KINDER MORGAN

# Investor Presentation

December 2019

# Disclosure

## Forward looking statements / non-GAAP financial measures

**General –** The information contained in this presentation does not purport to be all-inclusive or to contain all information that prospective investors may require. Prospective investors are encouraged to conduct their own analysis and review of information contained in this presentation as well as important additional information through the SEC's EDGAR system at www.sec.gov and on our website at www.kindermorgan.com.

**Forward-Looking Statements –** This presentation includes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities and Exchange Act of 1934. Forward-looking statements include any statement that does not relate strictly to historical or current facts and include statements accompanied by or using words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "outlook," "continue," "estimate," "expect," "may," "will," "shall," and "long-term". In particular, statements, express or implied, concerning future actions, conditions or events, future operating results or the ability to generate revenues, income or cash flow or to pay dividends are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. There is no assurance that any of the actions, events or results of the forward-looking statements will occur, or if any of them do, what impact they will have on our results of operations or financial condition. Because of these uncertainties, you are cautioned not to put undue reliance on any forward-looking statement.

Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. These statements are necessarily based upon various assumptions involving judgments with respect to the future, including, among others, the timing and extent of changes in the supply of and demand for the products we transport and handle; national, international, regional and local economic, competitive, political and regulatory conditions and developments; the timing and success of business development efforts; the timing, cost, and success of expansion projects; technological developments; condition of capital and credit markets; inflation rates; interest rates; the political and economic stability of oil-producing nations; energy markets; federal, state or local income tax legislation; weather conditions; environmental conditions; business, regulatory and legal decisions; terrorism; cyber-attacks; and other uncertainties. Important factors that could cause actual results to differ materially from those expressed in or implied by forward-looking statements include the risks and uncertainties described in this presentation and in our most recent Annual Report on Form 10-K and subsequently filed Exchange Act reports filed with the Securities Exchange Commission ("SEC") (including under the headings "Risk Factors," "Information Regarding Forward-Looking Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere), which are available through the SEC's EDGAR system at www.sec.gov and on our website at www.kindermorgan.com.

**GAAP –** Unless otherwise stated, all historical and estimated future financial and other information and the financial statements included in this presentation have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP").

**Non-GAAP –** In addition to using financial measures prescribed by GAAP, we use non-generally accepted accounting principles ("non-GAAP") financial measures in this presentation. Our reconciliation of historical non-GAAP financial measures to comparable GAAP measures can be found in this presentation under "Non-GAAP Financial Measures and Reconciliations". These non-GAAP measures do not have any standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other issuers. As such, they should not be considered as alternatives to GAAP financial measures. See "Non-GAAP Financial Measures and Reconciliations" below.

**KML United States Matters –** Kinder Morgan Canada Limited's **("**KML") securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the U.S. Securities Act), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States unless registered under the U.S. Securities Act and applicable state securities laws or except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. This presentation does not constitute an offer to sell or a solicitation of an offer to buy any of KML's securities in the United States.

# Disclosure

## Additional information / participants in the solicitation

**Additional Information and Where to Find It –** This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. The proposed acquisition of KML's outstanding common equity by Pembina via statutory arrangement under the Business Corporations Act (Alberta) (the "Arrangement") anticipates that the offer and sale of Pembina shares will be exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 3(a)(10) of the Securities Act. Consequently, such shares will not be registered under the Securities Act or any state securities laws in the U.S.

In connection with the Arrangement, KML filed a definitive proxy statement with the SEC, which is publicly available (and which was first mailed to KML shareholders on November 14, 2019), as well as other materials. WE URGE INVESTORS TO READ THE PROXY STATEMENT AND THESE OTHER MATERIALS CAREFULLY BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY AND THE PROPOSED TRANSACTION. Investors may obtain a free copy of the proxy statement and other materials at http://www.sec.gov, the SEC's website, or from KML's website (www.kindermorgancanadalimited.com) under the tab, "Investor Relations" and then under the heading "SEC Filings."

**Participants in the Solicitation –** KML and KMI, and their respective directors and certain of their executive officers, may be deemed, under SEC rules, to be participants in the solicitation of proxies from KML's shareholders with respect to the proposed transaction. Information regarding KML's officers and directors is included in KML's definitive proxy statement for its 2019 annual meeting filed with the SEC on April 18, 2019. Information regarding KMI's officers and directors is included in KMI's definitive proxy statement for its 2019 annual meeting filed with the SEC on March 29, 2019. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by securities holdings or otherwise, is set forth in the proxy statement and other materials filed with the SEC in connection with the proposed transaction.

# Kinder Morgan: Leader in North American Energy Infrastructure

Unparalleled and irreplaceable asset footprint built over decades

## Largest natural gas transmission network

- ~70,000 miles of natural gas pipelines
- 657 Bcfd of working storage capacity
- Connected to every important U.S. natural gas resource play and key demand centers
- Move ~40% of natural gas consumed in the U.S.

## Largest independent transporter of refined products

- Transport ~1.7 mmbbld of refined products
- ~6,900 miles of refined products pipelines
- ~5,800 miles of other liquids pipelines (crude and natural gas liquids)

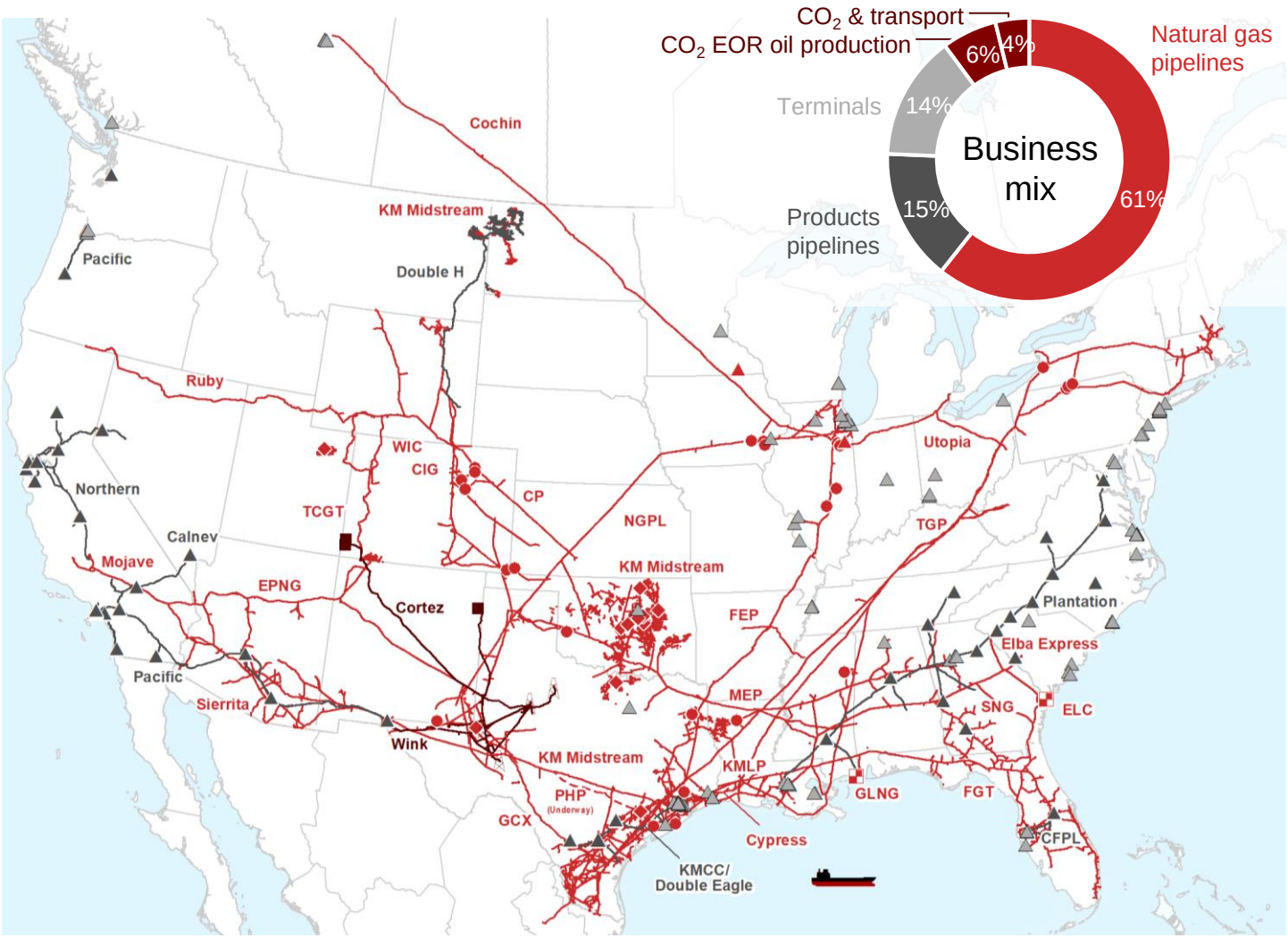
## Largest independent terminal operator

- 157 terminals
- 16 Jones Act vessels

## Largest transporter of $CO_2$

- Transport ~1.2 Bcfd of $CO_2$

**Leading infrastructure provider across multiple critical energy products**




Note: Mileage and volumes are company-wide per 2019 budget. Business mix based on 2019 budgeted Adjusted Segment EBDA plus JV DD&A.

