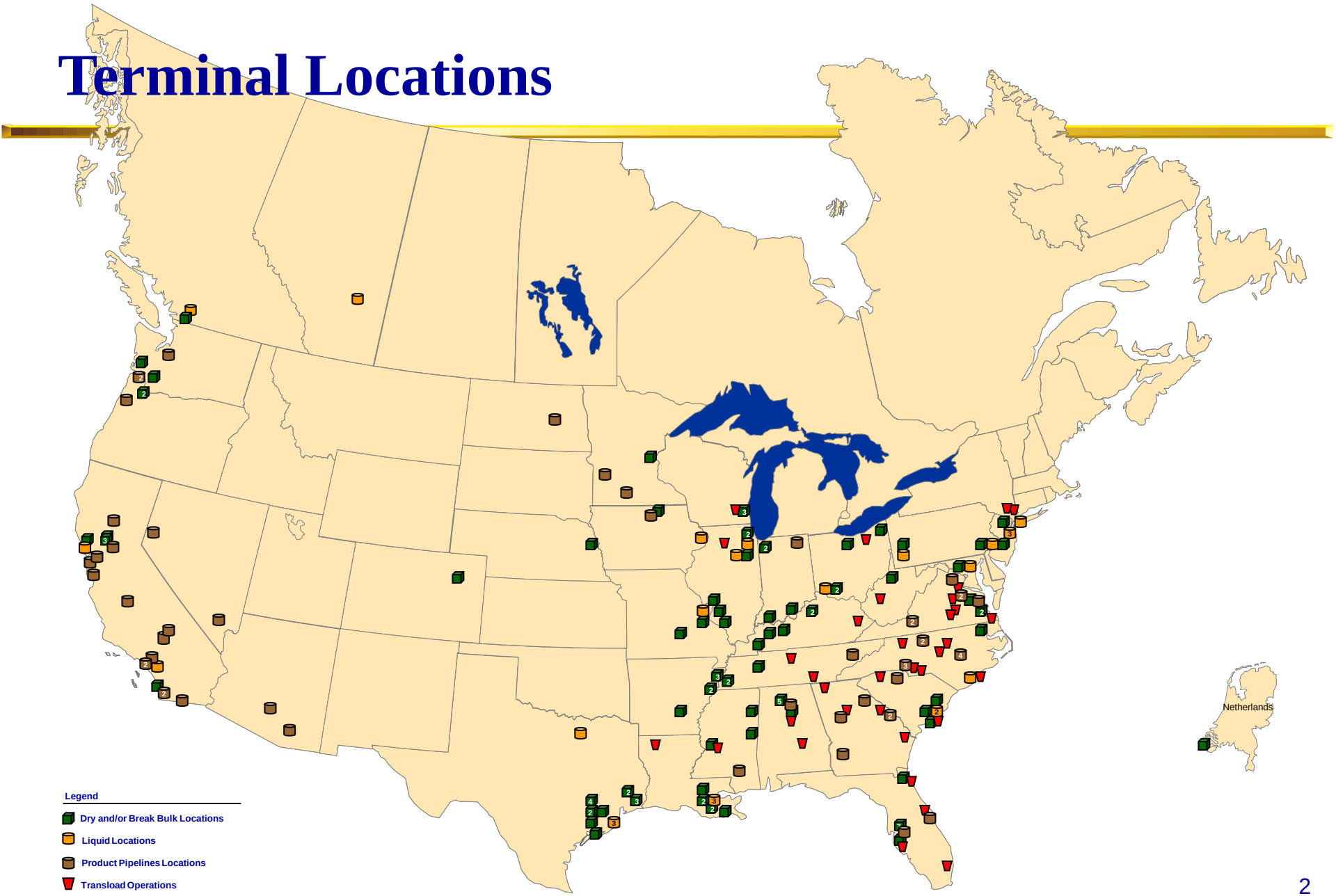
Terminals

Jeff Armstrong

President Terminals Group

Terminal Locations



Historical Growth

($ in millions)

	2006	2007	2008	2009	2010	2011B
Segment EBDA [a]	$396.9	$442.3	$538.8	$576.1	$646.6	$713.2
Growth from prior year	24.7%	11.5%	21.8%	6.9%	12.2%	10.3%
Internal	14.2%	2.3%	14.7%	6.0%	6.6%	6.6%
Acquisition	10.6%	9.1%	7.1%	0.9%	5.6%	3.6%

Compound Annual Growth Rate = **13.1%** [b]

(a) Before certain items
(b) 2002-2011 CAGR

Financial Overview

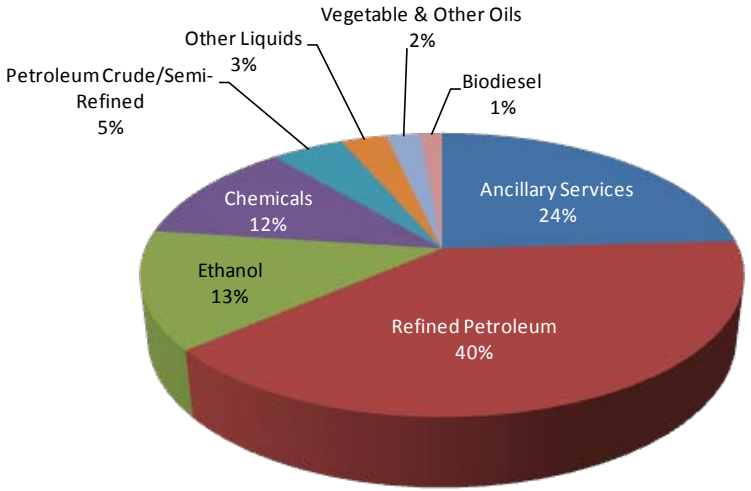
($ in millions)

	2008	2009	2010	2011B
Revenue (net)	$1,139.4	$1,081.7	$1,244.8	$1,310.8
Opex	580.5	501.2	591.5	585.8
EBITDA	558.9	580.5	653.3	725.0
Book income tax	20.1	4.4	6.7	11.8
EBDA	538.8	576.1	646.6	713.2
Sustaining capital [(a)]	63.4	64.6	77.3	84.3
DCF	**$475.4**	**$511.5**	**$569.3**	**$628.9**
Expansion capital [(a,b)]	$303.9	$219.0	$220.4	$130.6
Operating margin	**49.1%**	**53.7%**	**52.5%**	**55.3%**

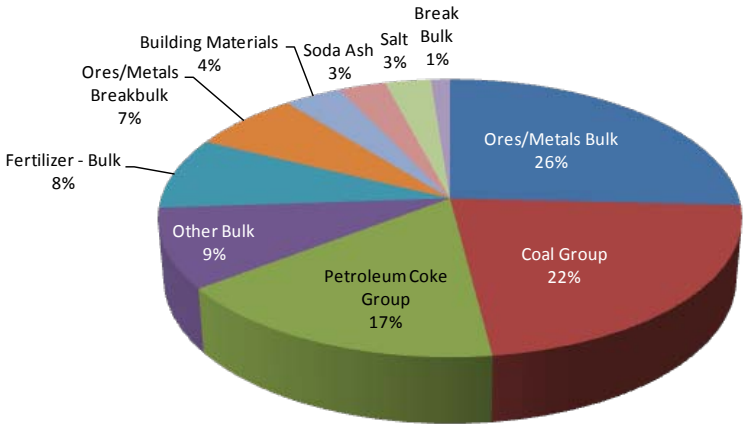
(a) Excludes corporate overhead
(b) Excludes acquisition capex

Contract Diversification

Liquids Revenue Breakout (a)



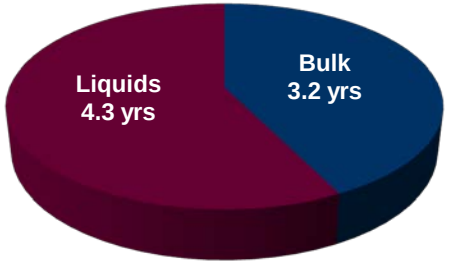
Bulk Revenue Breakout (a)



Top-10 Customers (a)

Top-10 Customers	$391.6MM
Total Revenue	$1,310.8MM

3.6-yr Avg. Contract Life (b)



(a) 2011 budget
(b) Weighted average, as of 12/31/2010

Currently Approved Major Projects: 2010, 2011, 2012

	Liquid / Bulk Project	In-service	Capacity (MMt/yr)	Capacity (MBbls)	Product	Capex ($MM)
2010	New Ship Unloader Crane, Port Sutton	Q4	[a]		Fertilizers	$7.5
	Ship Loader, Vancouver Wharves, BC	Q2	2.8		Copper	22.3 [e]
	Tank – Galena Park, TX	Q2		125	Gasoline/Diesel	7.6
	Tank – Galena Park, TX	Q3		15	Transmix	4.3
	Tank – Pasadena, TX	Q4		30	Transmix	3.4
	Richmond Ethanol	Q1			Ethanol	5.1
2011	Pier IX (Virginia)	Q4	3.0		Coal	41.2
	Copper Concentrates Expansion, Vancouver Wharves	Q2	0.12		Copper Ore	12.8 [e]
	Deepwater Looptrack & Loading System, Deer Park, TX	Q1	1.7		Petcoke	16.2
	Port of Houston, TX	Q3	2.2		Coal	18.2
	New Coal Dock / Terminal (Kellogg Dock) [d]	Q1	4.0		Coal	12.6
	DPRT Ethanol	Q1		80	Ethanol	17.8
	Gulf Infrastructure	Q3		[b]	Various	10.8
	Carteret Expansion	Q3		1,035	Gasoline/Diesel	60.5
	Carteret Infrastructure	Q4		[b]	Various	14.4
	Linden Pipeline	Q4		[c]	Various	5.4
2012 & Future	IMT, Port Sulphur, LA	4Q12	6.0		Coal	66.5
	Whiting, IN	Q113	2.2		Petcoke	59.3
	Total Liquid Projects			**1,285**		**$129.3**
	Total Bulk Projects		**22.02**			**$256.6**
	First Full Year EBITDA ($MM)					**$65.6**

