



LETTER TO SHAREHOLDERS FOR 2012

Kinder Morgan Management, LLC (NYSE: KMR) is a limited partner in and manages and controls the business and affairs of Kinder Morgan Energy Partners (NYSE: KMP), one of the largest publicly traded pipeline limited partnerships in the United States. KMP is an energy transportation and storage company and owns an investment in or operates approximately 46,000 miles of pipelines and 180 terminals in North America. Our pipelines transport natural gas, gasoline, crude oil, CO₂ and other products, and our terminals store petroleum products and chemicals and handle such products as ethanol, coal, petroleum coke and steel.

KMR's success is dependent upon our operation and management of KMP and KMP's resulting performance. In 2012, KMP declared total cash distributions of \$4.98 per limited partner unit, an 8 percent increase from \$4.60 per unit the previous year. KMR, like KMP, declared \$4.98 per share for 2012. Since its formation in May of 2001, KMR has delivered an average annual return to shareholders of 15 percent (assumes that distributions are reinvested).

Looking ahead, KMR, like KMP, expects to pay a distribution of \$5.28 per share for 2013, which would be a 6 percent increase over the 2012 distribution. We believe there are exceptional growth opportunities at KMP, as there is a need to build additional midstream infrastructure to move or store oil, gas and liquids from the prolific shale plays in the United States and the oilsands in Alberta, along with increasing demand for export coal and CO₂. We currently have identified approximately \$11 billion in expansion and joint venture investments at KMP that we have, or are confident that we will soon have, under contract. We are also pursuing customer commitments for many more projects.

Distributions to KMR shareholders, which are paid in the form of additional shares, are based on the amount of the cash distributions paid to KMP unitholders. Because distributions of additional KMR shares are made proportionately to all of our shareholders, distributions will not be includable in the gross income of our shareholders for federal income tax purposes and no Form 1099 will be issued.

We invite you to review the Form 10-K for both KMR and KMP, and to read my annual letter to KMP unitholders for more information. These materials are available on our web site at www.kindermorgan.com. As always, thank you for your ongoing support. We believe the best is yet to come!

Sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Kinder".

Richard D. Kinder
Chairman and CEO