# A Core Energy Infrastructure Holding

Significant cash flow generation & returning significant value to shareholders

**>$40 billion market capitalization**

one of the 10 largest energy companies in the S&P 500

**15% owned by management**

highly aligned management with significant KMI equity interest

**5% current dividend yield**

based on $1.00 in 2019 and $20 share price

**25% dividend growth in 2020**

planned increase to $1.25

**$2 billion share buyback program**

purchased ~$525 million since December 2017

# Key Milestones Reached

in 2019

Agreed to sell KML & U.S. Cochin pipeline for ~$2.5 billion

Resolved 501-G uncertainty

Placed major projects in service – GCX and Elba

Demonstrated capital discipline by eliminating 1/3 of budgeted $CO_2$ segment investments with updated returns below our threshold

Self-funded discretionary capital primarily with operating cash flow, without accessing capital markets, as we have been doing since Q1 2016

Increased dividend 25% year-over-year

Reported methane emissions intensity for our natural gas operations of 0.02% vs. 0.31% target under ONE Future program, 7 years ahead of schedule

# KMI: 2020 Guidance – Published Budget

| Key Metrics | 2020 Budget | |
|---|---|---|
| Adjusted EBITDA | $7.6 billion | |
| Distributable Cash Flow | $5.1 billion | Growth from 2019 despite sale of Cochin and KML with proceeds being used to pay down debt |
| DCF per Share | $2.24 | |
| Dividend per Share | $1.25 | Returning additional value to shareholders via dividend increase |
| Discretionary Capital[a] | $2.4 billion | Historically in the $2-3bn range |
| Year-end Net Debt / Adj. EBITDA | 4.3x | Below 4.5x long-term target, providing attractive financial flexibility |

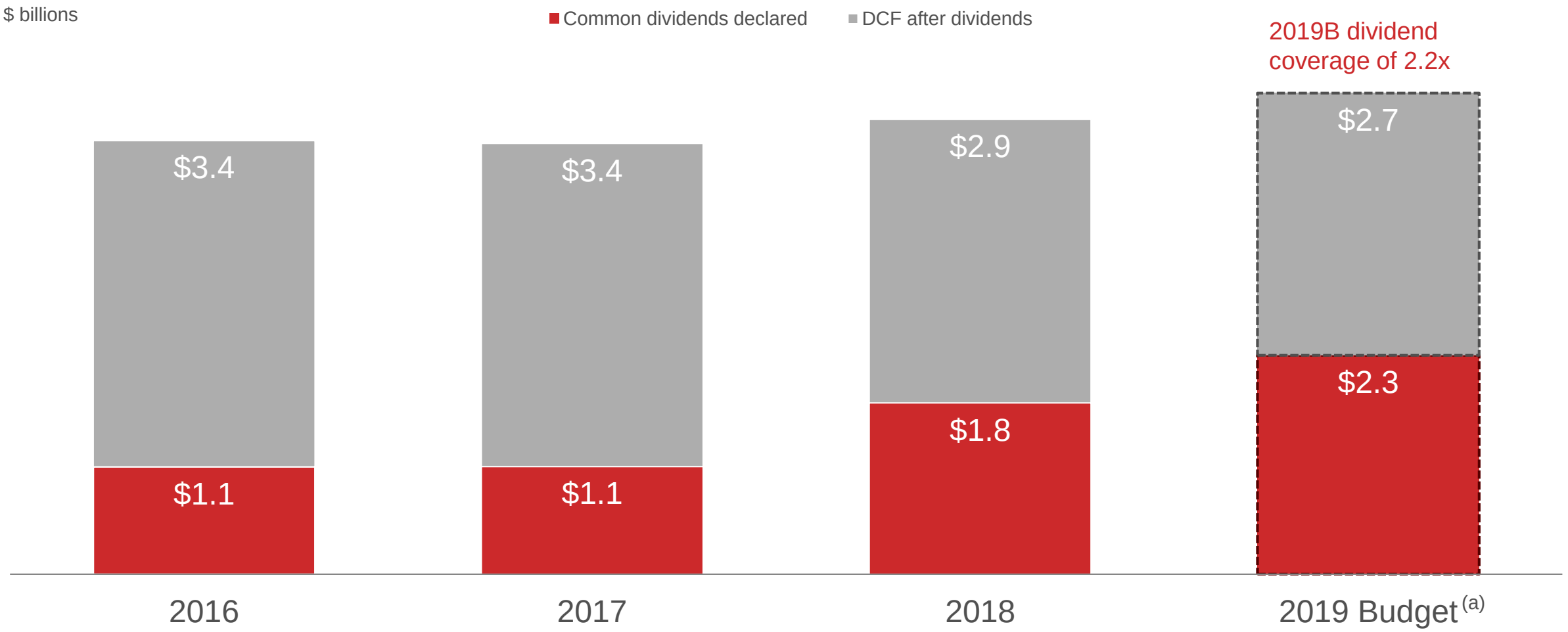
Plan to use internally generated cash flow to fully fund dividend payment & almost all discretionary spending.

No need to access equity markets.

Note: See Non-GAAP Financial Measures and Reconciliations.
a) Includes growth capital and JV contributions for expansion capital, debt repayments, and net of partner contributions for our consolidated JVs.

# Cash Flow Generation Machine

~$5 billion of 2019B distributable cash flow (DCF) = ~$2 billion for dividends + ~$3 billion to enhance shareholder value



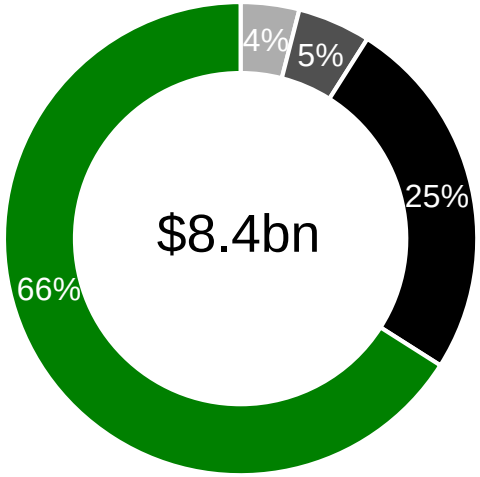

Generated ~$10 billion of DCF after dividends & >$10 billion of CFFO after dividends in last 3 years

Note: See Non-GAAP Financial Measures and Reconciliations. CFFO defined as Net Cash Provided by Operating Activities. Amounts reflect DCF after declared common dividends and CFFO after cash common dividends paid.
a) Dividend coverage calculated as 2019 budgeted (2019B) DCF divided by 2019B common dividends declared. As stated in KMI's Q3 2019 earnings release, 2019 DCF is expected to be slightly below budget.