(a) New crane has higher TPH ability, but facility is restricted by air permit to.450 TPH. New crane did not increase facilities throughput
(b) Project allows for faster product movements and higher dock utilization, but not additional storage capacity
(c) Pipeline allows for additional product movements, but does not increase storage capacity
(d) Kellogg Dock is 50/50 JV with Slay
(e) CDN / USD Conversion = 1 to 1

Bulk Tonnage

KMBT Tonnage (tons)

	Actual 2009	Actual 2010	Budget 2011	Variance ('11 vs '10) Amt	Variance ('11 vs '10) %
Coal	32,802,030	31,582,807	41,182,430	9,599,623	30.4%
Petcoke	12,941,751	12,632,200	13,386,753	754,553	6.0%
Building Materials	1,750,571	2,572,515	3,192,693	620,177	24.1%
Fertilizers	5,733,333	5,783,571	5,405,887	(377,684)	-6.5%
Salt	3,729,041	3,275,317	3,167,601	(107,716)	-3.3%
Ores/Metals (Bulk)	13,317,639	20,623,503	21,994,070	1,370,567	6.6%
Ores/Metals (Break-Bulk)	2,410,274	3,470,854	4,835,488	1,364,634	39.3%
Soda Ash	3,146,987	3,888,956	3,630,646	(258,310)	-6.6%
Break-Bulk	360,543	485,251	545,012	59,761	12.3%
Other Bulk	6,953,885	8,089,513	7,930,755	(158,758)	-2.0%
Totals	83,146,054	92,404,488	105,271,335	12,866,847	13.9%

Note: acquisition tonnages represented as owned during prior periods

Liquids Throughput

KMLT Throughput (bbls)

	Actual 2009	Actual 2010	Budget 2011	Variance ('11 vs '10) Amt	Variance ('11 vs '10) %
Chemical	20,675,218	21,832,682	23,047,296	1,214,614	5.6%
Crude	22,446,673	32,424,281	29,975,576	(2,448,705)	-7.6%
Distillate	184,233,882	161,651,676	168,888,352	7,236,676	4.5%
Fuel Grade Ethanol / Bio-diesel	32,635,748	57,881,078	74,072,221	16,191,143	28.0%
Gasoline	328,542,790	334,161,961	338,183,855	4,021,894	1.2%
Other	7,887,179	3,906,102	3,713,622	(192,480)	-4.9%
Vegetable Oils	5,488,323	4,873,850	5,488,200	614,350	12.6%
Animal Fats	625,620	595,715	411,600	(184,115)	-30.9%
Alcohols	1,660,079	2,012,110	1,667,052	(345,058)	-17.1%
Oil Fields	467,211	353,244	373,320	20,076	5.7%
Totals	604,662,723	619,692,699	645,821,093	26,128,394	4.2%

KMLT Utilization

	Dec 09	Dec 10	Dec 11
Capacity Utilization Rate	96.6%	96.2%	96.4%
Capacity (MM bbls)	56.4	58.2	60.4

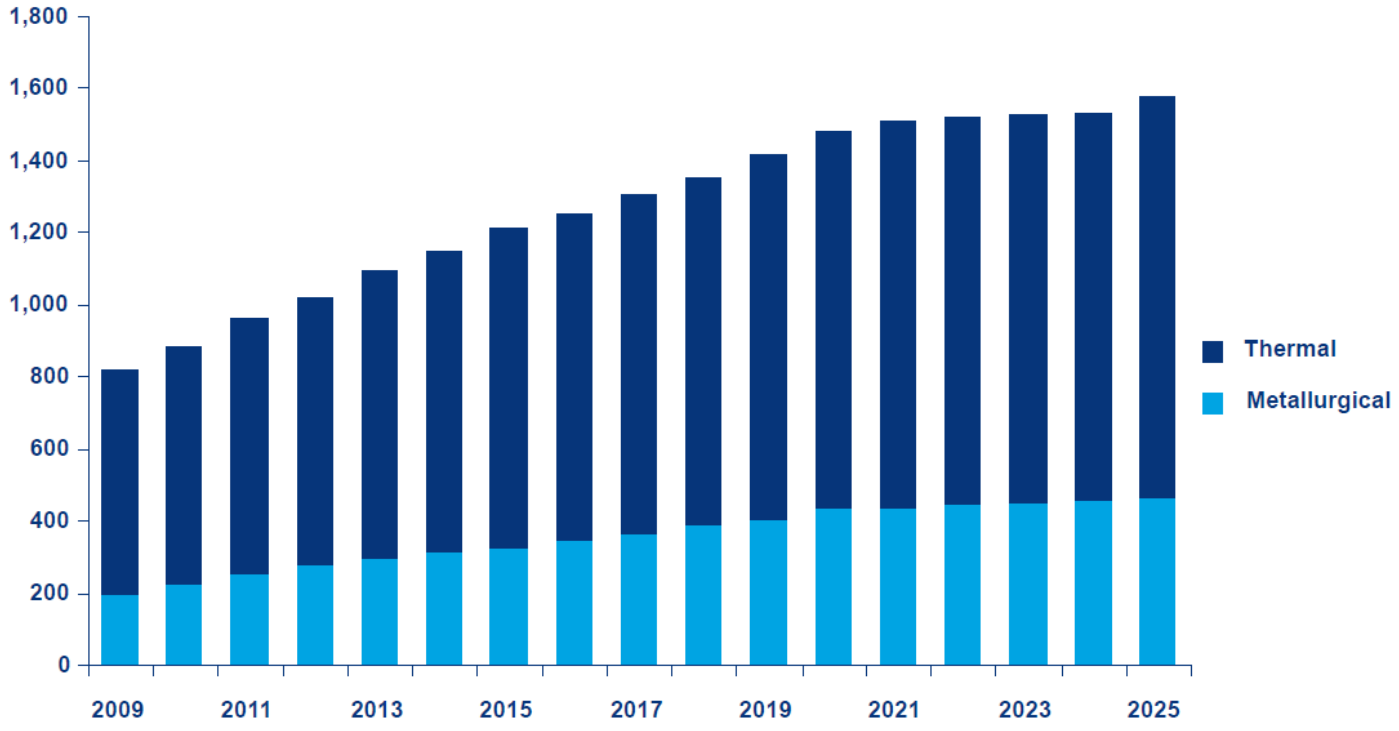
Note: 2009 throughput was revised during 2010

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Coal / Petcoke

Global Demand

Seaborne Global Thermal & Metallurgical Coal Demand (MMt)



Source: Wood Mackenzie

International Metallurgical Coal

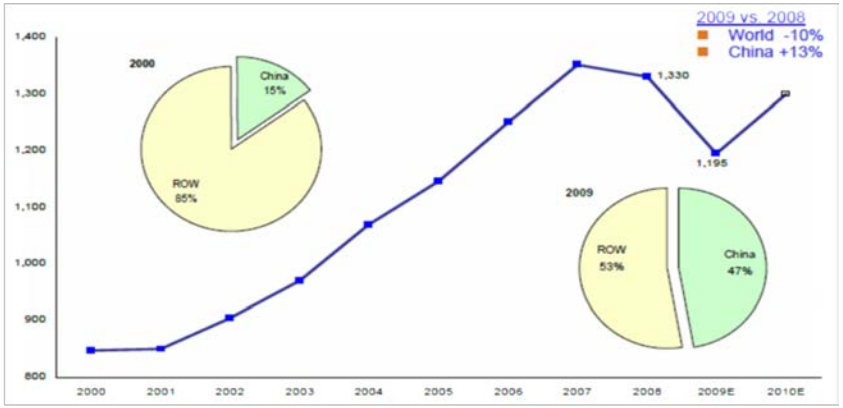
Market Conditions & Drivers

Global Met Coal Trade

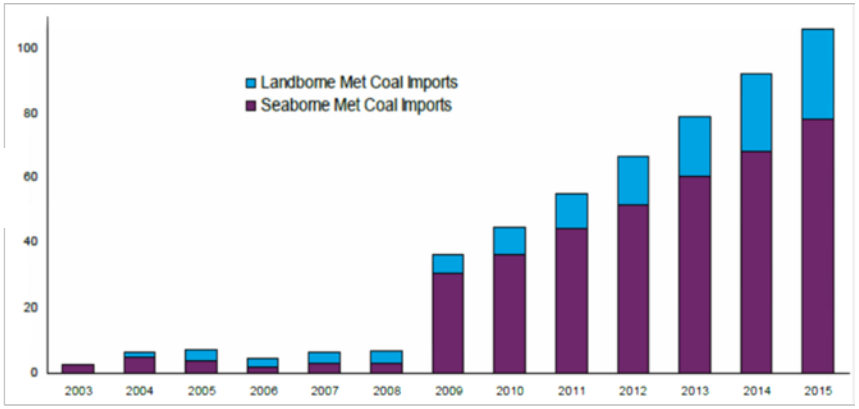
Met Coal Imports (MMt)	2008	2009	2010E
Europe	73	41	46
Japan	66	66	73
China	7	36	45
Korea	20	16	18
India	24	23	27
Brazil	16	13	14
Other	28	26	29
World Imports	**234**	**221**	**252**

