	129	282	85	912	1,412
Change in decommissioning provision		52	48			100
Capitalized interest		4	11		31	46
Transfers		85	256	43	(384)	
Disposals and other		21	(9)	(30)	(30)	(48)
Balance at December 31, 2014	148	3,419	3,276	795	1,211	8,849
Depreciation						
Balance at December 31, 2012	4	777	172	45		998
Depreciation	1	52	73	27		153
Transfers						
Disposals and other		(5)	(4)			(9)
Balance at December 31, 2013	5	824	241	72		1,142
Depreciation		49	88	45		182
Transfers						
Disposals and other		(1)	(9)	(25)		(35)
Balance at December 31, 2014	5	872	320	92		1,289
Carrying amounts						
December 31, 2013	101	1,959	2,429	625	636	5,750
December 31, 2014	143	2,547	2,956	703	1,211	7,560

Property, plant and equipment under construction

Costs of assets under construction at December 31, 2014 totalled $1,211 million (2013: $636 million) including capitalized borrowing costs.

For the year ended December 31, 2014, capitalized borrowing costs related to the construction of new pipelines or facilities amounted to $46 million (2013: $35 million), with capitalization rates ranging from 4.57 percent to 5.06 percent (2013: 4.4 percent to 5.0 percent).

Commitments

At December 31, 2014, the Company has contractual construction commitments for property, plant and equipment of $1,978 million (December 31, 2013: $1,322 million), excluding significant projects awaiting regulatory approval.

9. INTANGIBLE ASSETS AND GOODWILL

		Intangible Assets				
($ millions)	Goodwill	Purchase and Sale Contracts	Customer Relationships	Purchase Option	Total	Total Goodwill & Intangible Assets
Cost						
Balance at December 31, 2012	1,976	185	227	277	689	2,665
Additions and other	(10)	3			3	(7)
Balance at December 31, 2013	1,966	188	227	277	692	2,658
Acquisition (Note 6)	130		204		204	334
Additions and other	(6)		1		1	(5)
Balance at December 31, 2014	2,090	188	432	277	897	2,987
Amortization						
Accumulated amortization at December 31, 2012		27	15		42	42
Amortization		33	19		52	52
Balance at December 31, 2013		60	34		94	94
Amortization		32	20		52	52
Balance at December 31, 2014		92	54		146	146
Carrying amounts						
December 31, 2013	1,966	128	193	277	598	2,564
December 31, 2014	2,090	96	378	277	751	2,841

The purchase option of $277 million to acquire property, plant and equipment is not being amortized because it is not exercisable until 2018.

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

December 31 *($ millions)*	**2014**			2013		
	Goodwill	Intangible Assets	Total	Goodwill	Intangible Assets	Total
Conventional Pipelines	**440**	**187**	**627**	316		316
Oil Sands & Heavy Oil	**28**	**5**	**33**	28	5	33
Gas Services	**182**	**35**	**217**	175	20	195
Midstream	**1,440**	**524**	**1,964**	1,447	573	2,020
	2,090	**751**	**2,841**	1,966	598	2,564

Impairment testing

For the purpose of impairment testing, goodwill is allocated to the Company's operating segments which represent the lowest level within the Company at which the goodwill is monitored for internal management purposes. Impairment testing for goodwill was performed at December 31, 2014. The recoverable amounts were based on their value in use and were determined to be higher than their carrying amounts.

Value in use was determined by discounting the future cash flows generated from the continuing use of each operating segment. The calculation of the value in use was based on the following key assumptions:

Cash flows were projected based on past experience, actual operating results and the first 4 years of the business plan approved by management. Cash flows for periods up to 75 years (2013: 75 years) were extrapolated using a constant medium-term inflation rate of 2 percent (2013: 2 percent), except where contracted, long-term cash flows indicated that no inflation should be applied or a specific reduction in cash flows was more appropriate. Pre-tax discount rates between 7.2 percent and 8.9 percent were applied in determining the recoverable amount of the operating segments. (2013: 8.6 and 9.4 percent). The discount rates were estimated based on past experience, the Company's 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, small capitalization premium, projection risk, betas and tax rate.

10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

The Company has a 50 percent interest in two joint ventures (Fort Saskatchewan Ethylene Storage Corporation and Fort Saskatchewan Ethylene Storage Limited Partnership) that are reported using the equity method of accounting. The carrying value of the investments at December 31, 2014 is $153 million (2013: $165 million).

At December 31, 2014, the Company has contractual commitments for additional investment in its equity accounted investees of $5 million (December 31, 2013: $24 million).

11. INCOME TAXES

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

($ millions)	Balance at December 31, 2013	Recognized in Earnings	Recognized in Other Comprehensive Income	Acquisition	Equity	Other	Balance at December 31, 2014
Deferred income tax assets							
Derivative financial instruments	6	(3)					3
Employee benefits			5				5
Share-based payments		13					13
Provisions	78	26					104
Benefit of loss carryforwards	14	(1)		9			22
Other deductible temporary differences	22	(1)		1	3	(2)	23
Deferred income tax liabilities							
Property, plant and equipment	(588)	(115)	(1)	2		3	(699)
Intangible assets	(124)	6		(53)			(171)
Investments in equity accounted investees	(17)	3				7	(7)
Taxable limited partnership income deferral	(64)	16					(48)
Other taxable temporary differences	(11)	(8)					(19)
Total deferred tax liabilities[1]	**(684)**	**(64)**	**4**	**(41)**	**3**	**8**	**(774)**

(1) The Company has recognized a net deferred tax asset of $19 million (December 31, 2013: $15 million) relating to its U.S. subsidiaries. The Company has determined that it is probable that future taxable profits will be sufficient to utilize the deferred tax asset.

($ millions)	Balance at December 31, 2012	Recognized in Earnings	Recognized in Other Comprehensive Income	Acquisition	Equity	Other	Balance at December 31, 2013
Deferred income tax assets							
Derivative financial instruments	23	(18)			1		6
Employee benefits	7	(1)	(6)				
Share-based payments	8	(8)					
Provisions	115	(37)					78
Benefit of loss carryforwards	77	(63)					14
Other deductible temporary differences	2	12				7	1 22
Deferred income tax liabilities							
Property, plant and equipment	(590)				2		(588)
Intangible assets	(127)	3					(124)
Investments in equity accounted investees	(22)	5					(17)
Taxable limited partnership income deferral	(75)	11					(64)
Other taxable temporary differences	(2)	(9)					(11)
Total deferred tax liabilities[1]	**(584)**	**(105)**	**(6)**	**3**	**7**	**1**	**(684)**

(1) The Company has recognized a net deferred tax asset of $15 million at December 31, 2013 (December 31, 2012: $8 million) relating to its U.S. subsidiaries. The Company has determined that it is probable that future taxable profits will be sufficient to utilize the deferred tax asset.

The Company's consolidated statutory tax rate for the year ended December 31, 2014 was 25 percent (2013: 25 percent).