# Stable, Fee-Based Cash Flow from High Quality Customers

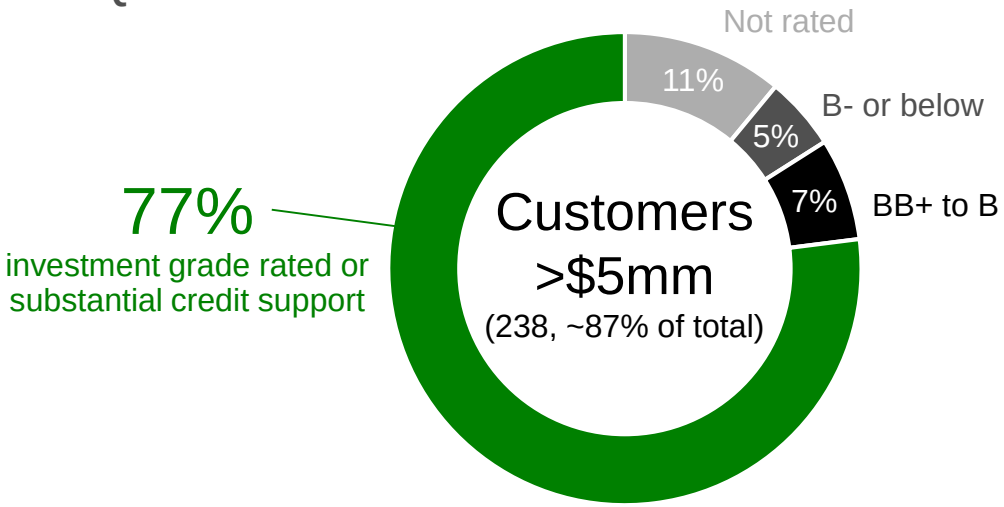
Underpinned by multi-year contracts with diversified customer base

## STABLE CASH FLOWS[a]




| | |
|---|---|
| 66% Take-or-pay | Entitled to payment regardless of throughput |
| 25% Fee-based | Supported by stable volumes, critical infrastructure between major supply hubs & stable end-user demand |
| 5% Hedged | Disciplined approach to managing price volatility, substantially hedged near-term exposure |
| 4% Other | Commodity-price based, limited to small portions of unhedged oil and gas production and G&P business |

## HIGH QUALITY CUSTOMERS[b]




plus:

~69% of net revenue comes from end-users of the products we handle

a) Based on 2019 budgeted Adjusted Segment EBDA plus JV DD&A. See Non-GAAP Financial Measures and Reconciliations.
b) Based on 2019 budgeted net revenues, which include our share of unconsolidated joint ventures and net margin for our Texas Intrastate customers & other midstream businesses. Chart includes customers >$5mm at their respective company credit ratings as of 1/9/2019 per S&P and Moody's, shown at the S&P-equivalent rating & utilizing a blended rate for split-rated companies. End-users includes utilities, LDCs, refineries, chemical companies, large integrateds, etc.

# Capital Allocation Priorities

Right-sized balance sheet & set dividend target through 2020

## Balance Sheet

~$4.1bn of available liquidity from cash and KMI credit facility as of 9/30/2019

Long-term target Net Debt / Adjusted EBITDA of ~4.5x reached[a]

## Dividend

Dividend targets set through 2020 with 25% growth year-over-year

2019: $1.00/share

2020: $1.25/share

## Capital Projects

Return threshold for new projects well in excess of cost of capital

Projects to generate higher expected returns than share repurchases

Re-evaluate as circumstances change

## Share Repurchase

Repurchased $525mm of $2bn buyback program

Additional share repurchases can come from cash in excess of capital projects and dividends

a) See Non-GAAP Financial Measures and Reconciliations.

# $4.1bn of Commercially-Secured Capital Projects Underway

~$160 million of new projects added during Q3 2019 & ~$1.2 billion added year-to-date

| (as of 9/30/2019) | Demand Pull / Supply Push | KMI Capital ($ billion) | Estimated In-Service Date | Capacity |
|---|---|---|---|---|
| **Natural Gas** | | | | |
| Permian takeaway projects (PHP, TX Intrastates, EPNG, NGPL) | | $ 0.9 | Q4 2019 – 2021 | 4.4 Bcfd |
| Bakken G&P expansions (Hiland Williston Basin) | | 0.5 | Q4 2019 – 2020 | Various |
| Supply for U.S. power & LDC demand (TGP, FGT, NGPL) | | 0.4 | Q4 2019 – 2023 | 0.6 Bcfd |
| Elba liquefaction (units 2 through 10) | | 0.3 | Q4 2019 – H1 2020 | 0.3 Bcfd |
| Supply for LNG export (NGPL, KMLP) | | 0.3 | Q4 2019 – 2022 | 1.6 Bcfd |
| Mexico export (EPNG, Sierrita) | | 0.2 | 2020 | 0.6 Bcfd |
| Other natural gas | | 0.3 | Q4 2019 – 2020 | 1.0 Bcfd |
| **Total Natural Gas** | | **$ 2.8** | **~68% of total & 5.9x EBITDA multiple** | |
| **Additional projects** | | **1.3** | | |
| **Total Backlog** | | **$ 4.1** | | |

- Significant investment opportunities resulting from our expansive, strategically-located natural gas pipelines network
- Additional projects are primarily liquids-related (crude oil and refined products)
  - $0.6 billion for $CO_2$ EOR oil production, $0.3 billion for $CO_2$ & transport, $0.3 billion for terminals and $0.1 billion for liquids pipelines
- With the backlog and other projects under development, expect $2 to $3 billion per year of ongoing organic investment opportunities

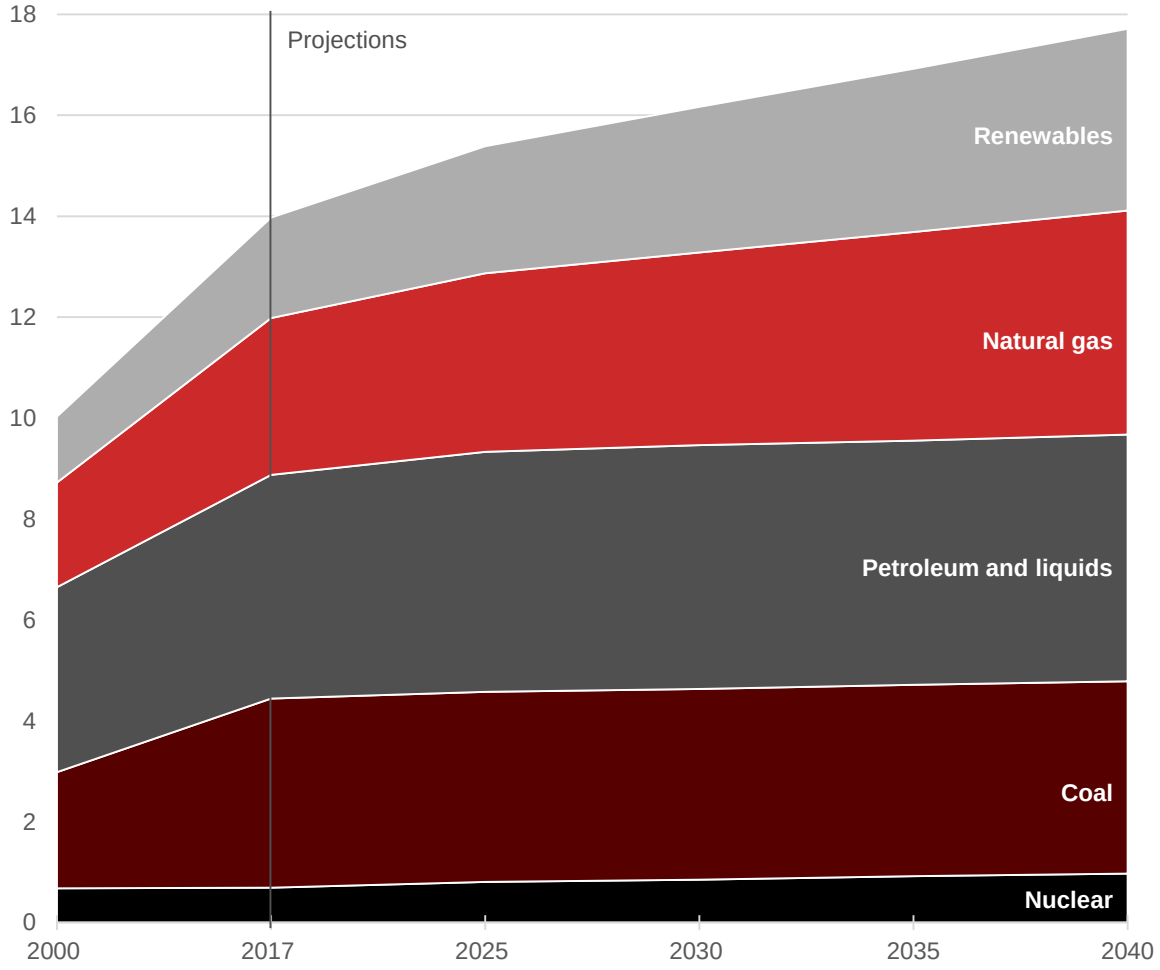
Note: See Non-GAAP Financial Measures and Reconciliations. EBITDA multiple reflects KM share of estimated capital divided by estimated Project EBITDA. Rows may not sum due to rounding.