Met Coal Exports (MMt)	2008	2009	2010E
Australia	137	131	148
Canada	26	22	22
U.S.	39	34	47
Russia	13	11	17
Other	19	23	17
World Exports	**234**	**221**	**252**

Global Steel Production (MMt)



China Met Coal Demand (MMt)



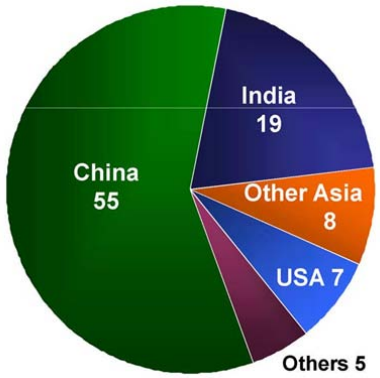
Sources: Platts Coal Marketing Days, The New World Economy and the Global Met Coal Market

International Steam Coal

Market Conditions & Drivers

- Over 300 MMt per year demand for steam coal coming from new coal plants coming online around the world.
- Chinese import steam coal jumps from 1 MMt per month in June of 2007 and 2 MMt in 2008, to 6 MMt per month in June of 2009 to over 8 MMt per month in June 2010.
- India has more than 70 GW of new coal plants being built and generation projected to grow more than 5% per year for the next 5 years
- Asian growth in steam coal demand projected to outpace Europe for seaborne steam coal supply

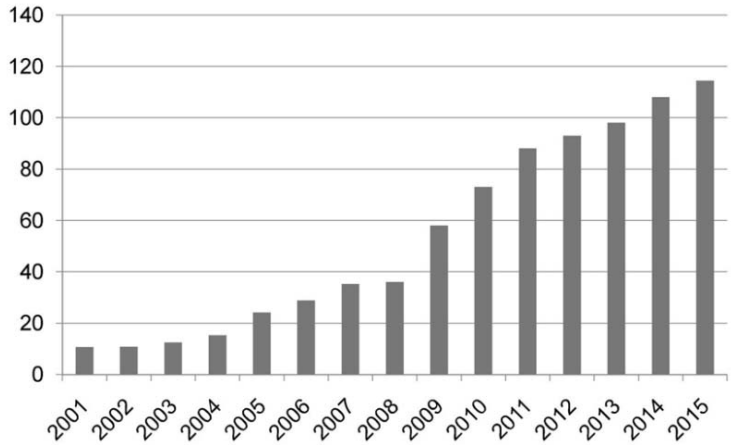
94 GW of New Coal-fired Generation On-line in 2010



Steam Coal Imports (MMt)

Importer	2008	2009	2010	2011	2012	2013	2014	2015
Germany	31	28	29	30	32	32	32	32
U.K.	37	31	23	26	25	24	23	22
Italy	19	16	17	19	19	19	19	20
Spain	17	14	11	9	7	7	7	7
Europe	191	176	170	176	174	172	175	176
China	15	62	95	105	108	112	116	119
India	36	58	73	88	93	98	103	115
Total Asia / Pacific	376	431	491	523	535	552	581	599
World Imports	607	635	688	724	738	758	793	814

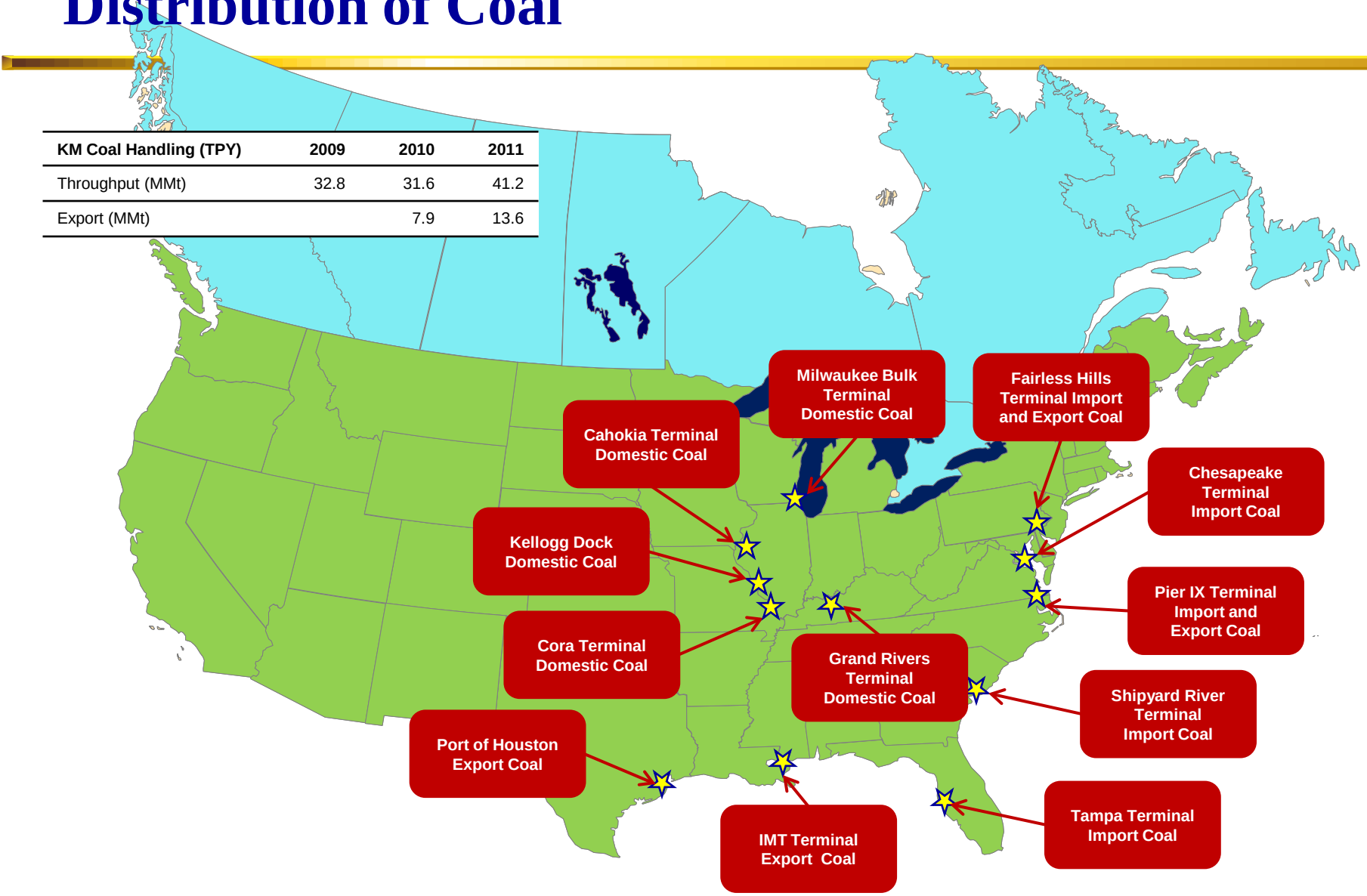
Steam Coal Imports to India (MMt)