Reconciliation of effective tax rate

Year Ended December 31 *($ millions, except as noted)*	**2014**	2013
Earnings before income tax	**572**	494
Statutory tax rate *(percent)*	**25**	25
Income tax at statutory rate	**143**	124
Tax rate changes on deferred income tax balances	**2**	1
Changes in estimate and other	**8**	5
Permanent items	**14**	13
Income tax expense	**167**	143

Income tax expense

Year Ended December 31 *($ millions)*	**2014**	2013
Current tax expense	**103**	38
Deferred tax expense		
Origination and reversal of temporary differences	**57**	51
Tax rate changes on deferred tax balances	**2**	1
Decrease in tax loss carry forward	**5**	53
Total deferred tax expense	**64**	105
Total income tax expense	**167**	143

The movement of the net deferred tax liability is as follows:

($ millions)	**2014**	2013
Balance at January 1	**684**	584
Deferred income tax expense	**64**	105
Income tax expense (benefit) in other comprehensive income	**(4)**	6
Acquisition	**41**	(3)
Preferred share issue costs	**(3)**	(7)
Other	**(8)**	(1)
Balance at December 31	**774**	684

Deferred tax items recovered directly in equity

Year Ended December 31 *($ millions)*	**2014**	2013
Preferred share issue costs	**3**	7
Other comprehensive (income) loss	**4**	(6)
Deferred tax items recovered directly in equity	**7**	1

Cash taxes paid during the year were $81 million (2013: nil).

The Company has temporary differences associated with its investments in foreign subsidiaries, branches, and interests in joint arrangements. At December 31, 2014, the Company has not recorded a deferred tax asset or liability for these temporary differences (December 31, 2013: nil) as the Company controls the timing of the reversal and it is not probable that the temporary differences will reverse in the foreseeable future.

At December 31, 2014, the Company had $34 million (December 31, 2013: $37 million) of U.S. tax losses that will expire after 2030. The Company has recorded deferred tax assets in respect of these losses, as it has been determined that it is probable that future taxable profits will be sufficient to utilize these losses.

12. TRADE PAYABLES AND ACCRUED LIABILITIES

December 31 *($ millions)*	**2014**	2013
Trade payables	**444**	359
Non-trade payables & accrued liabilities	**106**	102
Total current trade and other payables	**550**	461

13. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

Carrying value, terms and conditions, and debt maturity schedule

December 31 *($ millions)*	Available facilities at December 31, 2014	Nominal interest rate	Year of maturity	Carrying value 2014	Carrying value 2013
Operating facility[1]	30	prime + 0.45 or BA[2] + 1.45	2015[3]		
Revolving unsecured credit facility[1]	1,500	prime + 0.45 or BA[2] + 1.45	2019	**506**	46
Senior unsecured notes – Series A		5.99	2014		175
Senior unsecured notes – Series C	200	5.58	2021	**197**	197
Senior unsecured notes – Series D	267	5.91	2019	**266**	266
Senior unsecured term facility		6.16	2014		75
Senior unsecured medium-term notes 1	250	4.89	2021	**249**	249
Senior unsecured medium-term notes 2	450	3.77	2022	**448**	448
Senior unsecured medium-term notes 3	200	4.75	2043	**198**	198
Senior unsecured medium-term notes 4	600	4.81	2044	**596**	
Subsidiary debt		5.04	2014		8
Finance lease liabilities				**10**	9
Total interest bearing liabilities	3,497			**2,470**	1,671
Less current portion				**(4)**	(262)
Total non-current				**2,466**	1,409

(1) The nominal interest rate is based on the Company's credit rating at December 31, 2014.

(2) Bankers' Acceptance.

(3) Operating facility expected to be renewed on an annual basis.

Pembina's $1.5 billion revolving unsecured credit facility was extended by one year from March 2018 to March 2019 and the $30 million operating facility was also extended by one year from July 2014 to July 2015.

On April 4, 2014, the Company issued $600 million senior unsecured medium-term notes and subsequently repaid the $75 million senior unsecured term facility on April 7, 2014 and the $175 million senior unsecured notes (Series A) on June 16, 2014.

Subsequent to the year-end, Pembina closed an offering of $600 million of senior unsecured medium-term notes. See Note 29 regarding subsequent events.

All facilities are governed by specific debt covenants which Pembina has been in compliance with during the years ended December 31, 2014 and 2013.

For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see financial instruments and financial risk management Note 24.

14. CONVERTIBLE DEBENTURES

($ millions, except as noted)	**Series C – 5.75%**	**Series E – 5.75%**	**Series F – 5.75%**	**Total**
Conversion price *(dollars)*	**$28.55**	**$24.94**	**$29.53**	
Interest payable semi-annually in arrears on:	May 31 and November 30	June 30 and December 31	June 30 and December 31	
Maturity date	November 30, 2020	December 31, 2017	December 31, 2018	
Balance at December 31, 2012	290	160	160	610
Conversions	(1)	(9)	(1)	(11)
Unwinding of discount rate		1	1	2
Deferred financing fees (net of amortization)	1	1	1	3
Balance at December 31, 2013	290	153	161	604
Conversions	(62)	(134)	(21)	(217)
Unwinding of discount rate			1	1
Deferred financing fee (net of amortization)	1	1	1	3
Balance at December 31, 2014	229	20	142	391

The Series C debentures may be converted at the option of the holder at a conversion price of $28.55 per common share at any time prior to maturity and may be redeemed by the Company. The Company may, at its option prior to November 30, 2016, elect to redeem the Series C debentures in whole or in part, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125 percent of the conversion price of the Series C debentures. On or after November 30, 2016, the Series C debentures may be redeemed in whole or in part at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest. The Company may also elect to pay interest on the debentures by issuing shares.

The Series E debentures may be converted at the option of the holder at a conversion price of $24.94 per common share at any time prior to maturity and may be redeemed by the Company. The Company may, at its option prior to December 31, 2015, elect to redeem the Series E debentures in whole or in part, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125 percent of the conversion price of the Series E debentures. On or after December 31, 2015, the Series E debentures may be redeemed in whole or in part at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest. Any accrued unpaid interest will be paid in cash.

The Series F debentures may be converted at the option of the holder at a conversion price of $29.53 per common share at any time prior to maturity and may be redeemed by the Company. The Company may, at its option prior to December 31, 2016, elect to redeem the Series F debentures in whole or in part, provided that the volume weighted average trading price of the common shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125 percent of the conversion price of the Series F debentures. On or after December 31, 2016, the Series F debentures may be redeemed in whole or in part at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest. Any accrued unpaid interest will be paid in cash.

The Company retains a cash conversion option on the Series E and F convertible debentures, allowing the Company to pay cash to the converting holder of the debentures, at the option of the Company. For convertible debentures with a cash conversion option, the conversion feature is recognized as an embedded derivative and accounted for as a derivative financial instrument, measured at fair value using an option pricing model.