# Global Energy Demand Expected to Grow for Decades to Come

More than 650 million people still expected to lack access to electricity in 2030

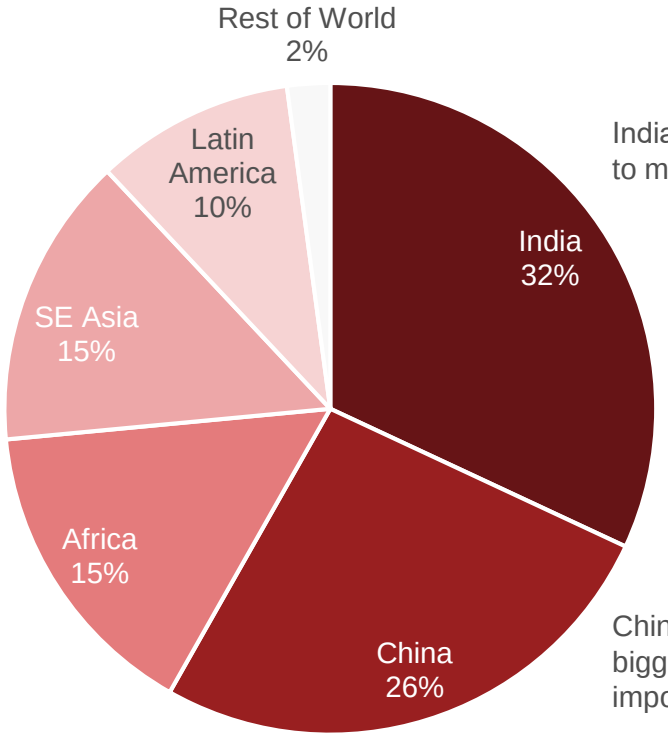
## STEADY GROWTH IN GLOBAL ENERGY DEMAND

Billion tons of oil equivalent




## DEMAND GROWTH DRIVEN BY DEVELOPING ECONOMIES

% of projected incremental demand from 2017 to 2040




India's demand expected to more than double

China projected to become biggest oil consumer and largest importer of oil and natural gas

Population growth, urbanization and economic development create growing demand for affordable, reliable energy sources

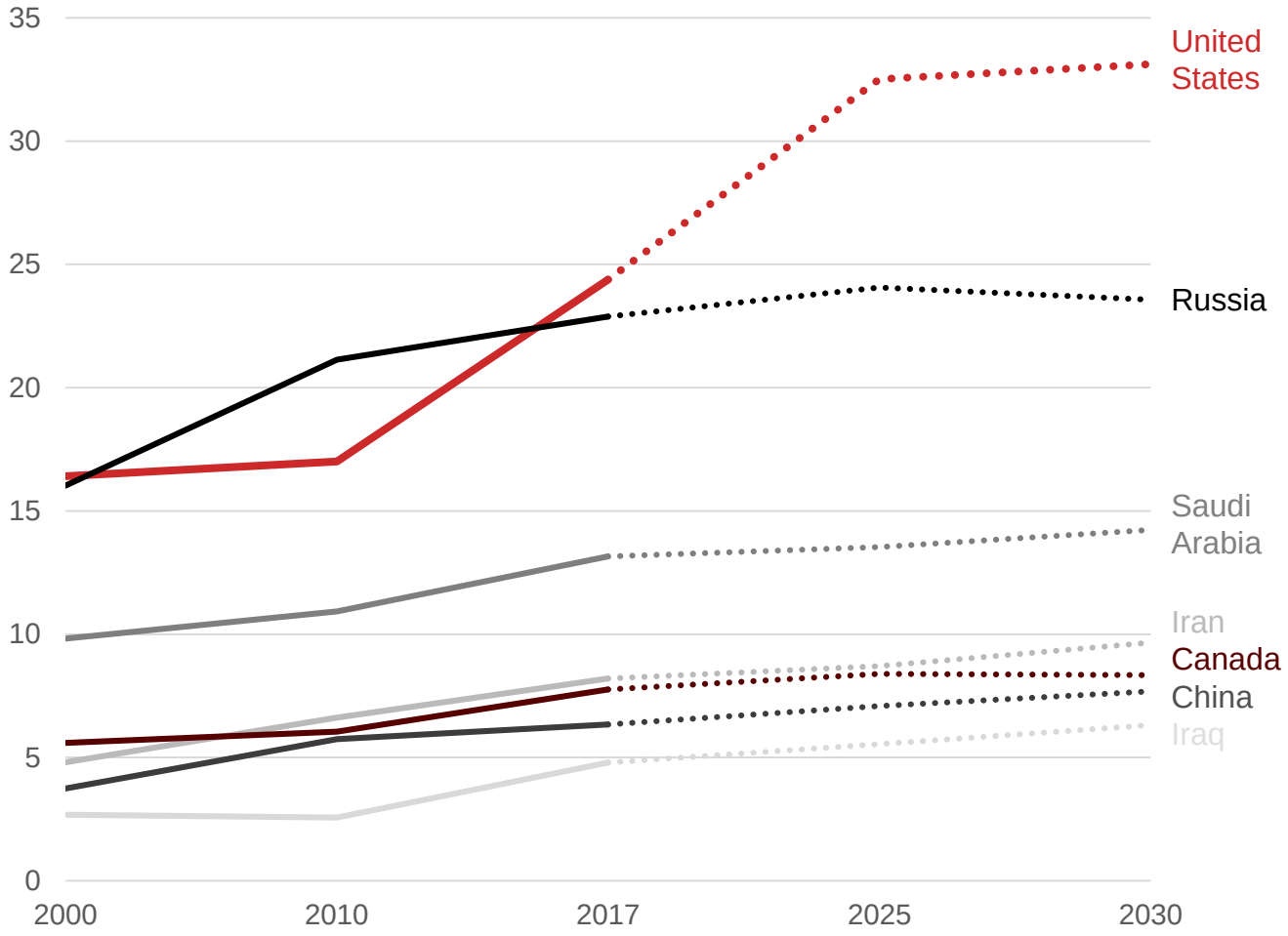
Source: International Energy Agency World Energy Outlook 2018, New Policies Scenario. New Policy Scenario considers (1) today's policy frameworks, (2) the continued evolution of known technologies and (3) policy ambitions announced as of August 2018, including commitments made under the Paris Agreement.

# U.S. is the Largest Oil and Gas Producer in the World

Reaching demand markets abroad expected to drive higher utilization of existing infrastructure and expansion opportunities

**OIL AND NATURAL GAS PRODUCTION**

Million barrels of oil equivalent per day




**Unmatched growth in U.S. oil and gas production**

- ~33% expected growth in U.S. oil and natural gas production by 2025
- U.S. to deliver over 50% of expected global supply increase through 2025
- U.S. to produce nearly 1 out of every 5 barrels of oil and 1 out of every 4 cubic meters of natural gas in the world by 2025

**U.S. advantaged to serve as the preferred trade partner to growing demand markets**

- Competitive marketplace driving innovation
- Robust infrastructure network
- Reliable rule of law with enforceable contracts
- Relatively stable regulatory environment

Energy security is key to ensure affordable, reliable resources reach growing demand markets

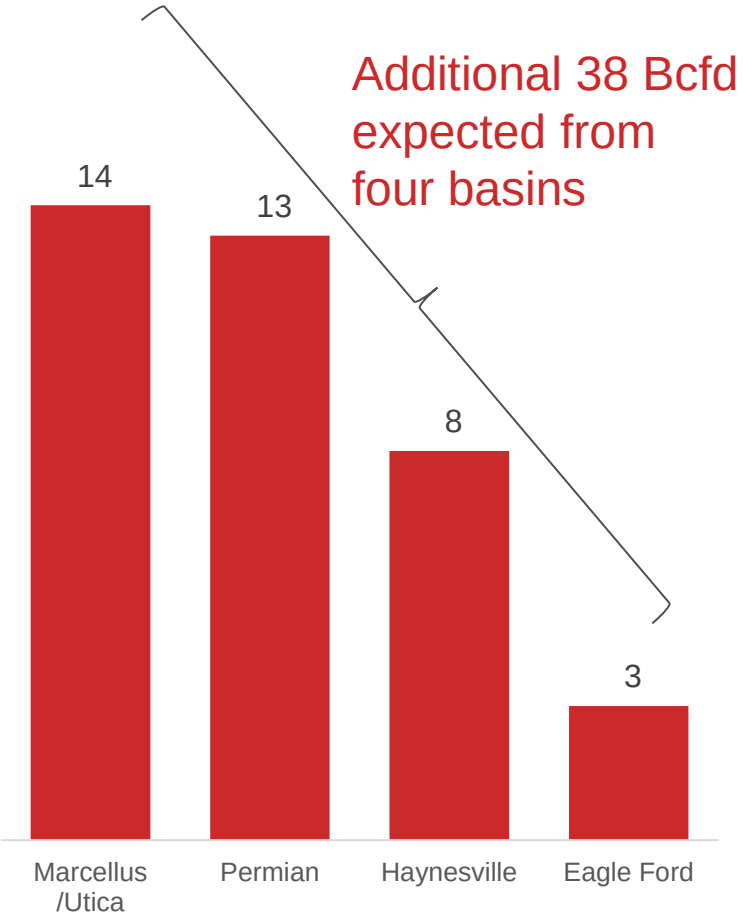
Source: International Energy Agency World Energy Outlook 2018, New Policies Scenario. Growth relative to 2017 (latest actuals at time of report).

