Forward looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and securities values of Kinder Morgan Inc. and Kinder Morgan Energy Partners, L.P. (collectively known as “Kinder Morgan”) may differ materially from those expressed in the forward-looking statements contained throughout this presentation. Many of the factors that will determine these results and values are beyond Kinder Morgan’s ability to control or predict. These statements are necessarily based upon various assumptions involving judgments with respect to the future, including, among others, the ability to achieve synergies and revenue growth; national, international, regional and local economic, competitive and regulatory conditions and developments; technological developments; capital markets conditions; inflation rates; interest rates; the political and economic stability of oil producing nations; energy markets; weather conditions; business and regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity and certain agricultural products; the timing and success of business development efforts; and other uncertainties. You are cautioned not to put undue reliance on any forward-looking statement.

Kinder Morgan Management LLC

A written prospectus meeting the requirements of Section 10 of the Securities Act of 1933 may be obtained from Goldman, Sachs & Co., 200 West Street, New York, New York 10286. This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.
Unique Financial Structure

- **KMP drives growth at KMI**
  - Over $250 million of distributions to KMI for 2001
  - Represents approximately 34% of KMI’s segment income in 2001
  - Fastest growing business segment of KMI

- **Senior Management**
  - Owns 25% of KMI
  - KMI owns $1 billion of KMP units
  - Rich Kinder and Bill Morgan have $1/year salaries, no bonus, no options

---

**KMI (a)**
- **Corporation**
  - Market Equity $6.2bn
  - Debt 3.4
  - Enterprise Value $9.5bn

**KMP (Partnership)**
  - Market Equity (b) $5.9bn
  - Debt 2.1
  - Enterprise Value $8.0bn

---

(a) Market cap. and enterprise values based on 115.3mm shares o/s and a price of $53.65 as of 7/27/2001 and debt balance as of 6/30/2001

(b) Market cap based on 67.5mm common units outstanding, approximately 15mm I-Units outstanding, a common unit price of $71.05, and a KMR price of $70.55 as of 7/27/01. Debt balance as of 6/30/2001
Since the formation of Kinder Morgan, management has:

- **Focused on stable, fee-based assets which are core to the energy infrastructure of growing markets**
  - Virtually no commodity price risk
  - Increased use of weather hedges

- **Increased utilization of assets while controlling costs**
  - Classic fixed cost businesses with little variable costs
  - Improve productivity to drop most of top-line growth to bottom line

- **Leveraged economies of scale from incremental acquisitions**
  - Reduce needless overhead
  - Apply best practices to core operations

- **Maximized benefit of a unique financial structure which fits with strategy**
  - MLP avoids double taxation on distributions from high cash flow businesses
  - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions
KMI Guidance – 2001 EPS up over 40%

Expect approximately $.96 in Q’s 3&4 and approximately $1.84 for the year.
KMI Guidance - Segment Income Contribution (a)

- KMP - Should almost double in 2nd half of 2001 vs 2000
- Power & Other – Expect approximately 80% increase in 2nd half 2001 vs 2000
- Retail – Expect 10% growth in 2001
- KMTP – moved to MLP
- NGPL – Should be relatively flat in 2001

(a) Income from MLP is pre-amortization from excess investment
KMI Guidance - 2002

- 2000 EPS: $1.28
- 2001 YTD (Quarters 1 & 2): $0.88
- Estimated 2001 EPS: $0.96
- Estimated 2001 YTD (Quarters 3 & 4): $1.84
- Estimated 2002 EPS assuming no additional acquisitions: $2.40 - $2.50
- Estimated 2002 EPS with acquisitions: $2.20 - $2.35

- KMP
- Power*
- NGPL
- Retail
- Interest Savings SFAS 142
- Acquisitions at KMP

* Includes other businesses not constituting a separate segment
KMP Year End Distribution (a)

28% CAGR 1996-2001

1996 $1.26
1997 $2.25
1998 $2.60
1999 $2.90
2000 $3.80
2001(e) $4.40
2002(e) Greater than $5.00

(a) Historical and projected year-end run rate for KMP distribution per unit (equal to Q4 distribution x4)
KMP Guidance - 2002

- **2000 DPU**: $2.00
- **Estimated 2001 DPU**: $3.43
- **Estimated 2002 DPU assuming no additional acquisitions**: $4.70 - $4.80
- **Estimated 2002 DPU with acquisitions**: $4.85 - $4.95

- **Products - Nat Gas**: $3.43
- **Terminals**: $4.25
- **CO2**: $4.85 - $4.95
- **Acquisitions**: $4.85 - $4.95