Sources: Peabody and IHS McCloskey Group

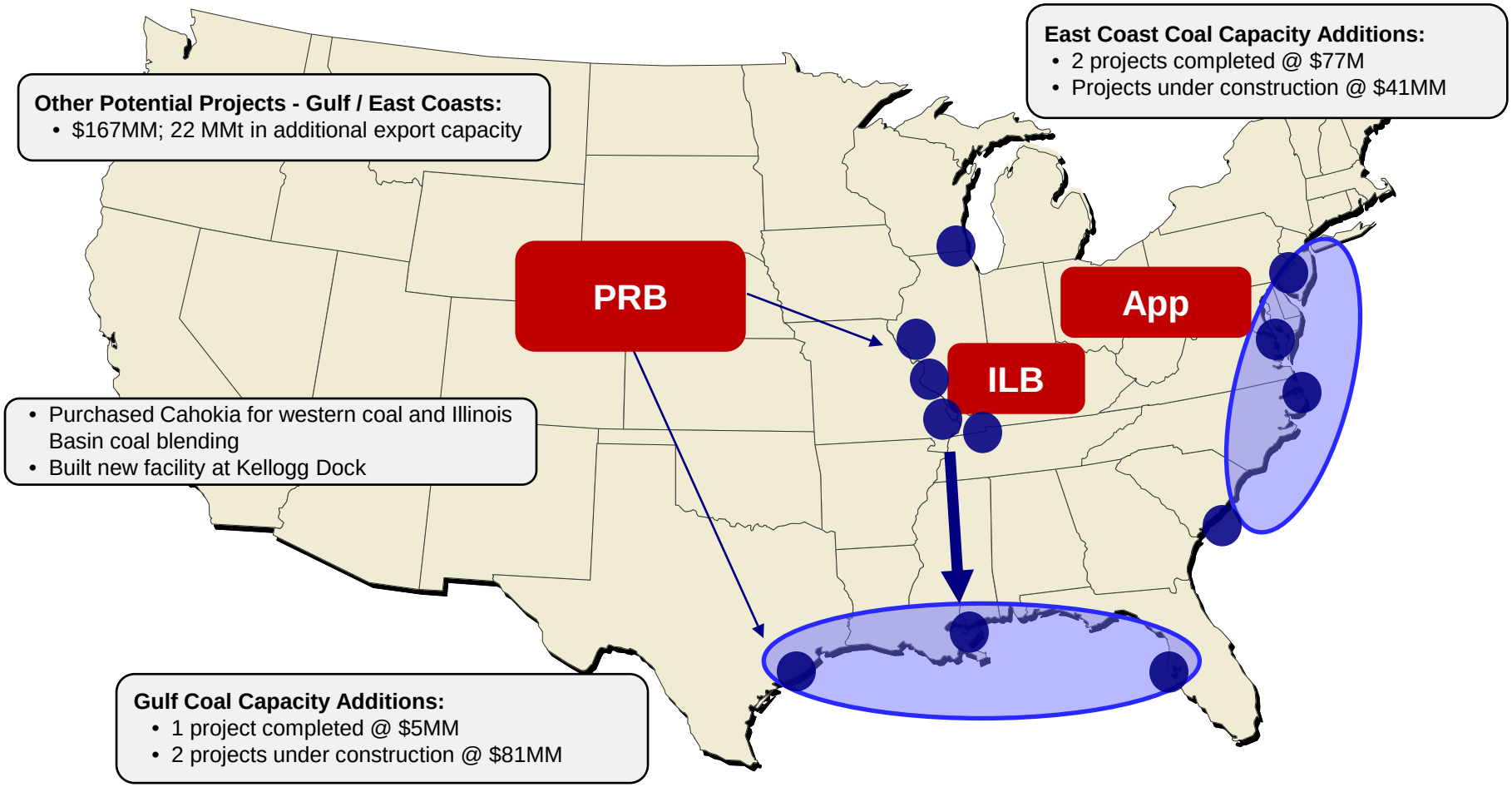
KM Plays a Leading Role in the U.S. Distribution of Coal

KM Coal Handling (TPY)	2009	2010	2011
Throughput (MMt)	32.8	31.6	41.2
Export (MMt)		7.9	13.6



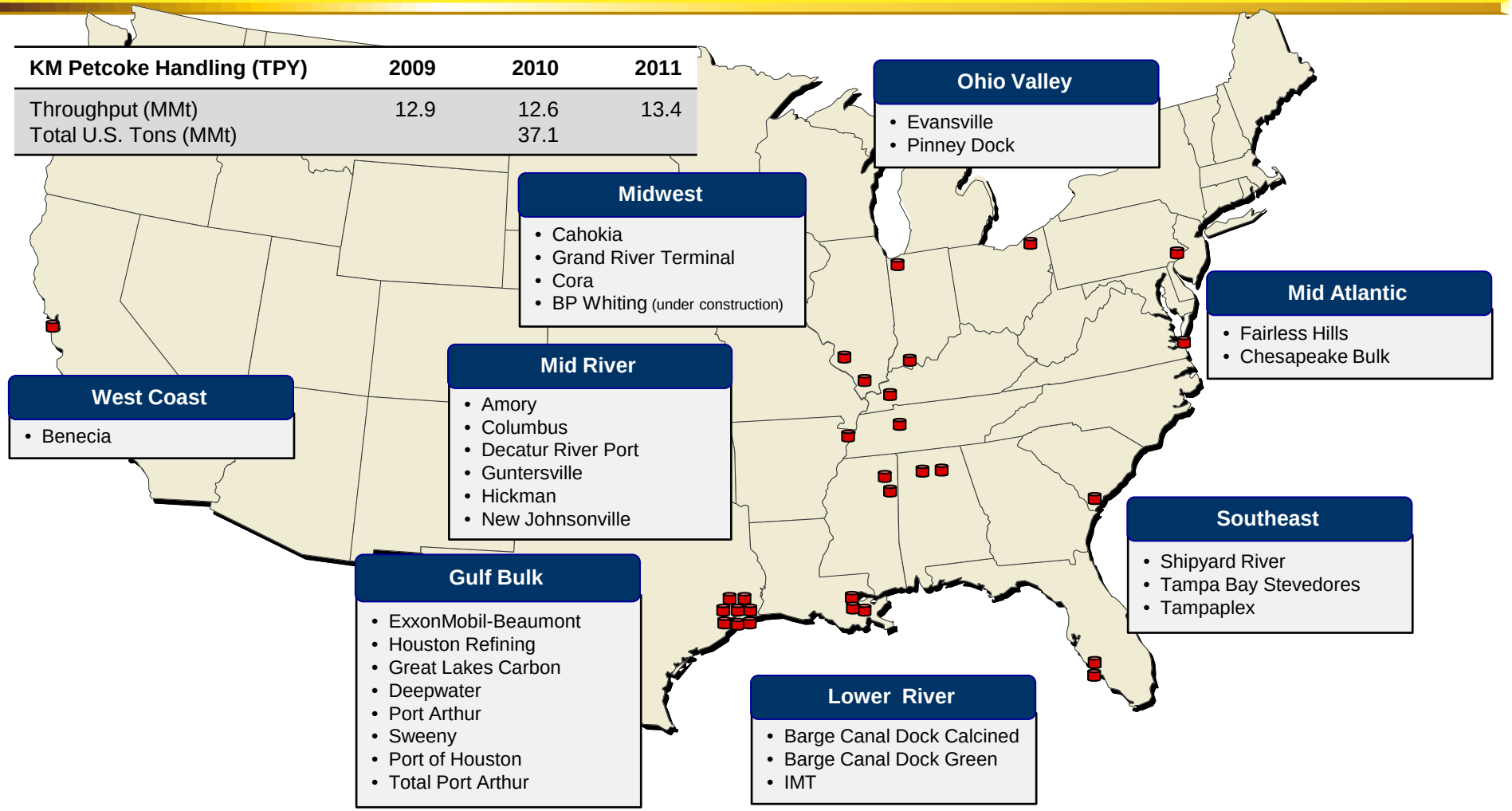
KM Response to the World Coal Market

"Increase outlet options and operating capacity"



KM is the Leader in Petcoke Handling in the U.S.

KM Petcoke Handling (TPY)	2009	2010	2011
Throughput (MMt)	12.9	12.6	13.4
Total U.S. Tons (MMt)		37.1	

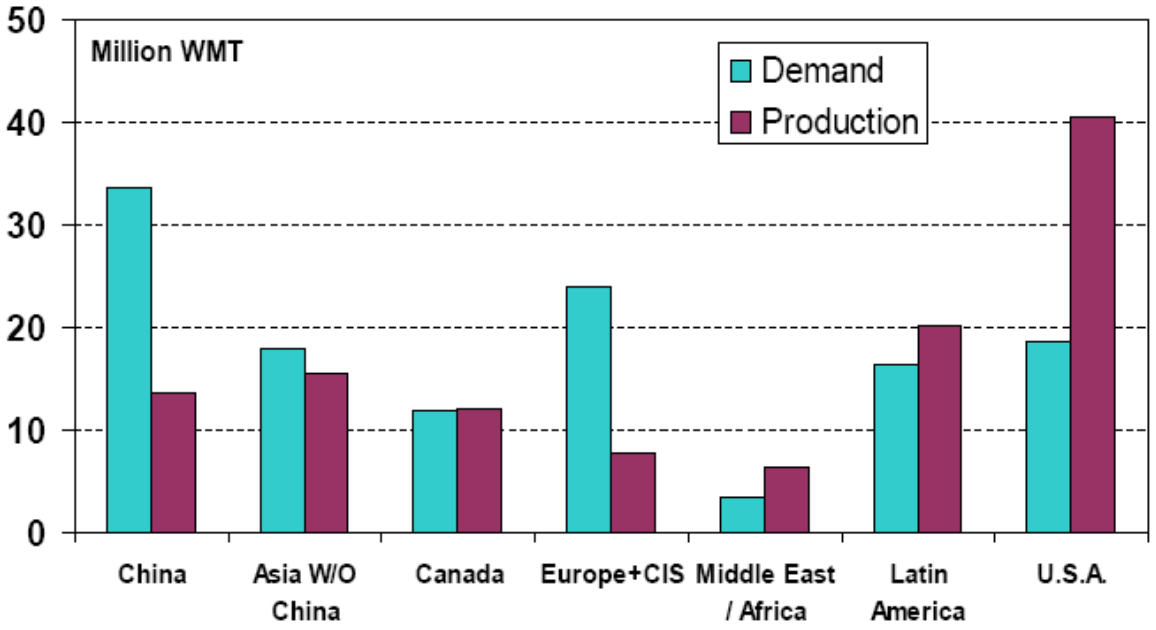


Source: For total U.S. tons - 9th Annual Petroleum Coke Conference - Jacob's Consultancy