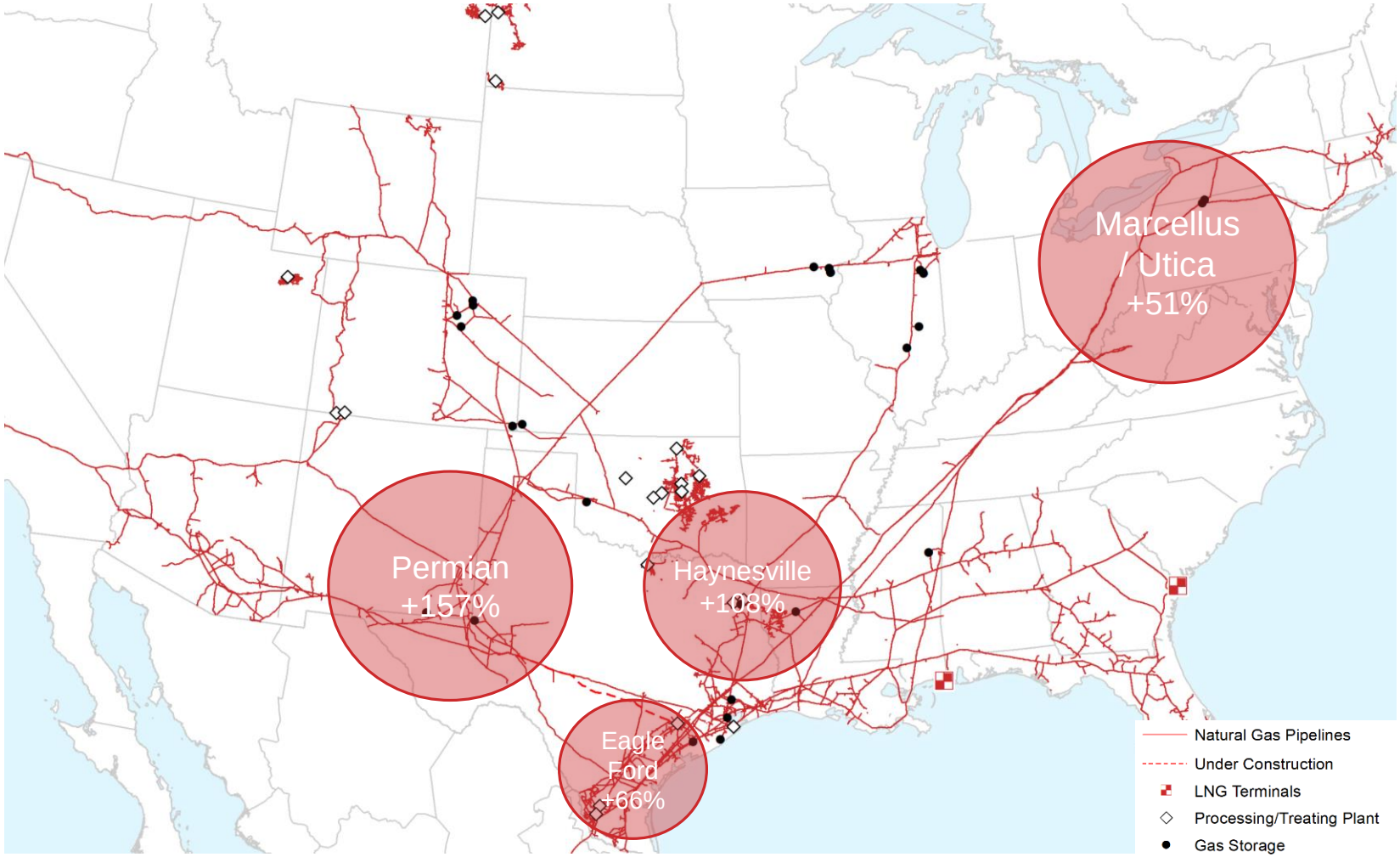
# Substantial Growth Projected for U.S. Natural Gas Supply

Our network connects key supply basins to multiple demand points along the Gulf Coast

## KEY BASINS DRIVING U.S. GROWTH

2018 to 2030 growth in Bcfd




Total U.S. natural gas production to grow by over 30 Bcfd or nearly 40% by 2030

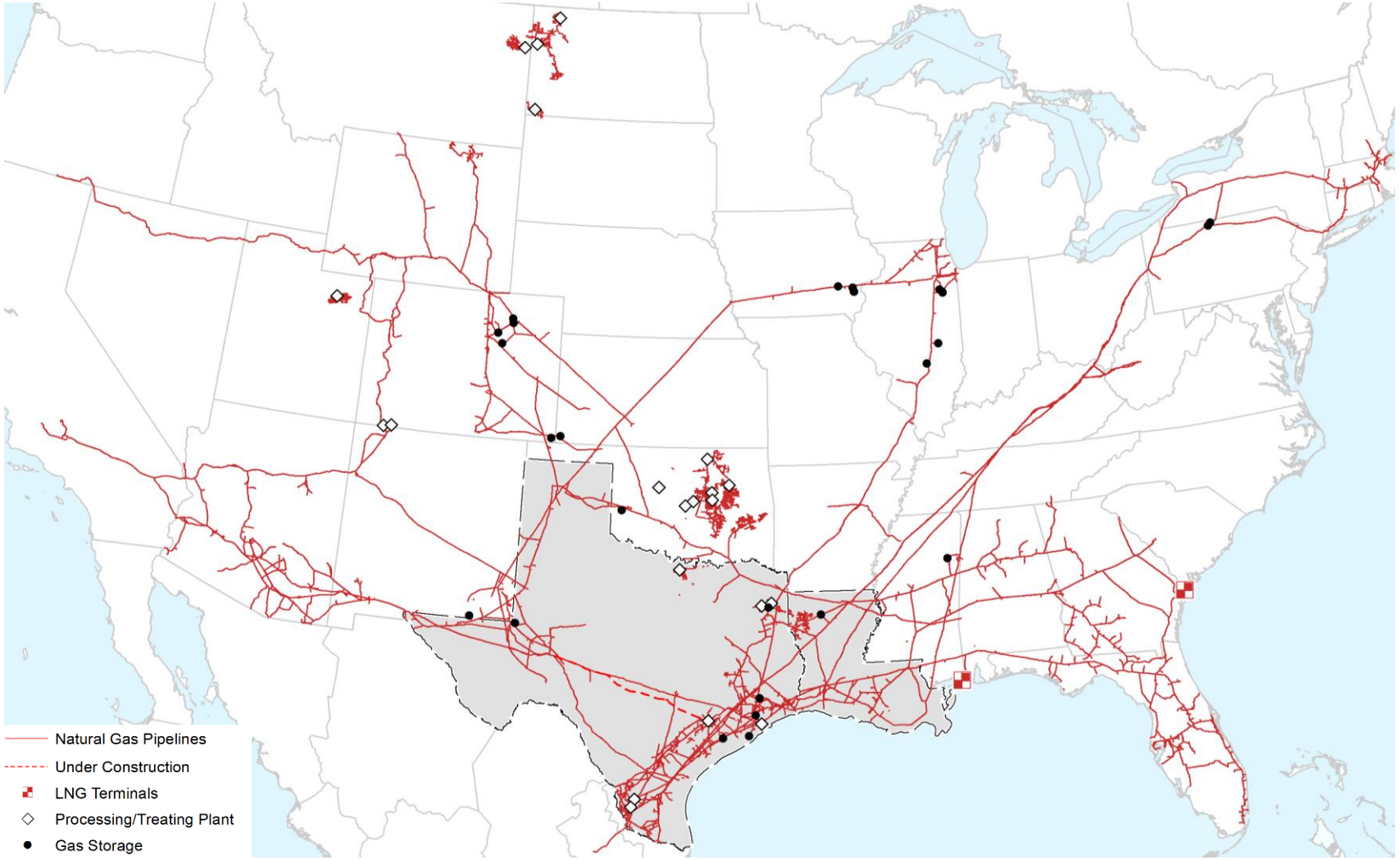
Source: WoodMackenzie, North America Gas Markets Long-Term Outlook, Summer 2019. Growth relative to projected 2018 production at the time of the report. Forecast assumes aggregate of other U.S. basins shrinks by 5 Bcfd.