Expect mid teens growth in distribution plus 6% yield.
Vopak Acquisition

- Acquired 4 terminals for $44 million in cash at approximately 6.5x distributable cash flow
- Three terminals in Florida
  - Port Sutton and Manatee terminal in Tampa – primarily fertilizers and ammonia sulfate
  - Nassau Terminals in San Fernandina Beach – break bulk primarily paper and containers
- One terminal in Virginia
  - Elizabeth River Terminal in Chesapeake – ammonia sulfate and other bulk materials
Oxy Acquisition

- Acquired the partnership that owns a major part of the Kinder Morgan Texas Pipeline
- 2600 miles of gas pipeline that transports gas from south Texas to Houston
- KMP signed a 5 year agreement to supply approximately 90 Bcf of gas to Oxy Chemical plants in Houston area
- Paid $360mm or approximately 8.5x distributable cash flow
  - $40mm lease payments are no longer paid
  - Incremental margin from new gas contract
  - Funded with short-term debt
  - $0.08 DPU accretion to KMP
  - Only $0.02 earnings accretion due to lease expense method and depreciation
### KMP Acquisition Matrix

#### Hypothetical Value of Acquisitions

<table>
<thead>
<tr>
<th>Hypothetical Value of Acquisitions</th>
<th>Multiple of Distributable Cash Flow</th>
<th>5.0 X</th>
<th>6.5 X</th>
<th>8.0 X</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,250M</td>
<td></td>
<td>$ 0.77</td>
<td>$ 0.46</td>
<td></td>
</tr>
<tr>
<td>1,000M</td>
<td></td>
<td>0.63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>750M</td>
<td></td>
<td>0.49</td>
<td></td>
<td>0.17</td>
</tr>
<tr>
<td>500M</td>
<td></td>
<td>0.33</td>
<td>0.20</td>
<td>0.12</td>
</tr>
</tbody>
</table>

#### Target $0.25 - 0.35

---

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a $4.20 annual distribution, a unit/KMR share price of $71.00, and outstanding units of 82.4 million.

The above figures regarding acquisition accretion potential are based on various forward-looking assumptions made by the management of Kinder Morgan. While Kinder Morgan believes that these assumptions are reasonable, it can give no assurance that such results will materialize.
# KMI Acquisition Matrix

<table>
<thead>
<tr>
<th>Hypothetical Value of Acquisitions</th>
<th>Multiple of Distributable Cash Flow</th>
<th>5.0 X</th>
<th>6.5 X</th>
<th>8.0 X</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,250M</td>
<td>$0.57</td>
<td>$0.39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,000M</td>
<td>0.46</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>750M</td>
<td>0.34</td>
<td></td>
<td></td>
<td>0.17</td>
</tr>
<tr>
<td>500M</td>
<td>0.23</td>
<td>0.16</td>
<td></td>
<td>0.11</td>
</tr>
</tbody>
</table>

**Target $0.25 - 0.30**

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a $4.20 annual distribution, a unit/KMR share price of $71.00, outstanding units of 82.4 million and 115.3 million KMI shares outstanding.

The above figures regarding acquisition accretion potential are based on various forward-looking assumptions made by the management of Kinder Morgan. While Kinder Morgan believes that these assumptions are reasonable, it can give no assurance that such results will materialize.
Other Developments

FERC 497
- FERC considering re-examining relationships between pipelines & marketing affiliates
- Kinder Morgan has no marketing & trading
- Could lead to acquisition opportunities if major marketers are forced to divest pipes

KMP/ KMR 2:1 Split
- Effective August 31
- KMP numbers will need to be updated
KMR Offering Summary

- **Issuer:** Kinder Morgan Management, LLC
- **Size:** 14.875 million shares (originally filed 8.5 million)
- **Price:** $70.41 (indication on original filing was $59.75)
- **Gross Proceeds**(a): $1,047 million (indication original filing was $508) which returns KMP to 40% debt target
- **Distribution/Yield:** In parity with KMP common units (approx - 6%) Distribution in additional shares
- **Exchange Feature:** Exchangeable into common units of KMP owned by KMI

(a) Amounts stated are before underwriters discount and any greenshoe
Kinder Morgan Management, LLC

- Provides KMP access to the institutional market, allowing KMP to accelerate its growth strategy
- Manages and controls the operations of KMP
- Owns a new class of KMP limited partnership interests ("i-units")
- Has equivalent economics to and same voting rights as KMP common units
- KMI bought 10% of the offering

(a) Owns 11.3 million common units, 2.7 million class B units, and 1.49 million KMR shares including those held by subsidiaries, including Kinder Morgan, G.P., Inc
(b) Owns 2% general partner interest in KMP, including operating partnership interests and incentive distribution rights
(c) Includes 1.4875 million shares (10%) owned by KMI
(d) Includes common and class B units owned by affiliates of KMI
# KMR is KMP