Fuel-Grade Petcoke

2015 Regional Production / Demand Outlook

(MMt)	Production	Demand
2010	~78	~78
2012	~107	~103
2015	~136	~138



Source: 9th & 10th Annual Petroleum Coke Conferences - Jacob's Consultancy

KM Response to the Petcoke Market

Under Construction (Acquisition)

- **Total Refining – Port Arthur, TX**
  - Timing: 2Q 2011
  - Volume: 1,000,000 tpy gtd.
  - Investment: $74 million
  - Petcoke handling at coke pit, hopper and crusher and ship loading at new dock, including coke cutting
- **BP Whiting – Whiting, IN**
  - Timing 1Q 2013
  - Volume: 2,190,000 tpy
  - Investment: $59.3 million
  - Petcoke handling from crusher outlet, storage, reclaim, load railcars

In Service

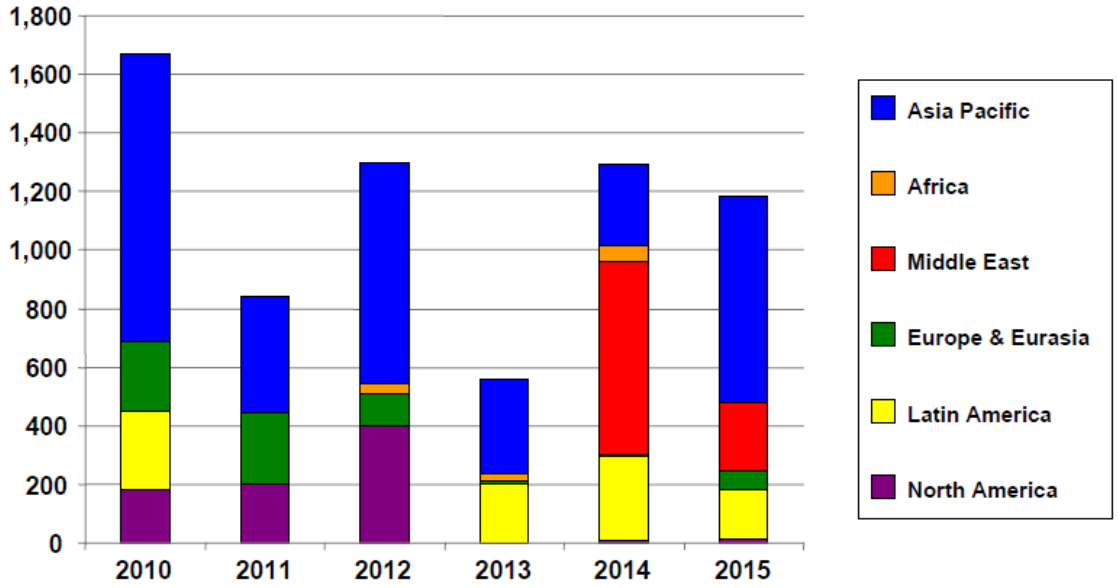
- **Houston Refining / Lyondell – Houston, TX**
  - Double loop track, rail dump, belt conveyors
  - Petcoke handling inbound via rail to stockpile, reclaim for outbound by vessel
  - Investment: $16.2 million

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Petroleum Supply / Demand Storage

Growing Worldwide Supply

Worldwide Refinery Capacity Additions (MBbl/d)

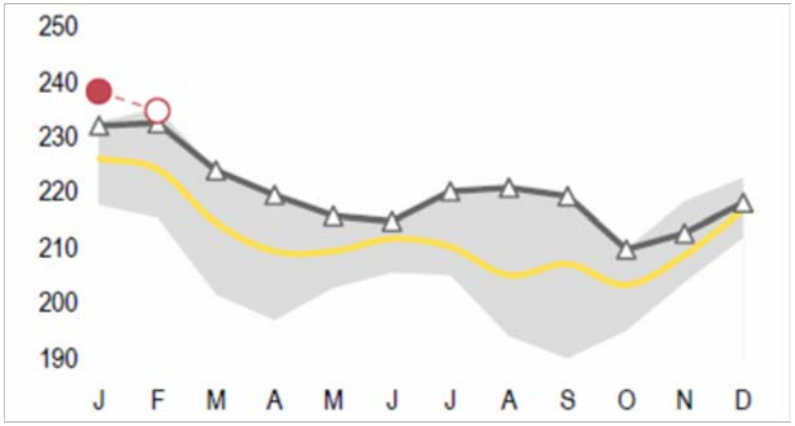


- Roughly 5 MMBbl/d of new capacity to be built 2011-2015
- New capacity in Asia / Pacific & ME – many government-owned
- ~600 MBbl/d new North American capacity – focus on USEC deliveries

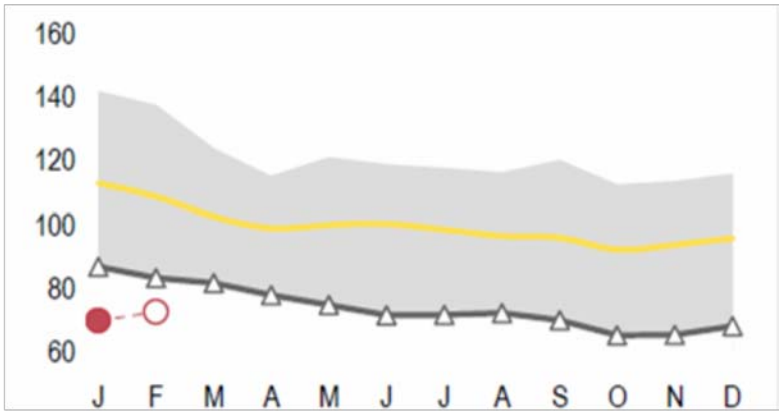
Source: Baker & O'Brien

Gasoline Fundamentals

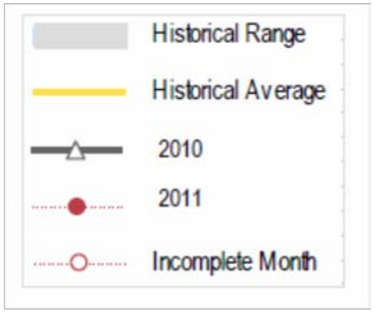
Total Gasoline + Ethanol Inventories (MMBbls)



Finished Gasoline Inventories (MMBbls)

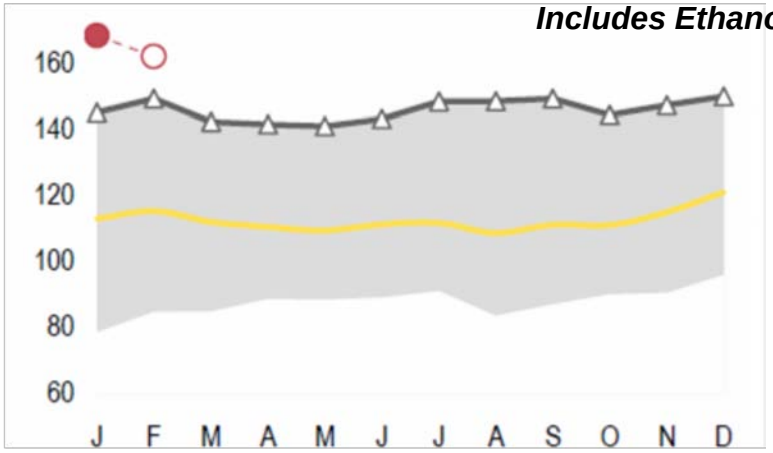


Legend



Gasoline Blending Component Inventories (MMBbls)

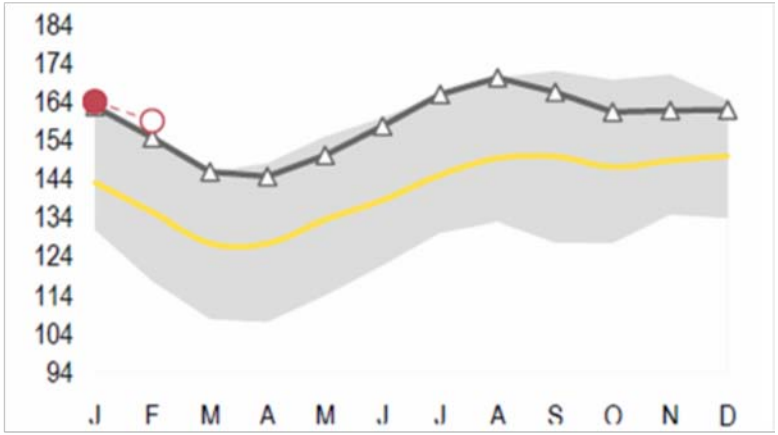
Includes Ethanol



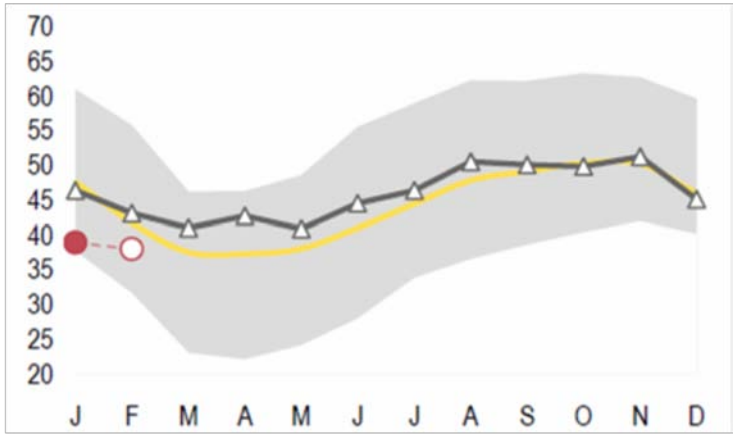
Sources: CIBC, Weekly EIA Oil Fundamentals Snapshot, March 2, 2011