15. PROVISIONS

The Company has estimated the net present value of its total decommissioning obligations based on a total future liability of $410 million (2013: $309 million). The estimate has applied a medium-term inflation rate and current discount rate and includes a revision in the decommissioning assumptions and associated costs and timing of payments. The obligations are expected to be paid over the next 75 years (2013: 75 years) with majority being paid between 30 and 40 years. The Company applied a 2 percent inflation rate per annum (2013: 2 percent) and a risk free rate of 2.3 percent (2013: 3.2 percent) to calculate the present value of the decommissioning provision. Changes in the measurement of the decommissioning provision were added to, or deducted from, the cost of the related asset in property, plant and equipment. Of the re-measurement reduction of the decommissioning provision, $8 million (2013: $33 million) was in excess of the carrying amount of the related asset and was credited to depreciation expense.

The property, plant and equipment of the Company consist primarily of underground pipelines, above ground equipment facilities and storage assets. No amount has been recorded relating to the removal of the underground pipelines or for the storage assets as the potential obligations relating to these assets cannot be reasonably estimated due to the indeterminate timing or scope of the asset retirement. As the timing and scope of retirement become determinable for these assets, a provision for the cost of retirement will be recorded.

($ millions)	**2014**	2013
Balance at January 1	**309**	361
Unwinding of discount rate	**9**	9
Decommissioning liabilities settled during the period	**(1)**	(1)
Change in rates	**111**	(88)
Additions	**41**	4
Change in estimates and other	**(59)**	24
Balance at December 31	**410**	309

16. SHARE CAPITAL

Pembina is authorized to issue an unlimited number of common shares and an unlimited number of a class of preferred shares designated as Preferred Shares, Series A. The holders of the common shares are entitled to receive notice of, attend at and vote at any meeting of the shareholders of the Company, receive dividends declared and share in the remaining property of the Company upon distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs.

Pembina has adopted a shareholder rights plan ("Plan") as a mechanism designed to assist the board in ensuring the fair and equal treatment of all shareholders in the face of an actual or contemplated unsolicited bid to take control of the Company. Take-over bids may be structured in such a way as to be coercive or discriminatory in effect, or may be initiated at a time when it will be difficult for the board to prepare an adequate response. Such offers may result in shareholders receiving unequal or unfair treatment, or not realizing the full or maximum value of their investment in Pembina. The Plan discourages the making of any such offers by creating the potential of significant dilution to any offeror who does so.

Common Share Capital

($ millions, except as noted)	Number of Common Shares *(thousands)*	Common Share Capital
Balance at December 31, 2012	293,226	5,324
Issued, net of issue costs	11,207	335
Dividend reinvestment plan	9,384	286
Share-based payment transactions, debenture conversions and other	1,327	27
Balance at December 31, 2013	315,144	5,972
Issued on Acquisition, net of issue costs (Note 6)	5,610	265
Dividend reinvestment plan	7,878	321
Debenture conversion	8,500	293
Share-based payment transactions and other	792	25
Balance at December 31, 2014	**337,924**	**6,876**

Preferred Share Capital

($ millions, except as noted)	Number of Preferred Shares *(thousands)*	Preferred Share Capital
Balance at December 31, 2012		
Class A, Series 1 Preferred shares issued, net of issue costs	10,000	244
Class A, Series 3 Preferred shares issued, net of issue costs	6,000	147
Balance at December 31, 2013	16,000	391
Class A, Series 5 Preferred shares issued, net of issue costs	10,000	244
Class A, Series 7 Preferred shares issued, net of issue costs	10,000	245
Balance at December 31, 2014	**36,000**	**880**

On July 26, 2013, Pembina issued 10 million cumulative redeemable 5-year rate reset Class A Preferred shares, Series 1 ("Series 1 Preferred Shares") at a price of $25.00 per Series 1 Preferred Share for aggregate proceeds of $250 million. The holders of Series 1 Preferred Shares are entitled to receive fixed cumulative dividends at an annual rate of $1.0625 per share when declared by the Board of Directors. The dividend rate will reset on December 1, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.47 percent. The Series 1 Preferred Shares are redeemable by the Company at the Company's option on December 1, 2018 and on December 1 of every fifth year thereafter.

Holders of the Series 1 Preferred Shares have the right to convert all or any part of their shares into cumulative redeemable floating rate Class A Preferred shares, Series 2 ("Series 2 Preferred Shares"), subject to certain conditions, on December 1, 2018 and on December 1 of every fifth year thereafter. Holders of Series 2 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.47 percent, if, as and when declared by the Board of Directors of Pembina.

On October 2, 2013, Pembina closed its offering of 6 million cumulative redeemable rate reset Class A Preferred shares, Series 3 (the "Series 3 Preferred Shares") at a price of $25.00 per share for aggregate proceeds of $150 million. The holders of Series 3 Preferred Shares are entitled to receive fixed cumulative dividends at an annual rate of $1.1750 per share, if, as and when declared by the Board of Directors. The dividend rate will reset on March 1, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.60 percent. The Series 3 Preferred Shares are redeemable by the Company at its option on March 1, 2019 and on March 1 of every fifth year thereafter.

Holders of the Series 3 Preferred Shares have the right to convert their shares into cumulative redeemable floating rate Class A Preferred shares, Series 4 ("Series 4 Preferred Shares"), subject to certain conditions, on March 1, 2019 and on March 1 of every fifth year thereafter. Holders of Series 4 Preferred Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.60 percent, if, as and when declared by the Board of Directors of Pembina.

On January 16, 2014, Pembina closed its offering of 10 million cumulative redeemable rate reset Class A Preferred shares, Series 5 (the "Series 5 Preferred Shares") at a price of $25.00 per share for aggregate proceeds of $250 million. The holders of Series 5 Preferred Shares are entitled to receive fixed cumulative dividends at an annual rate of $1.25 per share, if, as and when declared by the Board of Directors. The dividend rate will reset on June 1, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 3.00 percent. The Series 5 Preferred Shares are redeemable by the Company at its option on June 1, 2019 and on June 1 of every fifth year thereafter.

Holders of the Series 5 Preferred Shares have the right to convert their shares into cumulative redeemable floating rate Class A Preferred shares, Series 6 ("Series 6 Preferred Shares"), subject to certain conditions, on June 1, 2019 and on June 1 of every fifth year thereafter. Holders of Series 5 Preferred Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 3.00 percent, if, as and when declared by the Board of Directors of Pembina.

On September 11, 2014, Pembina closed its offering of 10 million cumulative redeemable rate reset Class A Preferred shares, Series 7 (the "Series 7 Preferred Shares") at a price of $25.00 per share for aggregate proceeds of $250 million. The holders of Series 7 Preferred Shares are entitled to receive fixed cumulative dividends at an annual rate of $1.125 per share, if, as and when declared by the Board of Directors. The dividend rate will reset on December 1, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 2.94 percent. The Series 7 Preferred Shares are redeemable by the Company at its option on December 1, 2019 and on December 1 of every fifth year thereafter.