# U.S. Natural Gas Demand is Concentrated in Gulf Coast

>70% of forecasted 2018-2030 growth is in Texas and Louisiana, where we have significant assets in place

Forecasted Texas and Louisiana demand and export growth between 2018 and 2030:

- LNG Export Demand +581% +15 Bcfd
- Industrial Demand +30% +2 Bcfd
- Exports to Mexico +61% +2 Bcfd
- Other Demand +66% +2 Bcfd
- Power Demand +21% +1 Bcfd
- Transport Demand +1,346% +0.4 Bcfd




Source: WoodMackenzie, North America Gas Markets Long-Term Outlook, Summer 2019.

# Leading the Way Out of the Permian

Building the first two new natural gas pipelines out of the basin

**Leveraging existing footprint into new takeaway capacity that reaches across Texas and connects into major demand markets**

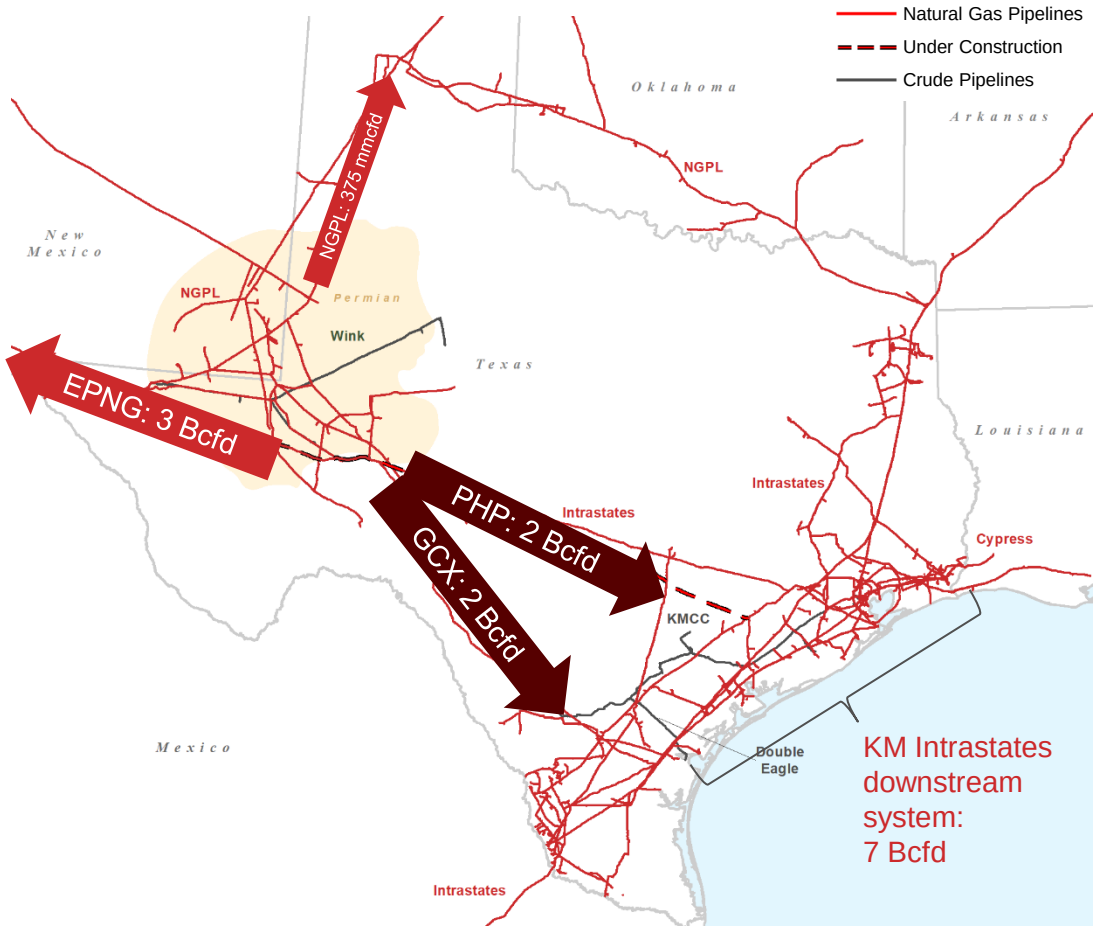
- Our advantaged network offers broad end-market optionality with deliverability to Houston markets (power, petrochemical), substantial LNG export capacity and Mexico

**Investing more than $325 million to increase capacity and improve connectivity across Texas Intrastates pipeline networks by 1.7 Bcfd**

- Key to unlocking millions of barrels of additional oil production from the Permian Basin and billions of dollars of value
- Enhances deliverability of East Texas natural gas supply into Houston area markets

**Currently in discussions with customers about a possible third KMI pipeline targeting LNG demand**

| | Gulf Coast Express (GCX) | Permian Highway Pipeline (PHP) |
|---|---|---|
| **Mainline:** | ~450 miles of 42” pipeline | ~430 miles of 42” pipeline |
| **Endpoint:** | Near Corpus Christi | Near Houston |
| **KM ownership:** | 34% | 26.7% |
| **Capacity:** | 2.0 Bcfd | 2.1 Bcfd |
| **Capital (100%):** | $1.75 billion | ~$2.1 billion |
| **In-Service:** | Operating since Sept. 2019 | Early 2021 |
| **Min. contract term:** | 10 years | 10 years |