Distillate Fundamentals

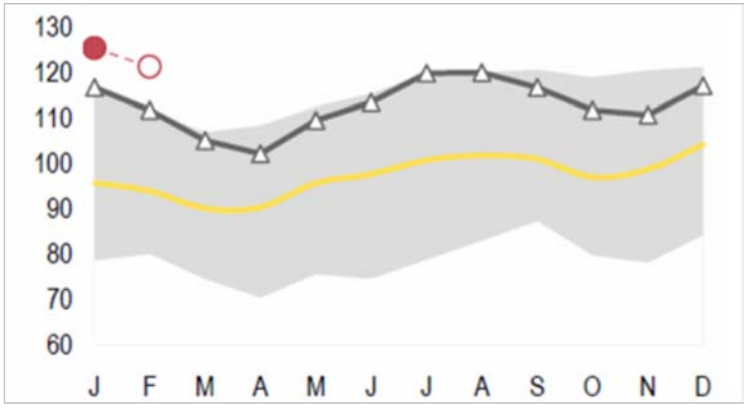
Total Distillate Inventories (MMBbls)



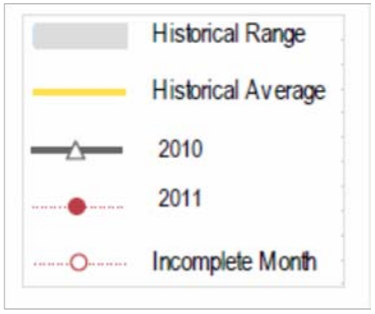
Heating Oil Inventories (MMBbls)



Ultra Low + Low Sulfur Diesel Inventories (MMBbls)

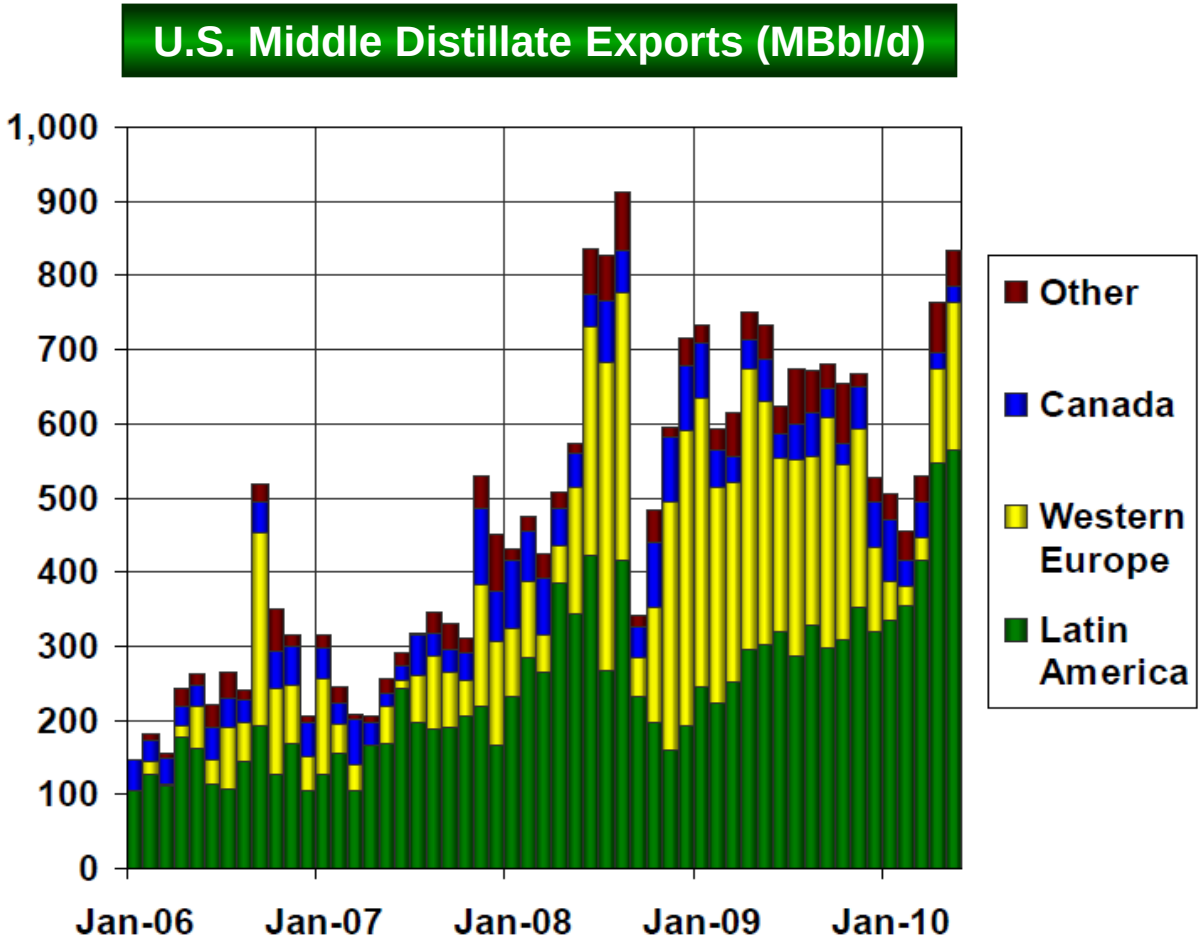


Legend



Sources: CIBC, Weekly EIA Oil Fundamentals Snapshot, March 2, 2011

Growing Middle Distillate Exports from the U.S. Since 2006



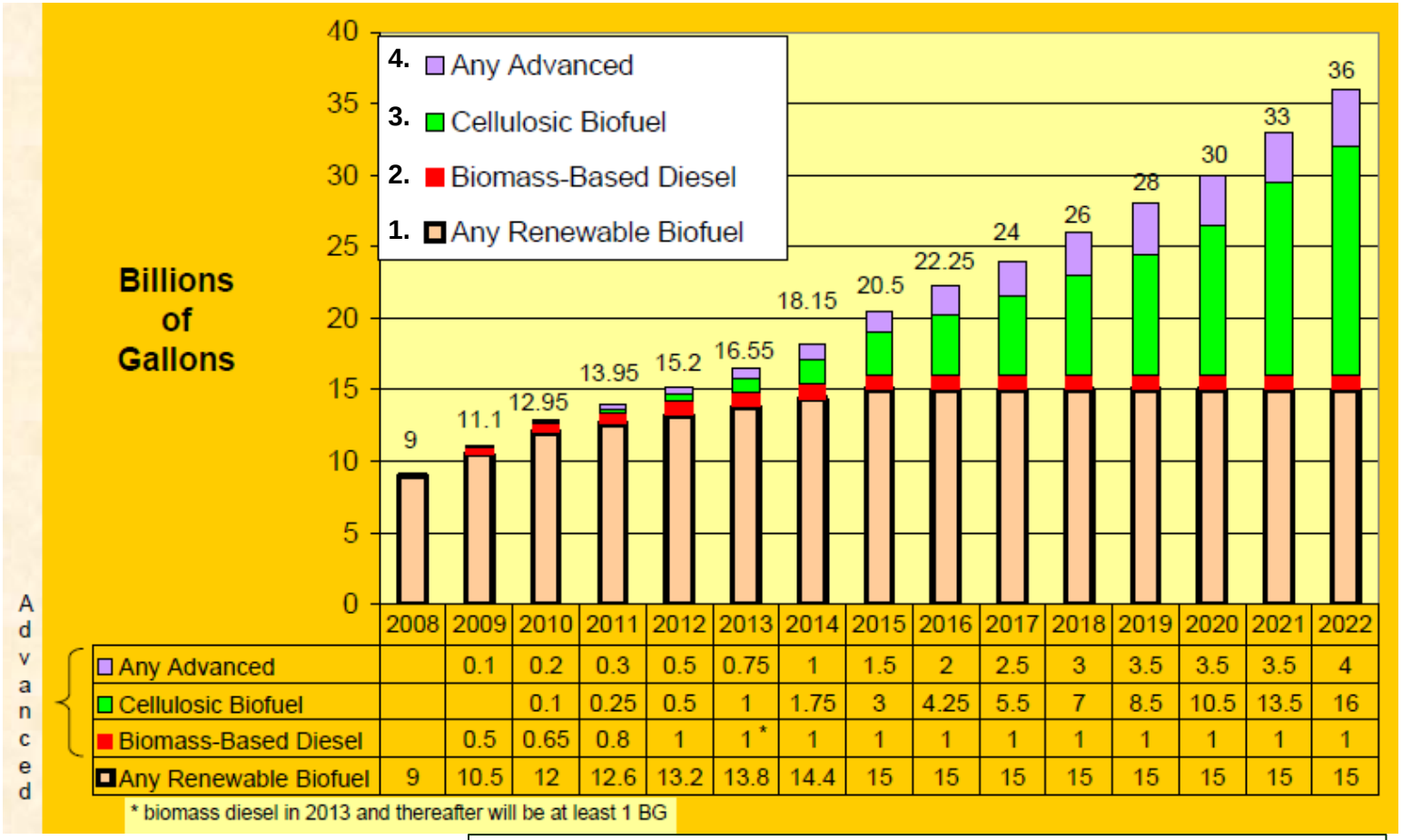
Source: EIA, Petroleum Supply Monthly

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Renewable Fuels

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RFS2: Four Annual Standards



Advanced	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Any Advanced		0.1	0.2	0.3	0.5	0.75	1	1.5	2	2.5	3	3.5	3.5	3.5	4
Cellulosic Biofuel			0.1	0.25	0.5	1	1.75	3	4.25	5.5	7	8.5	10.5	13.5	16
Biomass-Based Diesel		0.5	0.65	0.8	1	1*	1	1	1	1	1	1	1	1	1
Any Renewable Biofuel	9	10.5	12	12.6	13.2	13.8	14.4	15	15	15	15	15	15	15	15