Holders of the Series 7 Preferred Shares have the right to convert their shares into cumulative redeemable floating rate Class A Preferred shares, Series 8 ("Series 8 Preferred Shares"), subject to certain conditions, on December 1, 2019 and on December 1 of every fifth year thereafter. Holders of Series 7 Preferred Shares will be entitled to receive a cumulative quarterly floating dividend at a rate equal to the sum of the then 90-day Government of Canada Treasury Bill yield plus 2.94 percent, if, as and when declared by the Board of Directors of Pembina.

Dividends

The Company has a Premium Dividend™ and Dividend Reinvestment Plan. Eligible common shareholders have the opportunity to receive additional common shares by reinvesting the cash dividends declared payable by the Company on its common shares.

The following dividends were declared by the Company:

Year Ended December 31 *($ millions)*	**2014**	2013
Common shares		
$1.72 per qualifying share (2013: $1.65)	**563**	507
Preferred shares		
$1.06250 per qualifying Series 1 share (2013: $.3726)	**11**	4
$1.17500 per qualifying Series 3 share (2013: $.1932)	**7**	1
$1.08820 per qualifying Series 5 share (2013: nil)	**11**	
$0.24970 per qualifying Series 7 share (2013: nil)	**2**	
	31	5

On January 12, 2015, Pembina announced that the Board of Directors declared a dividend for January of $0.145 per qualifying common share ($1.74 annualized) in the total amount of $49 million. This dividend was paid on February 13, 2015 to shareholders of record on January 25, 2015.

On February 6, 2015, Pembina announced that the Board of Directors declared a dividend for February of $0.145 per qualifying common share ($1.74 annualized) payable on March 13, 2015 to shareholders of record on February 25, 2015.

On January 12, 2015, Pembina announced that the Board of Directors had declared a quarterly dividend of $0.265625 per qualifying Series 1 preferred share, $0.29375 per qualifying Series 3 preferred share, $0.3125 per qualifying Series 5 preferred share and $0.28125 per qualifying Series 7 preferred share in the total amount of $10 million payable on March 1, 2015.

17. DEFERRED REVENUE

Deferred revenue consists of asset purchases that occurred at a nominal value in exchange for future toll reductions which is amortized to revenue over the life of the asset. Deferred revenue also includes other payments received from customers related to capital expenditures which are amortized over the lease or contract terms.

18. PERSONNEL EXPENSES

Year Ended December 31 *($ millions)*	**2014**	2013
Salaries and wages	**177**	133
Share-based payment transactions	**39**	34
Short-term incentive plan	**28**	26
Pension plan expense	**13**	12
Health, savings plan and other benefits	**14**	10
	271	215

19. NET FINANCE COSTS

Year Ended December 31 *($ millions)*	**2014**	2013
Interest income from:		
Bank deposits and other	**(5)**	(5)
Interest expense on financial liabilities measured at amortized cost:		
Loans and borrowings	**57**	55
Convertible debentures	**33**	42
Unwinding of discount rates	**9**	9
Loss (gain) on fair value of non-commodity-related derivative financial instruments	**2**	(6)
Loss on revaluation of conversion feature of series E and F convertible debentures	**41**	71
Foreign exchange gains and other	**(7)**	
	130	166

Net interest paid of $120 million (2013: $115 million) includes interest paid during construction of $44 million (2013: $35 million).

20. OPERATING SEGMENTS

The Company determines its reportable segments based on the nature of operations and includes four operating segments: Conventional Pipelines, Oil Sands & Heavy Oil, Gas Services and Midstream.

Conventional Pipelines consists of the tariff based operations of pipelines and related facilities to deliver crude oil, condensate and NGL in Alberta, British Columbia, Saskatchewan, and North Dakota, United States.

Oil Sands & Heavy Oil consists of the Syncrude, Horizon, Nipisi and Mitsue Pipelines, and the Cheecham Lateral. These pipelines and related facilities deliver synthetic crude oil produced from oil sands under long-term cost-of-service arrangements.

Gas Services consists of natural gas gathering and processing facilities, including 7 gas plants, 12 compressor stations and over 375 kilometres of gathering systems.

Midstream consists of the Company's interests in extraction and fractionation facilities, terminalling and storage hub services under a mixture of short, medium and long-term contractual arrangements.

The financial results of the business 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 the Company's CEO, CFO and Senior Vice Presidents. The segments results from operating activities, before depreciation and amortization, is 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. Intersegment transactions are recorded at market value and eliminated under corporate and intersegment eliminations.

Year Ended December 31, 2014 *($ millions)*	Conventional Pipelines[1][4]	Oil Sands & Heavy Oil	Gas Services	Midstream[2]	Corporate & Intersegment Eliminations	Total
Revenue:						
Pipeline transportation	513	204			(72)	645
Terminalling, storage and hub services				5,259		5,259
Gas Services			165			165
Total revenue	513	204	165	5,259	(72)	6,069
Operating expenses	211	68	58	69	(5)	401
Cost of goods sold, including product purchases[3]				4,672	(72)	4,600
Realized gain on commodity-related derivative financial instruments				10		10
Operating margin	302	136	107	528	5	1,078
Depreciation and amortization included in operations	42	17	22	135		216
Unrealized gain on commodity-related derivative financial instruments				14		14
Gross profit	260	119	85	407	5	876
Depreciation included in general and administrative					10	10
Other general and administrative	9	3	6	24	104	146
Other expenses	2	12	1	1	2	18
Reportable segment results from operating activities	249	104	78	382	(111)	702
Net finance costs (income)	5	3	1	(1)	122	130
Reportable segment earnings (loss) before tax	244	101	77	383	(233)	572
Share of loss of investments in equity accounted investees, net of tax				22		22
Capital expenditures	628	41	295	390	58	1,412

(1) 5 percent of Conventional Pipelines revenue is under regulated tolling arrangements.

(2) NGL product and services, terminalling, storage and hub services revenue includes $209 million associated with U.S. midstream sales.

(3) Includes inventory write-down to net realizable value of $38 million.

(4) Conventional Pipelines revenue includes $1 million associated with U.S. pipeline sales.