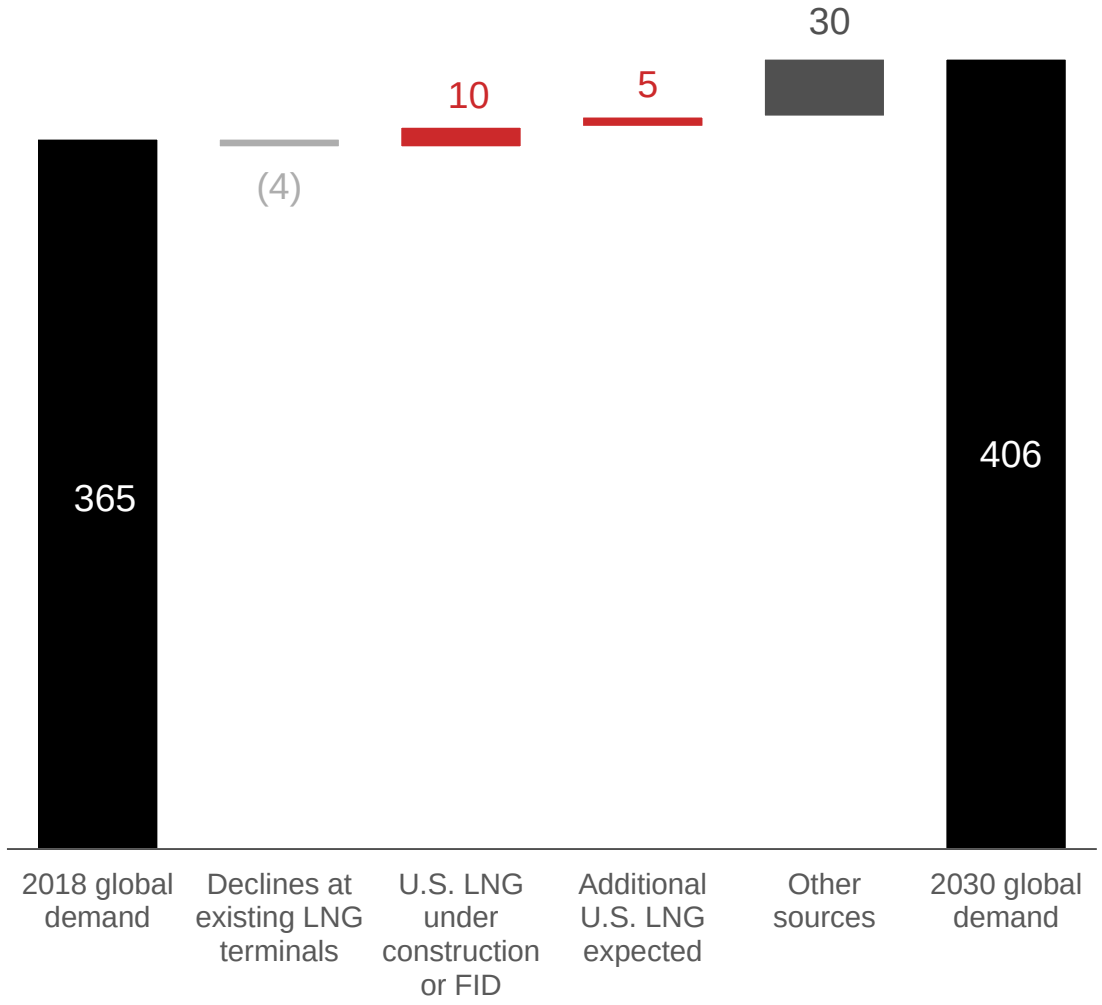

Providing unparalleled takeaway capacity from the Permian basin to the Gulf Coast

# Growing U.S. LNG Exports are in Demand

U.S. LNG exports expected to more than quadruple by 2025

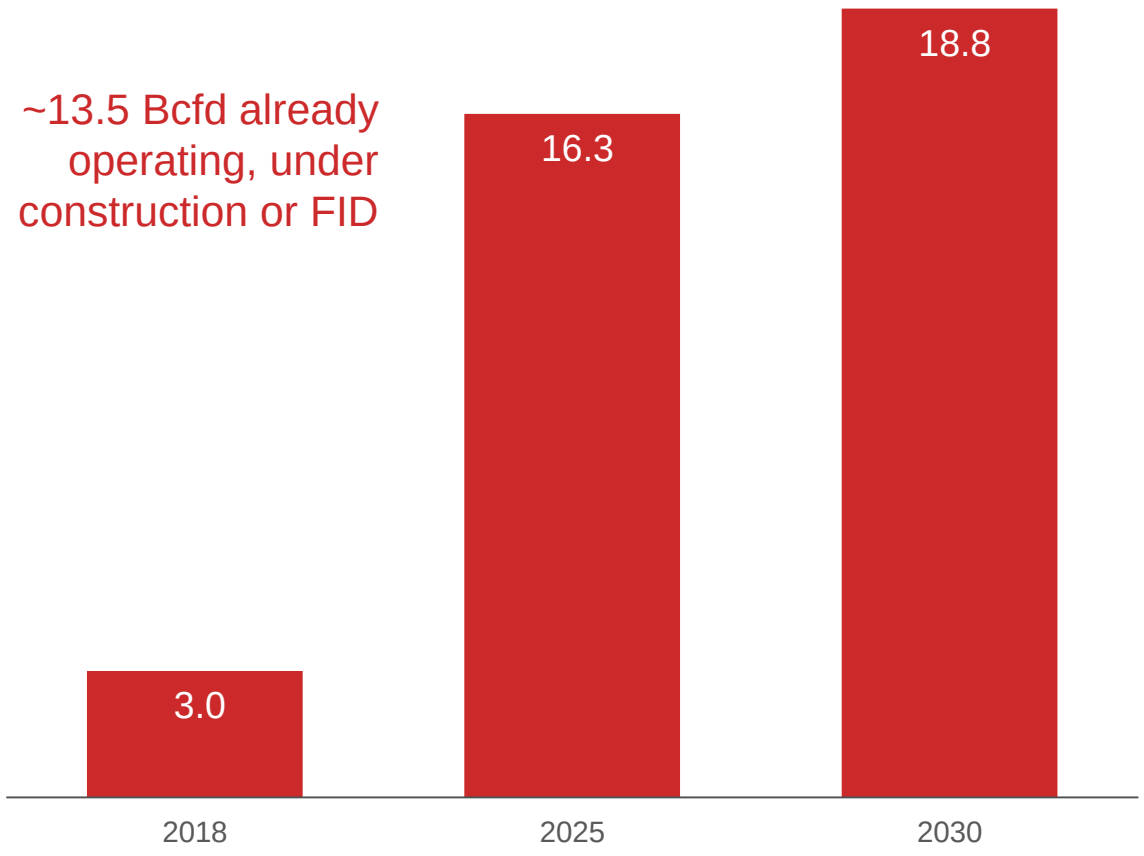
**GLOBAL NATURAL GAS DEMAND**

Bcfd




**PROJECTED U.S. LNG EXPORTS**

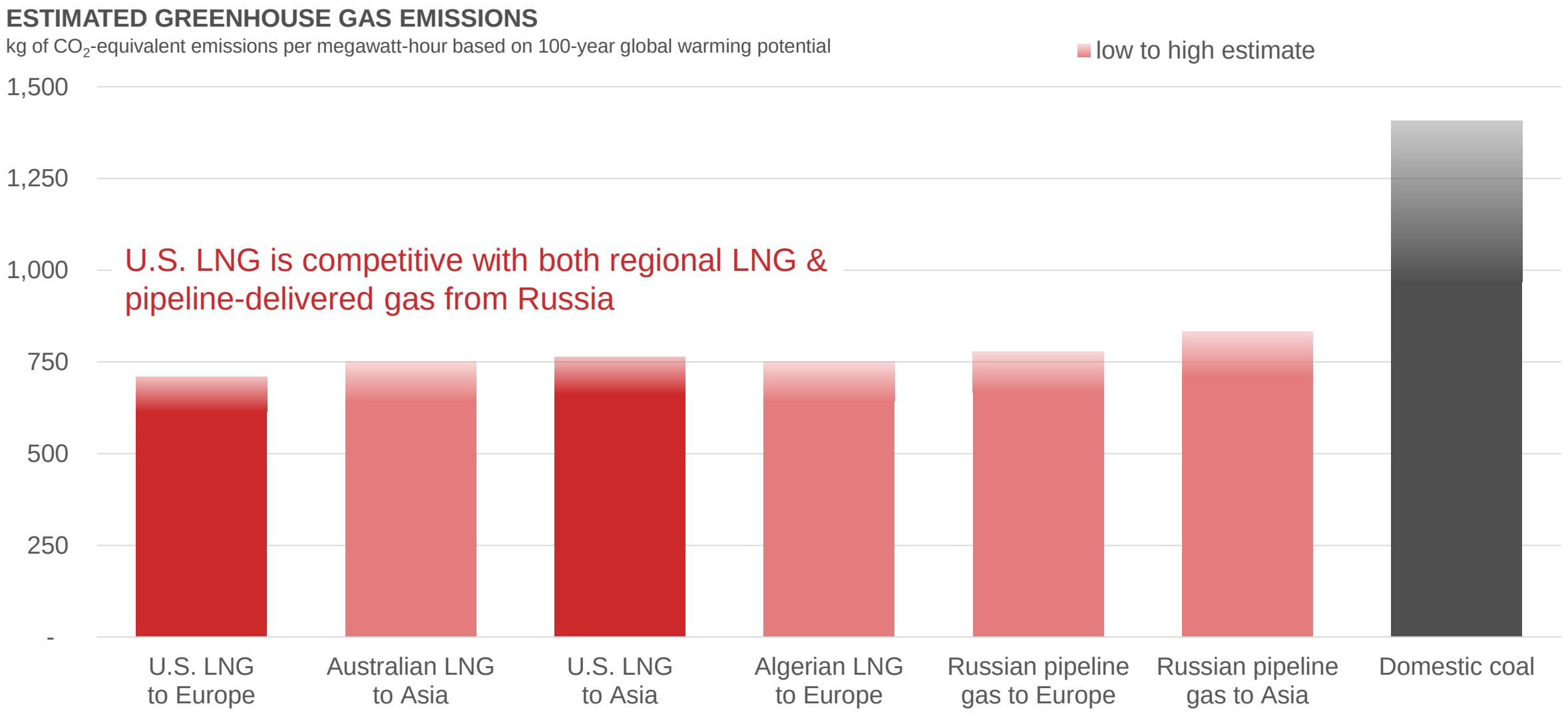
Bcfd




Source: U.S. EIA (global natural gas demand, U.S. liquefaction capacity), WoodMackenzie, North America Gas Markets Long-Term Outlook, Summer 2019 (projected U.S. LNG exports), International Energy Agency, World Energy Outlook 2019 (declines at existing liquefaction facilities)

# Full Cycle Emissions in Electric Power Generation

U.S. LNG is one of the lowest emissions fuels for electricity in Asia and Europe




Source: U.S. National Energy Technology Laboratory, Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States: 2019 Update
Note: Several simplifying assumptions were used for the above emissions ranges, including that U.S. operations are representative of foreign operations. Please refer to the publication for a full explanation of inputs & assumptions.