<table>
<thead>
<tr>
<th>Feature</th>
<th>KMR</th>
<th>KMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributions</td>
<td>Shares</td>
<td>Cash</td>
</tr>
<tr>
<td>Yield</td>
<td>5.9%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Exchangeability</td>
<td>KMP Common Units</td>
<td>None</td>
</tr>
<tr>
<td>Voting Rights</td>
<td>In Parity with KMP</td>
<td>Limited</td>
</tr>
<tr>
<td>Optional Purchase</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Mandatory Purchase</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Tax Considerations</td>
<td></td>
<td></td>
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<tr>
<td>Allocated Taxable Income</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Non-Qualifying Income</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>UBTI</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>K-1s</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>State Filing Obligations</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Other Developments – KMR IPO Update

<table>
<thead>
<tr>
<th>Date</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/14/01</td>
<td></td>
</tr>
<tr>
<td>7/20/01</td>
<td></td>
</tr>
</tbody>
</table>

KMR
KMP
Accounting Appendix
Consolidated Statement of Income

Equity in Earnings of KMP (approx 18% of KMP LP equity)
Provision for Income Taxes (at 40%)
Net Income
Earnings Per Membership Share, Basic and Diluted
Weighted Average Membership Shares O/S (14.875mm prorated for partial quarter)

Three Months Ended June 30, 2001

- Equity in Earnings of KMP: $5,215
- Provision for Income Taxes: $(2,086)
- Net Income: $3,129
- Earnings Per Membership Share, Basic and Diluted: $0.40
- Weighted Average Membership Shares O/S: 7,768

Equates to $0.72 * 14.875m shares * ½ period

Permanent “temporary” difference/indemnified by KMI

Increases each quarter by share distribution
KMR – Cash Flow Statement

Consolidated Statement of Cash Flow

Net Income
Adjustments to reconcile Net Income to Net Cash Flow
  Deferred Taxes
  Equity in Earnings of KMP (approx 18% of KMP LP equity)

Net Cash Flows provided by Operating Activities
Purchase of I - Units

Net Cash Flows Used in Investing Activities
Membership Shares Issued
Membership Share Issuance Costs

Net Cash Flows Provided By Financing Activities
Cash and Cash Equivalents at Beginning of Period
Cash and Cash Equivalents at End of Period

Three Months Ended
June 30, 2001

$ 3,129
$ 2,086
$ (5,215)

$ (991,869)
$ 1,047,349
$ (55,480)

$ 991,869

Recurring Entries
Entries related to IPO
KMR – Accounting Summary

- **KMI**
  - KMI owns 10% of KMR but also has control - thus consolidates
  - KMI records 100% of KMR’s pretax earnings but backs out a 90% minority interest

- **KMR**
  - Value of KMR is derived from KMP distribution
  - Owns I-units which represent approximately 18% of the LP interest in KMP
  - KMR never pays cash taxes but must make a book tax provision (resulting in a perpetual deferred tax liability)
  - Effect of book tax provision - KMR’s earnings will always be lower than KMP’s
  - If KMR ever incurs cash tax liability – KMI will indemnify
  - KMR can convert on 1:1 basis with KMP

- **KMP**
  - Account exactly as if $1bn common unit offering
## KMR – KMI Income Statement

### KMI Income Statement (000)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$80,825</td>
</tr>
<tr>
<td>KMP Equity Earnings</td>
<td>$67,058</td>
</tr>
<tr>
<td>Amortization of Excess Investment</td>
<td>$(6,591)</td>
</tr>
<tr>
<td>Equity in Losses of Other Equity Investments</td>
<td>$(724)</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$(56,238)</td>
</tr>
<tr>
<td>Minority Interests</td>
<td>$(8,528)</td>
</tr>
<tr>
<td>Other, Net</td>
<td>$9,282</td>
</tr>
<tr>
<td>Income Before Income Taxes and Extraordinary Items</td>
<td>$85,084</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>$35,184</td>
</tr>
<tr>
<td>Income Before Extraordinary Item</td>
<td>$49,900</td>
</tr>
<tr>
<td>Net Income</td>
<td>$49,900</td>
</tr>
</tbody>
</table>

### Three Months Ended June 30, 2001

- **KMI Records 100% of KMR’s pretax earnings ($5,215 for Q2)**
- **Back out 90% of KMR after tax earnings ($2,816 for Q2)**
- **Taxed at 40% - includes taxes for 90% minority interest ($1,878 for Q2)**
- **Net income contribution ($313 for Q2)**
KMR – KMI Balance Sheet

KMI Balance Sheet (000)