Year Ended December 31, 2013 *($ millions)*	Conventional Pipelines[1]	Oil Sands & Heavy Oil	Gas Services	Midstream[2]	Corporate & Intersegment Eliminations	Total
Revenue:						
Pipeline transportation	411	195			(67)	539
Terminalling, storage and hub services				4,346		4,346
Gas Services			121			121
Total revenue	411	195	121	4,346	(67)	5,006
Operating expenses	162	64	43	91	(4)	356
Cost of goods sold, including product purchases				3,766	(66)	3,700
Realized gain (loss) on commodity-related derivative financial instruments	2			(3)		(1)
Operating margin	251	131	78	486	3	949
Depreciation and amortization included in operations	12	17	20	114		163
Unrealized gain on commodity-related derivative financial instruments	1			6		7
Gross profit	240	114	58	378	3	793
Depreciation included in general and administrative					8	8
Other general and administrative	9	3	6	25	81	124
Acquisition-related and other expenses (income)	2			1	(2)	1
Reportable segment results from operating activities	229	111	52	352	(84)	660
Net finance costs (income)	5	1	1	(4)	163	166
Reportable segment earnings (loss) before tax	224	110	51	356	(247)	494
Capital expenditures	325	38	258	254	5	880

(1) 5 percent of Conventional Pipelines revenue is under regulated tolling arrangements.

(2) NGL product and services, terminalling, storage and hub services revenue includes $158 million associated with U.S. midstream sales.

21. EARNINGS PER COMMON SHARE

Basic earnings per common share

The calculation of basic earnings per common share at December 31, 2014 was based on the earnings attributable to common shareholders of $348 million (2013: $344 million) and a weighted average number of common shares outstanding of 326 million (2013: 307 million).

Diluted earnings per common share

The calculation of diluted earnings per common share at December 31, 2014 was based on earnings attributable to common shareholders of $348 million (December 31, 2013: $344 million), and weighted average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares of 328 million (2013: 308 million).

Earnings attributable to common shareholders

Year Ended December 31 *($ millions)*	**2014**	2013
Earnings	**383**	351
Dividends on preferred shares	**(31)**	(5)
Cumulative dividends on preferred shares, not yet declared	**(4)**	(2)
Earnings contributable to common shareholders (basic and diluted)	**348**	344

Weighted average number of common shares

(In thousands of shares, except as noted)	**2014**	2013
Issued common shares at January 1	**315,144**	293,226
Effect of shares issued	**1,061**	8,781
Effect of share options exercised	**392**	350
Effect of conversion of convertible debentures	**5,622**	83
Effect of shares issued under dividend reinvestment plan	**4,047**	4,771
Weighted average number of common shares at December 31 (basic)	**326,266**	307,211
Dilutive effect of share options on issue	**1,390**	870
Weighted average number of common shares at December 31 (diluted)	**327,656**	308,081
Basic earnings per common share (dollars)	**$1.07**	$1.12
Diluted earnings per common share (dollars)	**$1.06**	$1.12

At December 31, 2014, the effect of the conversion of the convertible debentures was excluded from the diluted earnings per common share calculation as the impact was anti-dilutive. If the convertible debentures were included, an additional 17 million (2013: 23 million) common shares would be added to the weighted average number of common shares and $25 million (2013: $32 million) would be added to earnings, representing after tax interest expense of the convertible debentures.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

22. PENSION PLAN

December 31 *($ millions)*	**2014**	2013
Registered defined benefit (asset) obligation	**12**	(5)
Supplemental defined benefit obligation	**8**	7
Other accrued benefit obligations	**1**	1
Net employee benefit obligations	**21**	3

The Company maintains a defined contribution plan and non-contributory defined benefit pension plans covering its employees. The Company contributes 5 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. The defined benefit plans include a funded registered plan for all employees and an unfunded supplemental retirement plan for those employees affected by the Canada Revenue Agency maximum pension limits. The Company also has other accrued benefit obligations which include a non-contribution unfunded post employment extended health and dental plan provided to a few remaining retired employees. The defined benefit plans are administered by a single pension fund that is legally separated from the Company. Benefits under the plans are based on the length of service and the annual average best three years of earnings during the last ten years of service of the employee. Benefits paid out of the plans are not indexed. The Company 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 valuation was at December 31, 2014. The defined benefit plans expose the Company to actuarial risks such as longevity risk, interest rate risk, and market (investment) risk.

Defined benefit obligations

December 31	2014		2013	
($ millions)	**Registered Plan**	**Supplemental Plan**	**Registered Plan**	**Supplemental Plan**
Present value of unfunded obligations		**8**		7
Present value of funded obligations	**149**		119	
Total present value of obligations	**149**	**8**	119	7
Fair value of plan assets	**137**		124	
Recognized (liability) asset for defined benefit obligations	**(12)**	**(8)**	5	(7)

The Company 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 totalled $10 million for the year ended December 31, 2014 (2013: $13 million).

The Company 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, 2014 and December 31, 2013.

Registered defined benefit pension plan assets comprise

December 31 *(percentages)*	**2014**	2013
Equity securities	**60**	64
Debt	**38**	35
Other	**2**	1
	100	100

Movement in the present value of the defined benefit pension obligation

Year Ended December 31	2014		2013	
($ millions)	**Registered Plan**	**Supplemental Plan**	**Registered Plan**	**Supplemental Plan**
Defined benefits obligations at January 1	**119**	**7**	122	6
Benefits paid by the plan	**(6)**		(6)	
Current service costs	**8**		9	1
Interest expense	**6**		5	
Actuarial losses (gains) in other comprehensive income	**22**	**1**	(11)	
Defined benefit obligations at December 31	**149**	**8**	119	7

Movement in the present value of registered defined benefit pension plan assets

Year Ended December 31 *($ millions)*	**2014**	2013
Fair value of plan assets at January 1	**124**	100
Contributions paid into the plan	**10**	13
Benefits paid by the plan	**(6)**	(6)
Return on plan assets	**4**	12
Interest income	**6**	5
Fair value of registered plan assets at December 31	**138**	124

Expense recognition in earnings

Year Ended December 31 *($ millions)*	**2014**	2013
Registered Plan		
Current service costs	**8**	9
Interest on obligation	**6**	5
Expected return on plan assets	**(5)**	(4)
	9	10

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

Year Ended December 31 *($ millions)*	**2014**	2013
Registered Plan		
Operating expenses	**5**	5
General and administrative expense	**4**	5
	9	10

Expense recognized for the Supplemental Plan was less than $1 million for each of the years ended December 31, 2014 and 2013.

Actuarial gains and losses recognized in other comprehensive income

	2014			2013		
($ millions)	**Registered Plan**	**Supplemental Plan**	**Total**	Registered Plan	Supplemental Plan	Total
Balance at January 1	**(7)**	**(1)**	**(8)**	(25)	(1)	(26)
Remeasurements gain:						
Actuarial gain (loss) arising from						
Demographic assumptions				(2)		(2)
Financial assumptions	**(15)**		**(15)**	7		7
Experience adjustments	**(2)**		**(2)**	4		4
Return on plan assets excluding interest income	**3**		**3**	9		9
Recognized during the period after tax	**(14)**		**(14)**	18		18
Balance at December 31	**(21)**	**(1)**	**(22)**	(7)	(1)	(8)

Principal actuarial assumptions used:

December 31 (weighted average percent)	**2014**	2013
Discount rate	**4.0%**	4.9%
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:

December 31 *(years)*	**2014**	2013
Longevity at age 65 for current pensioners		
Males	**21.4**	21.3
Females	**23.9**	23.5
Longevity at age 65 for current member aged 45		
Males	**22.6**	22.4
Females	**24.9**	24.2

The calculation of the defined benefit obligation is sensitive to the discount rate, compensation increases, retirements and termination rates as set out above. An increase or decrease of the estimated discount rate of 4.0 percent by 100 basis points at December 31, 2014 is considered reasonably possible in the next financial year but would not have a material impact on the obligation.