* biomass diesel in 2013 and thereafter will be at least 1 BG

Total annual renewable fuel standard is shown on top of each bar on chart

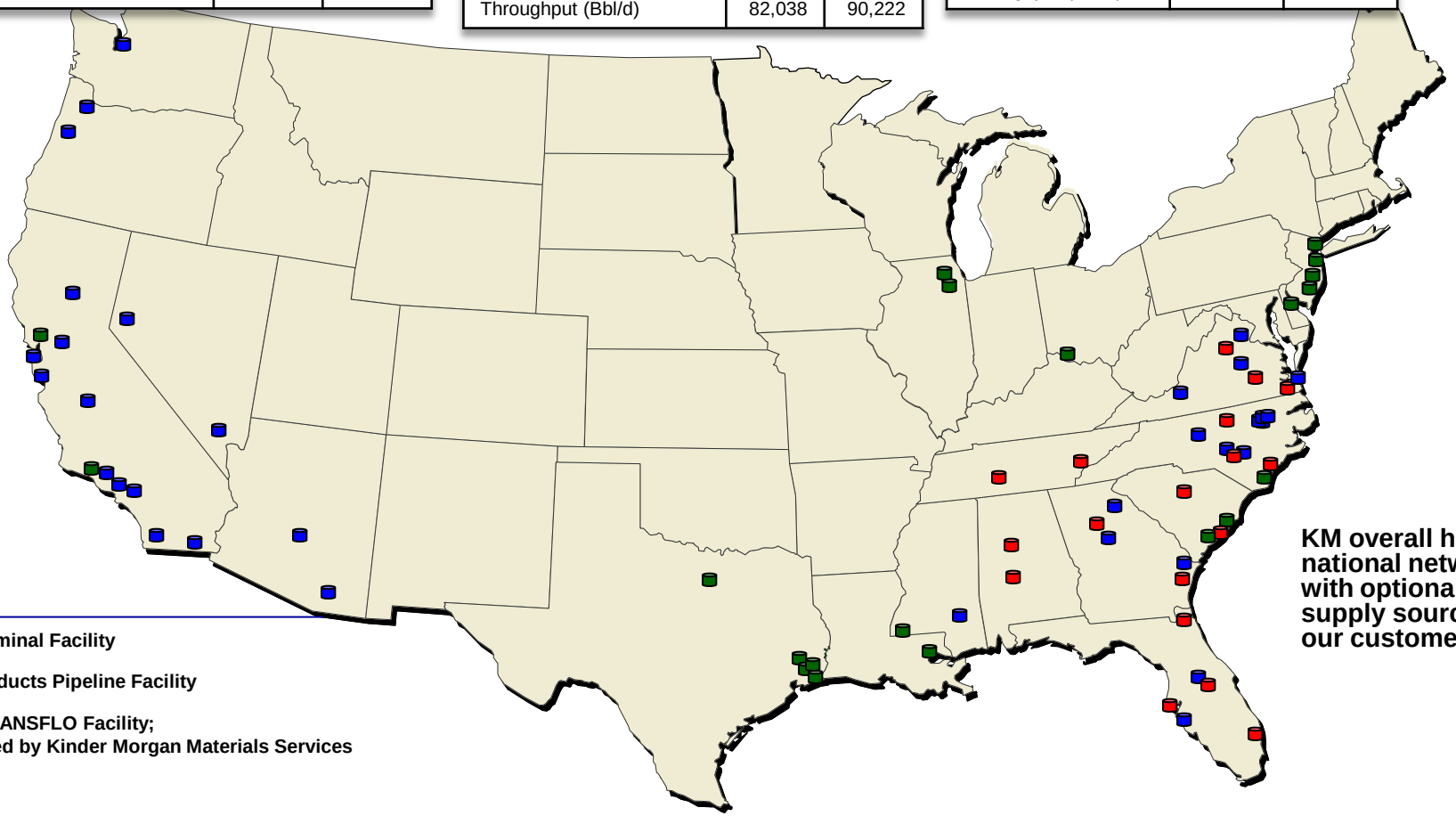
Source: 2011 Houston BioFuels Consultants LLC

KM Plays a Leading Role in the U.S. Distribution of Ethanol

KMT Ethanol Handling	2010	2011p
Storage (MBbls)	4,415	4,962
Throughput (Bbl/d)	159,180	193,268

KMPP Ethanol Handling	2010	2011p
Storage (MBbls)	1,369	1,568
Throughput (Bbl/d)	82,038	90,222

US Ethanol Demand	2010	2011p
Throughput (Bbl/d)	811,285	874,103



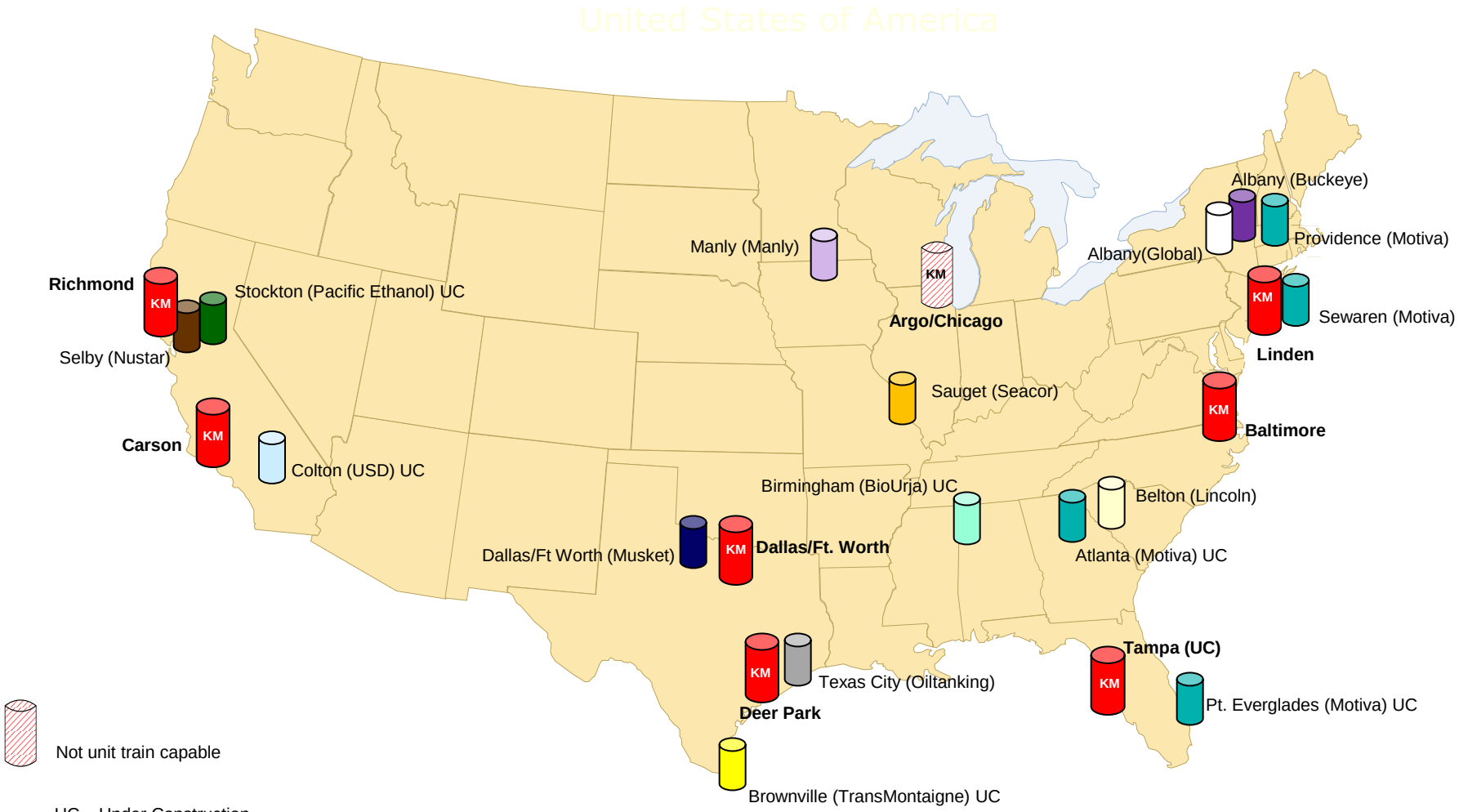
Legend

- KM Terminal Facility
- KM Products Pipeline Facility
- CSX TRANSFLO Facility; Operated by Kinder Morgan Materials Services

KM overall has a national network with optionality of supply sources for our customers.