**Assets**
- Increase in assets $991,900

**Liabilities**
- Increase in St Debt $99,200
- Increase in minority interest $892,700

As of June 30, 2001

Net improves debt to cap to 52% (45% post PEPS conversion)
### KMI Historicals

#### KMI SEGMENT EARNINGS / P&L

<table>
<thead>
<tr>
<th>Segment Earnings</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Total Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGPL</td>
<td>93,882</td>
<td>80,294</td>
<td>82,305</td>
<td>89,386</td>
<td>342,887</td>
</tr>
<tr>
<td>Retail</td>
<td>23,514</td>
<td>4,124</td>
<td>4,875</td>
<td>18,739</td>
<td>49,732</td>
</tr>
<tr>
<td>Power &amp; Other</td>
<td>8,859</td>
<td>18,775</td>
<td>10,048</td>
<td>10,508</td>
<td>34,962</td>
</tr>
<tr>
<td>KMTP</td>
<td>-</td>
<td>-</td>
<td>3,957</td>
<td>10,934</td>
<td>29,318</td>
</tr>
<tr>
<td>Operating Income before corporate costs</td>
<td>174,341</td>
<td>163,660</td>
<td>128,820</td>
<td>164,242</td>
<td>569,495</td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>(15,590)</td>
<td>(15,451)</td>
<td>(14,611)</td>
<td>(15,224)</td>
<td>(58,087)</td>
</tr>
<tr>
<td>Interest Expense, Net</td>
<td>(58,287)</td>
<td>(56,238)</td>
<td>(61,956)</td>
<td>(57,724)</td>
<td>(243,155)</td>
</tr>
<tr>
<td>Other, Net</td>
<td>(5,794)</td>
<td>(6,887)</td>
<td>(7,395)</td>
<td>(7,515)</td>
<td>(23,495)</td>
</tr>
<tr>
<td>Income Before Income Taxes &amp; Extraordinary Item</td>
<td>94,670</td>
<td>85,084</td>
<td>44,858</td>
<td>83,779</td>
<td>244,758</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>37,868</td>
<td>35,184</td>
<td>35,142</td>
<td>35,142</td>
<td>118,594</td>
</tr>
<tr>
<td>Income Before Extraordinary Item</td>
<td>56,802</td>
<td>49,900</td>
<td>26,714</td>
<td>50,611</td>
<td>146,736</td>
</tr>
<tr>
<td>Average Diluted Common Units</td>
<td>121,320</td>
<td>122,359</td>
<td>116,177</td>
<td>118,594</td>
<td>115,030</td>
</tr>
<tr>
<td>EPS</td>
<td>0.47</td>
<td>0.41</td>
<td>0.23</td>
<td>0.43</td>
<td>1.28</td>
</tr>
</tbody>
</table>
## KMP KMP Historicals

### KMP SEGMENT EARNINGS / P&L

#### Actual 2001 | Actual 2000
---|---
**Segment Earnings Before DD&A**
- **Product Pipelines** | 85,793 | 64,761 |
- **Nat Gas Pipelines** | 66,274 | 36,074 |
- **CO2 Ops** | 27,588 | 3,590 |
- **Bulk Terminals** | 15,334 | 11,771 |
- **Liquids Terminals** | 20,400 | - |
- **Total** | 32,328 | 38,201 |

#### Actual 2001 | Actual 2000
---|---
**Segment DD&A**
- **Product Pipelines** | 15,945 | 11,354 |
- **Nat Gas Pipelines** | 7,602 | 6,935 |
- **CO2 Ops** | 4,126 | 3 |
- **Bulk Terminals** | 3,086 | 2,226 |
- **Liquids Terminals** | 1,569 | - |
- **Total** | - | - |

#### Actual 2001 | Actual 2000
---|---
**Segment Earnings Contribution**
- **Product Pipelines** | 69,848 | 53,407 |
- **Nat Gas Pipelines** | 58,672 | 29,139 |
- **CO2 Ops** | 23,462 | 3,590 |
- **Bulk Terminals** | 12,248 | 9,545 |
- **Liquids Terminals** | 18,831 | - |
- **Acquisitions** | (28,585) | (14,323) |
- **Plantation** | (49,807) | (20,118) |
- **Interest Expense** | (3,002) | (1,678) |
- **Minority Interest** | (101,667) | 59,559 |
- **Total NI** | 52,795 | 61,363 |
- **GP Interest** | 60,045 | 37,302 |
- **LP Income** | 67,611 | 59,559 |
- **Shares O/S** | 0.89 | 0.63 |

#### Actual 2001 | Actual 2000
---|---
**EPU** | 0.72 | 0.70 |
- **Actual 2000** | 0.67 | 0.68 |
- **Total Year** | 2.67 |

---

### Total Year First Quarter Second Quarter Third Quarter Fourth Quarter
---

### Total Year Actual
---

### Total Year 2000
---

### Total Year Actual
---

### Total Year 2000
---