The Company expects to contribute $9 million to the defined benefit plans in 2015.

23. SHARE-BASED PAYMENTS

At December 31, 2014, the Company has the following share-based payment arrangements:

Share option plan (equity settled)

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

Long-term share unit award incentive (cash-settled) plan

In 2005, the Company established 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, non-officers and directors. 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 the Company's common shares plus notional dividends and performance of the Company.

Terms and conditions of share option plan and share unit award incentive plan

The terms and conditions relating to the grants of the share option program and the long-term share unit award incentive plans are listed in the tables below:

Grant date share options granted to employees *(thousands of options, except as noted)*	**Number of options**	**Contractual life of options**
January 2, 2013	61	7 years
April 1, 2013	52	7 years
August 9, 2013	1,605	7 years
October 1, 2013	70	7 years
January 2, 2014	101	7 years
March 12, 2014	409	7 years
April 1, 2014	91	7 years
September 18, 2014	2,985	7 years
November 20, 2014	3,110	7 years

One-third vest on the first anniversary of the grant date, one-third vest on the second anniversary of the grant date, and one-third vest on the third anniversary of the grant date.

Long-term share unit award incentive plan [(1)]

Grant date PSUs to Officers, Non-Officers[(2)] and Directors *(thousands of units, except as noted)*	**Units**	**Contractual life of PSU**
January 1, 2013	292	3 years
January 1, 2014	227	3 years

PSUs vest on the third anniversary of the grant date. Actual PSUs awarded based on the trading value of the shares and performance of the Company.

Grant date RSUs to Officers, Non-Officers [2] and Directors *(thousands of units, except as noted)*	**Units**	**Contractual life of RSU**
January 1, 2013	285	3 years
January 1, 2014	256	3 years

One-third vest on the first anniversary of the grant date, one-third vest on the second anniversary of the grant date, and one-third vest on the third anniversary of the grant date.

(1) Distribution Units are granted in addition to RSU and PSU grants based on notional accrued dividends from RSU and PSU granted but not paid.

(2) Non-Officers defined as senior selected positions within the Company.

Disclosure of share option plan

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

(thousands of options, except as noted)	**Number of Options**	**Weighted Average Exercise Price (dollars)**
Outstanding at December 31, 2012	3,532	$23.11
Granted	1,787	$32.17
Exercised	(887)	$19.08
Forfeited	(233)	$26.14
Outstanding at December 31, 2013	4,199	$27.65
Granted	6,696	$46.83
Exercised	(792)	$25.11
Forfeited	(343)	$39.23
Outstanding as at December 31, 2014	9,760	$40.60

As of December 31, 2014, the following options are outstanding:

(thousands of options, except as noted) Exercise Price *(dollars)*	Number outstanding at December 31, 2014	Options Exercisable	Weighted average remaining life
$14.84 – $19.99	322	322	2.41 years
$20.00 – $29.99	1,473	1,038	4.26 years
$30.00 – $39.99	1,942	402	5.61 years
$40.00 – $52.01	6,023		6.79 years
	9,760	1,762	

The weighted average share price at the date of exercise for share options exercised in the year ended December 31, 2014 was $45.32 (December 31, 2013: $33.12).

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

Year Ended December 31 *(dollars, except as noted)*	**2014**	2013
Weighted average		
Fair value at grant date	**4.77**	2.59
Share price at grant date	**47.32**	31.60
Exercise price	**46.83**	32.17
Expected volatility *(percent)*	**19.1**	20.6
Expected option life *(years)*	**3.67**	3.67
Expected annual dividends per option	**1.74**	1.65
Expected forfeitures *(percent)*	**7.8**	7.9
Risk-free interest rate (based on government bonds) *(percent)*	**1.3**	1.4

Disclosure of long-term share unit award incentive plan

The long-term share unit award incentive plan was valued using the reporting date market price of the Company's shares of $39.47 (December 31, 2013: $37.42). Actual payment may differ from amount valued based on market price and company performance.

Long-term share unit award incentive units granted

Year Ended December 31 *(thousands of share units)*	**2014**	2013
Number of share units granted	**482**	577

Employee expenses

Year Ended December 31 *($ millions)*	**2014**	2013
Share option plan, equity settled	**6**	3
Long-term share unit award incentive plan	**33**	31
Share-based payment expense	**39**	34
Total carrying amount of liabilities for cash settled arrangements	**52**	48
Total intrinsic value of liability for vested benefits	**29**	30

24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Risk Management

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. The Company's Board of Directors is responsible for providing risk management oversight at Pembina. The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of this risk framework in relation to the risks faced by the Company. Internal audit personnel assist the Audit Committee 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 the Company would experience if a counterparty to a financial instrument failed to meet its contractual obligations in accordance with the terms and conditions of the financial instruments with the Company. Counterparty credit risk arises primarily from the Company's cash and cash equivalents, trade and other receivables, and from counterparties to its derivative financial instruments. The carrying amount of the Company's cash and cash equivalents, trade and other receivables and derivative financial instruments represents the maximum counterparty credit exposure, without taking into account security held.

The Company manages counterparty credit risk through established credit management techniques, including conducting comprehensive financial and other assessments for all new counterparties and regular reviews of existing counterparties to establish and monitor a counterparty's creditworthiness, setting exposure limits, monitoring exposures against these limits and obtaining financial assurances where warranted. The Company utilizes various sources of financial, credit and business information in assessing the creditworthiness of a counterparty including external credit ratings, where available, and in other cases, detailed financial statement analysis in order to generate an internal credit rating based on quantitative and qualitative factors. The establishment of counterparty exposure limits is governed by a Board of Directors designated counterparty exposure limit matrix which represents the maximum dollar amounts of counterparty exposure by debt rating that can be approved for a counterparty. The Company continues to closely monitor and reassess the creditworthiness of its counterparties, which has resulted in the Company reducing or mitigating its exposure to certain counterparties where it was deemed warranted and permitted under contractual terms.

Financial assurances may include guarantees, letters of credit and cash. Letters of credit are held on $41 million (December 31, 2013: $51 million) of the receivables balance.

Typically, the Company has collected its receivables in full and at December 31, 2014, 85 percent were current (2013: 86 percent). The Company has a general lien and a continuing and first priority security interest in, and a secured charge on, all of a shipper's petroleum in its custody. The risk of non-collection is considered to be low and no impairment of trade and other receivables has been made.