Source: 2011 Houston BioFuels and Kinder Morgan

Only National Network of Ethanol Unit Train Facilities



KM Ethanol Projects

Deer Park Rail



Pipeline DPRT to KM Truck Rack



DPRT Rack (above) and 80k bbl support tank (below)

Linden, NJ

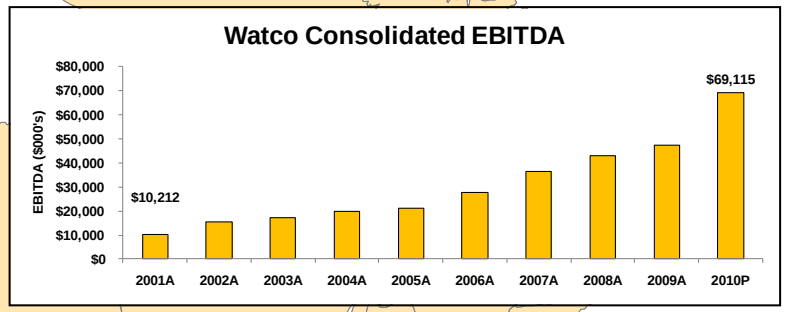
KM will connect the Linden Unit train facility with KM Carteret via direct pipe, to provide a larger storage base and a greater service offering.





Rail Opportunities

Why Watco?



Watco Overview

- Operates in 28 states/3700 miles
- Over 500,000 Carloads handled
- Family owned, 2050 employees
- Rail / Transload / Mechanical
- 3rd largest US shortline

KM Legend

- Dry and/or Break Bulk Locations
- Liquid Locations
- Product Pipelines Locations
- Transload Operations

Watco Legend

- Watco Locations
  - 22 Shortlines / 23 witch Operations
  - 16 Transload/Intermodal Services
  - 33 Mechanical Shops/Services

Why Partnership / Preferred Interest Structure

Financial Components:

- **$50MM invested**
- **$100MM additional investment potential**
  - Project-specific
- **Preferred distributions of 13%**
- **0.5% equity interest**

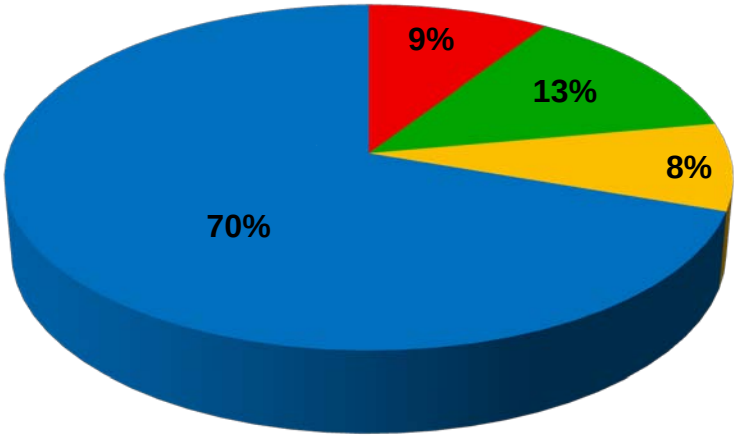
Partnership Benefits:

- **Preferred service agreement**
- **Significant growth opportunities**
- **Operating synergies**
- **Exceptional operator**
- **Future acquisition potential**
- **New coordinated services**
- **Shared best practices**

Prospects

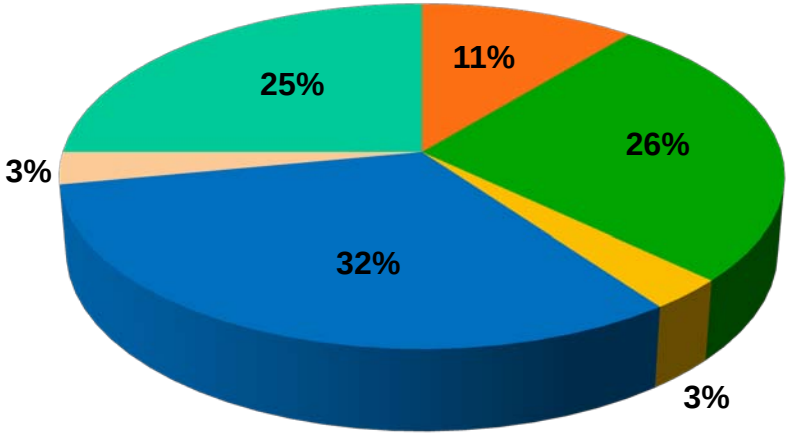
Roll-up Potential

Ownership Control of U.S. Shortlines



- Watco
- Genesee & Wyoming
- RailAmerica
- Independents (est. 340)

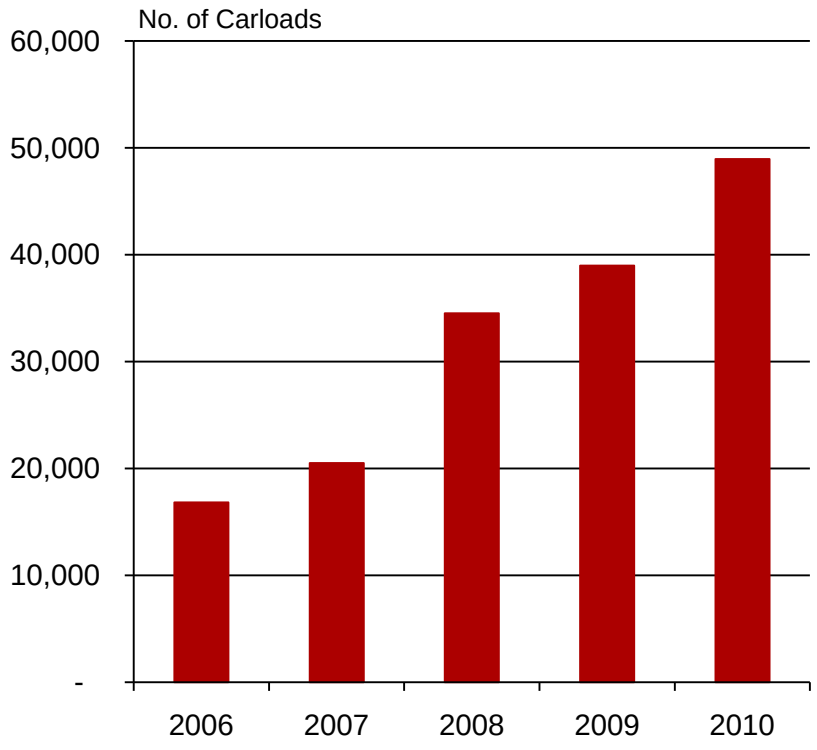
Mature, Stable Markets



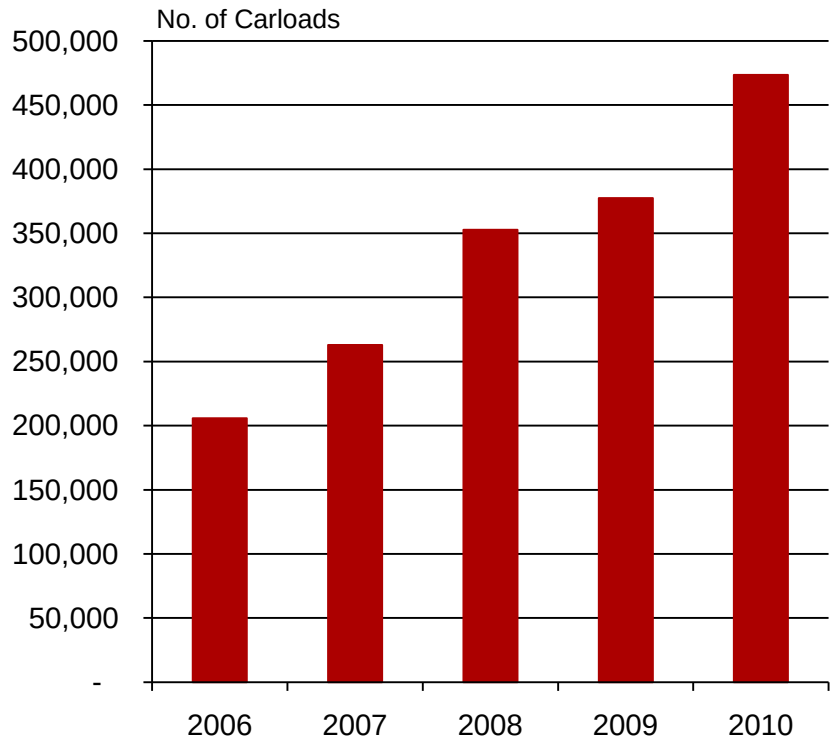
- Lumber/Forest Products
- Metals & Minerals
- Other
- Chemicals
- Coal
- Agriculture

Emerging Markets

Crude Oil on Rail



Ethanol on Rail



Source: Association of American Railroads - Carloads