The Company monitors and manages its concentration of counterparty credit risk on an ongoing basis. The Company 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, the Company must balance its market and counterparty credit risks when making business decisions.

Liquidity risk

Liquidity risk is the risk the Company 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.

			Outstanding balances due by period			
December 31, 2014 *($ millions)*	Carrying Amount	Expected Cash Flows	Less Than 1 Year	1 – 3 Years	3 – 5 Years	More Than 5 Years
Trade payables and accrued liabilities	550	550	550			
Taxes payable	58	58	58			
Loans and borrowings	2,470	3,951	94	189	964	2,704
Convertible debentures	391	534	25	73	187	249
Dividends payable	49	49	49			
Derivative financial liabilities	117	117	44	7	66	
Operating and finance leases	745	745	55	145	153	392
Construction commitments	1,983	1,983	1,724	192	67	

The Company 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

Pembina's Midstream business includes product storage, terminalling, hub services, and cross-commodity and product quality trading activities. These activities expose Pembina to certain risks including that Pembina may experience volatility in revenue due to fluctuations in commodity prices. Primarily, Pembina enters into contracts to purchase and sell crude oil at floating market prices. The prices of products that are marketed by Pembina are subject to volatility as a result of such factors as seasonal demand changes, extreme weather conditions, general economic conditions, changes in crude oil markets and other factors. Pembina manages its risk exposure by balancing purchases and sales to lock-in margins. Notwithstanding Pembina's management of price and quality risk, marketing margins for crude oil can vary and have varied significantly from period to period. This variability could have an adverse effect on the results of Pembina's commercial Midstream business and its overall results of operations. To assist in effectively smoothing that variability inherent in this business, Midstream is investing in assets that have a fee-based revenue component, and is looking to expand this area going forward.

The Midstream business is also exposed to possible price declines between the time Pembina purchases NGL feedstock and sells NGL products, and to decreasing frac spreads. Frac spread is the difference between the selling prices for NGL products and the cost of NGL sourced from natural gas and acquired at natural gas related prices. Frac spreads can change significantly from period to period depending on the relationship between crude oil and natural gas prices (the "frac spread ratio"), absolute commodity prices, and changes in the Canadian to U.S. dollar foreign exchange rate. There is also a differential between NGL product prices and crude oil prices which can change margins realized for midstream products separate from frac spread ratio changes. The amount of profit or loss made on the extraction portion of the NGL midstream business will generally increase or decrease with frac spreads. This exposure could result in variability of cash flow generated by the NGL midstream business, which could affect Pembina and the cash dividends of Pembina.

Pembina responds to commodity price risk by using an active Risk Management Program to fix revenues on a minimum of 50 percent of the committed term natural gas supply costs. Pembina's Midstream business is also exposed to variability in quality, time and location differentials. The Company utilizes financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity price risk as a result of these activities. The Company does not trade financial instruments for speculative purposes.

b. Foreign exchange risk

Pembina's commodity-related cash flows are subject to currency risk, primarily arising from the denomination of specific cash flows in U.S. dollars. Pembina responds to this risk using an active Risk Management Program to exchange foreign currency for domestic currency at a fixed rate.

c. Interest rate risk

Pembina has floating interest rate debt which subjects the Company to interest rate risk. Pembina responds to this risk under the active Risk Management Program to enter into financial derivative contracts to fix interest rates.

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

	Carrying Amounts of Financial Liability	
December 31 *($ millions)*	**2014**	2013
Fixed rate instruments	**(1,964)**	(1,625)
Variable rate instruments	**(506)**	(46)
	(2,470)	(1,671)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have (increased) decreased earnings by the amounts shown below. This analysis assumes that all other variables remain constant.

December 31 *($ millions)*	**2014**	2013
	± 100 bp	± 100 bp
Variable rate instruments	**± 5**	± 1
Interest rate swap	**± 1**	
Earnings sensitivity (net)	**± 6**	± 1

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

December 31	**2014**		2013	
($ millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets carried at fair value				
Derivative financial instruments	**52**	**52**	4	4
Financial assets carried at amortized cost				
Cash and cash equivalents	**53**	**53**	51	51
Trade and other receivables	**447**	**447**	434	434
	500	**500**	485	485
Financial liabilities carried at fair value				
Derivative financial instruments	**117**	**117**	120	120
Financial liabilities carried at amortized cost				
Trade payables and accrued liabilities	**550**	**550**	461	461
Taxes payable	**58**	**58**	38	38
Dividends payable	**49**	**49**	44	44
Loans and borrowings	**2,470**	**2,590**	1,671	1,764
Convertible debentures	**391**[(1)]	**592**	604[(1)]	859
	3,518	**3,839**	2,818	3,166

(1) Carrying amount excludes conversion feature of convertible debentures.

(2) The fair value of convertible debentures at December 31, 2013 was $859 million and not $633 million as previously disclosed.

The basis for determining fair values is disclosed in Note 5.

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 and adequate credit spread, and were as follows:

December 31 *(percents)*	**2014**	2013
Derivatives	**1.3% - 2.1%**	1.2% - 2.4%
Loans and borrowings	**2.7% - 4.8%**	1.7% - 5.0%

Fair value of power derivatives are based on market rates reflecting forward curves.

Fair value hierarchy

The fair value of financial instruments carried at fair value is classified according to the following hierarchy based on the amount of observable inputs used to value the instruments.

Level 1: Unadjusted quoted prices are available in active markets for identical assets or liabilities as the reporting date. Pembina does not use Level 1 inputs for any of its fair value measurements.

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 2 valuations are based on inputs, including 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. All of Pembina's significant financial instruments carried at fair value are valued using Level 2 inputs.

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

	2014					2013				
December 31 *($ millions)*	**Current Asset**	**Non-Current Asset**	**Current Liability**	**Non-Current Liability**	**Total**	Current Asset	Non-Current Asset	Current Liability	Non-Current Liability	Total
Net derivative financial instruments liability	**51**	**1**	**(40)**	**(2)**	**10**	4		(6)	(3)	(5)
Interest rate			**(2)**	**(6)**	**(8)**			(3)	(5)	(8)
Foreign exchange			**(2)**		**(2)**			(1)		(1)
Conversion feature of convertible debentures (Note 14)				**(65)**	**(65)**				(99)	(99)
Redemption liability related to acquisition of subsidiary								(3)		(3)
Net derivative financial instruments (liability)	**51**	**1**	**(44)**	**(73)**	**(65)**	4		(13)	(107)	(116)

Sensitivity analysis

The following table shows the impact on earnings if the underlying risk variables of the derivative financial instruments changed by a specified amount, with other variables held constant.

December 31, 2014 *($ millions)*		**+ Change**	**- Change**
Frac spread related			
Natural gas	(AECO +/- $0.25 per GJ)	1	(1)
NGL (includes propane, butane and condensate)	(Belvieu +/- U.S. $0.10 per gal)	(3)	3
Foreign exchange (U.S.$ vs. Cdn$)	(FX rate +/- $0.05)	(2)	2
Product margin			
Crude oil	(WTI +/- $2.50 per bbl)	(4)	4
NGL (includes condensate)	(Belvieu +/- U.S. $0.10 per gal)	6	(6)
Corporate			
Interest rate	(Rate +/- 50 basis points)	2	(2)
Power	(AESO +/- $5.00 per MW/h)	3	(3)
Conversion feature of convertible debentures	(Pembina share price +/- $0.50 per common share)	(2)	2

25. OPERATING LEASES

Leases as lessee

Operating lease rentals are payable as follows:

December 31 *($ millions)*	**2014**	2013
Less than 1 year	**50**	26
Between 1 and 5 years	**291**	206
More than 5 years	**392**	306
	733	538

The Company leases a number of offices, warehouses, vehicles and rail cars under operating leases. The leases run for a period of one to fifteen years, with an option to renew the lease after that date. The Company has sublet office space up to 2022 and has contracted sub-lease payments, shown net in the table above, of $56 million over the term.

26. CAPITAL MANAGEMENT

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

The Company 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. The Company 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 the Company consists of shareholder's equity plus long-term liabilities. Long-term debt is comprised of bank credit facilities, unsecured notes, finance lease obligations and convertible debentures.

Pembina is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants as of December 31, 2014.

Note 16 of these financial statements shows the change in Share Capital for the year ended December 31, 2014.

27. GROUP ENTITIES

Significant subsidiaries

	Ownership Interest	
December 31 *(percentages)*	**2014**	2013
Pembina Pipeline	**100**	100
Pembina Gas Services Limited Partnership	**100**	100
Pembina Oil Sands Pipeline LP	**100**	100
Pembina Midstream Limited Partnership	**100**	100
Pembina NGL Corporation	**100**	100
Pembina Facilities NGL LP	**100**	100
Pembina Midstream Inc.	**100**	100
Pembina Infrastructure and Logistics LP	**100**	100
Pembina Empress NGL Partnership	**100**	100
Pembina Resource Services Canada	**100**	100
Pembina Resource Services (U.S.A.)	**100**	100
Pembina Prairie Facilities Ltd.[1]	**100**	

(1) Incorporated upon the acquisition of Vantage.

28. RELATED PARTIES

All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

Key management personnel and director compensation

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

Compensation

In addition to short-term employee benefits – including salaries, director fees and bonuses – the Company 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:

Year Ended December 31 *($ millions)*	**2014**	2013
Short-term employee benefits	**5**	4
Share-based compensation and other	**8**	7
Total compensation of key management	**13**	11

Transactions

Key management personnel and directors of the Company control less than one percent of the voting common shares of the Company (consistent with the prior year). Certain directors and key management personnel also hold Pembina convertible debentures and preferred shares. Dividend and interest payments received for the common shares and debentures 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.

Transactions

($ millions)		Transaction Value Year Ended December 31		Balance Outstanding As At December 31	
Post-employment benefit plan	Transaction	**2014**	2013	**2014**	2013
Defined benefit plan	Funding	**10**	13		

29. SUBSEQUENT EVENTS

Subsequent to the year-end, on February 2, 2015, Pembina closed an offering of $600 million of senior unsecured medium-term notes (the "Offering"). The Offering was conducted in two tranches consisting of $450 million in senior unsecured medium-term notes, series 5 having a fixed coupon of 3.54 percent per annum, paid semi-annually, and maturing on February 3, 2025, and $150 million through the re-opening of its 4.75 percent medium-term notes, series 3, due April 30, 2043. Net proceeds were used to reduce short-term indebtedness of the Company under its credit facilities, and will also be used to fund Pembina's capital program and for other general corporate purposes.

Subsequent to the Vantage Acquisition and year end, on February 10, 2015, the Company announced that it has entered into agreements to expand the Vantage pipeline system (the "Vantage Expansion") for an estimated capital cost of $85 million.

The Vantage Expansion entails increasing the Vantage Pipeline's mainline capacity from 40 mbpd to 68 mbpd through the addition of mainline pump stations and the construction of a new 80 km, 8-inch gathering lateral. The Vantage Expansion is supported by a long-term, fee-for-service agreement, with a substantial take-or-pay component, and the gathering lateral is underpinned by a fixed return on invested capital agreement. Subject to regulatory and environmental approvals, the Vantage Expansion is expected to be in-service in early-2016.

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CORPORATE INFORMATION

HEAD OFFICE

Pembina Pipeline Corporation
Suite 4000, 585 – 8th Avenue SW
Calgary, Alberta T2P 1G1

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

TRUSTEE, REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Suite 600, 530 – 8th Avenue SW
Calgary, Alberta T2P 3S8
1-800-564-6253

STOCK EXCHANGE

Pembina Pipeline Corporation
Toronto Stock Exchange listing symbols for:
Common shares: PPL
Convertible debentures: PPL.DB.C, PPL.DB.E, PPL.DB.F
Preferred shares: PPL.PR.A, PPL.PR.C, PPL.PR.E, PPL.PR.G

New York Stock Exchange listing symbol for:
Common shares: PBA

INVESTOR INQUIRIES

Phone:	(403) 231-3156
Fax:	(403) 237-0254
Toll Free:	1-855-880-7404
Email:	investor-relations@pembina.com
Website:	www.pembina.com

Exhibit 99.4

CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, M.H. Dilger, certify that:

1. I have reviewed this annual report on Form 40-F of Pembina Pipeline Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 26, 2015

/s/ M.H. Dilger
Name: M.H. Dilger
Title: President & Chief Executive Officer

Exhibit 99.5

CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Scott Burrows, certify that:

1. I have reviewed this annual report on Form 40-F of Pembina Pipeline Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 26, 2015

/s/ J. Scott Burrows

Name: J. Scott Burrows
Title: Vice President, Finance and Chief Financial Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Pembina Pipeline Corporation (the "Company") on Form 40-F for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, M.H. Dilger, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly represents, in all material respects, the financial condition and results of the operations of the Company.

Date: February 26, 2015

/s/ M.H. Dilger
M.H. Dilger
President & Chief Executive Officer

Exhibit 99.7

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Pembina Pipeline Corporation (the "Company") on Form 40-F for the year ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Scott Burrows, Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly represents, in all material respects, the financial condition and results of the operations of the Company.

Date: February 26, 2015

/s/ J. Scott Burrows
J. Scott Burrows
Vice President, Finance and Chief Financial Officer

Exhibit 99.8

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Calgary AB
T2P 4B9

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Consent of Independent Registered Public Accounting Firm

The Board of Directors
Pembina Pipeline Corporation

We consent to the use of our reports, each dated February 26, 2015, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statements (No. 333-187938) on Form F-3 of Pembina Pipeline Corporation.

KPMG LLP

Chartered Accountants
February 26, 2015
Calgary, Canada

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