# Supporting the Buildout of U.S. LNG Exports

Serving significant liquefaction capacity & well-positioned to capture more

## Kinder Morgan network advantages:

### Natural gas leader

~70,000 miles of natural gas pipelines
Move ~40% of U.S. natural gas

### Supply diversity

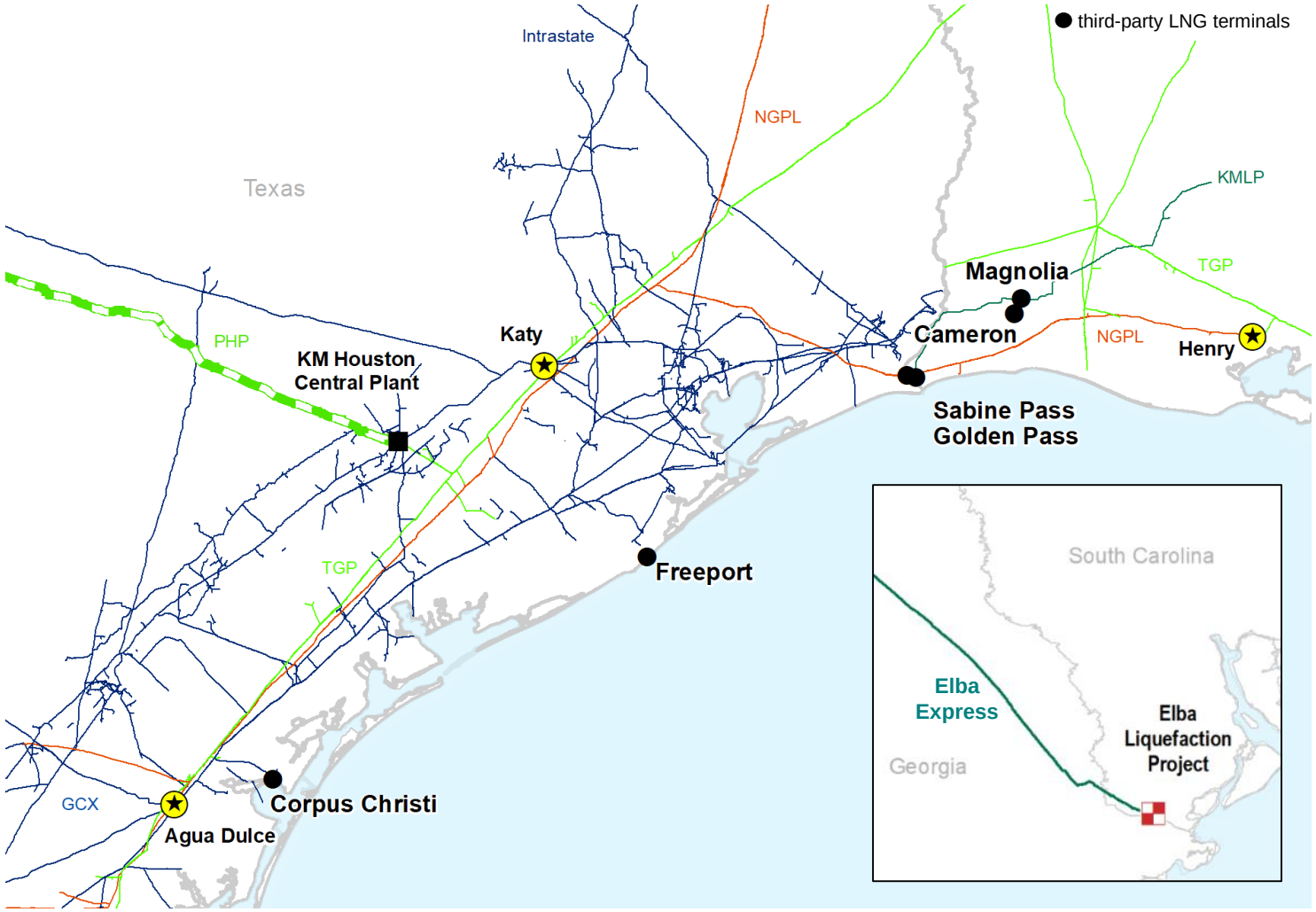
Connected to every important U.S. natural gas resource play

### Premier deliverability

657 Bcf of working gas storage in production and market areas

### Transporter of choice

Providing >5.7 Bcfd of transport capacity to LNG terminals under 19-year average term




Connecting diverse supply options to multiple developing LNG demand centers

# Beyond the Backlog

Strong long-term fundamentals to drive additional opportunities

- Infrastructure to support U.S. energy exports
- Northeast natural gas demand and long-term supply needs
- Storage to support renewable power generation and LNG exports
- Grow crude and NGL footprint
- Haynesville 2.0

- Market access for surging Permian Basin production
- Transport natural gas to supply LNG exports

**~$800 billion of North American energy infrastructure investment required to support expected growth through 2035[a]**

a) Estimate per ICF (June 2018). Includes >$400 billion of natural gas infrastructure ($279 billion in gas gathering & transmission systems) to support LNG exports, gas-fired power generation, exports to Mexico & U.S. petrochemical activity.

# Committed to Being a Good Corporate Citizen

Long-standing commitment to safe operations and reduction of methane emissions

**In large part due to replacing coal-fired electricity generation with natural gas, the U.S. has reduced emissions significantly**

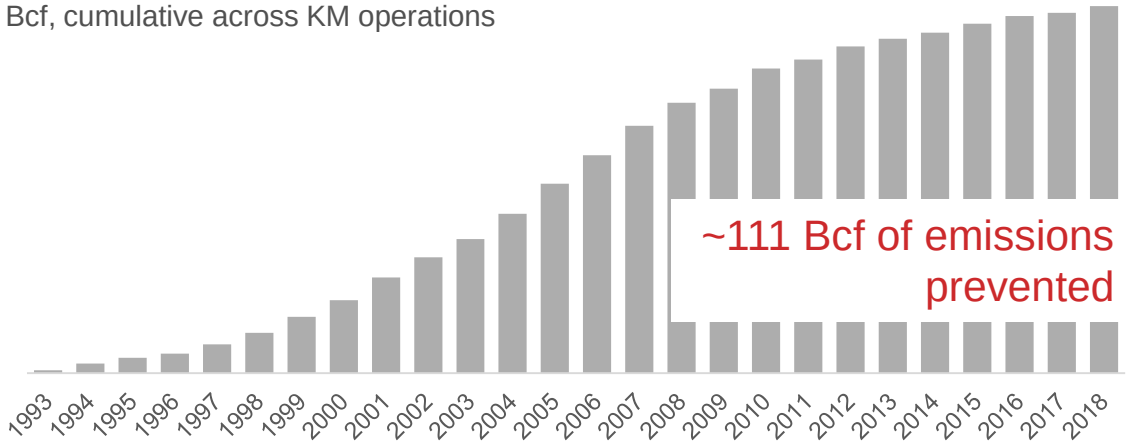
| | |
|---|---|
| ↓ 12% | U.S. greenhouse gas emissions over the last 10 years |
| ↓ 28% | electricity generation greenhouse gas emissions over the last 10 years, despite an 8% population increase |
| ↓ 16% | U.S. methane emissions since 1990, despite a 50% increase in natural gas production |

**Our focus on ESG priorities**

- 25+ years of commitment to reducing methane emissions, including ONE Future and EPA's Natural Gas STAR program
- Far exceeded methane emission intensity target of 0.31% for our natural gas operations with 0.02% in 2018, 7 years ahead of schedule
- Rated in top quartile of midstream sector for methane disclosures and quantitative methane targets by Environmental Defense Fund
- Currently outperforming the industry in 25 of 31 safety metrics tracked and updated monthly on our public website[b]

**SUCCESSFUL METHANE EMISSIONS REDUCTIONS[a]**

Bcf, cumulative across KM operations




**SUSTAINALYTICS ESG RISK RATING[c]**

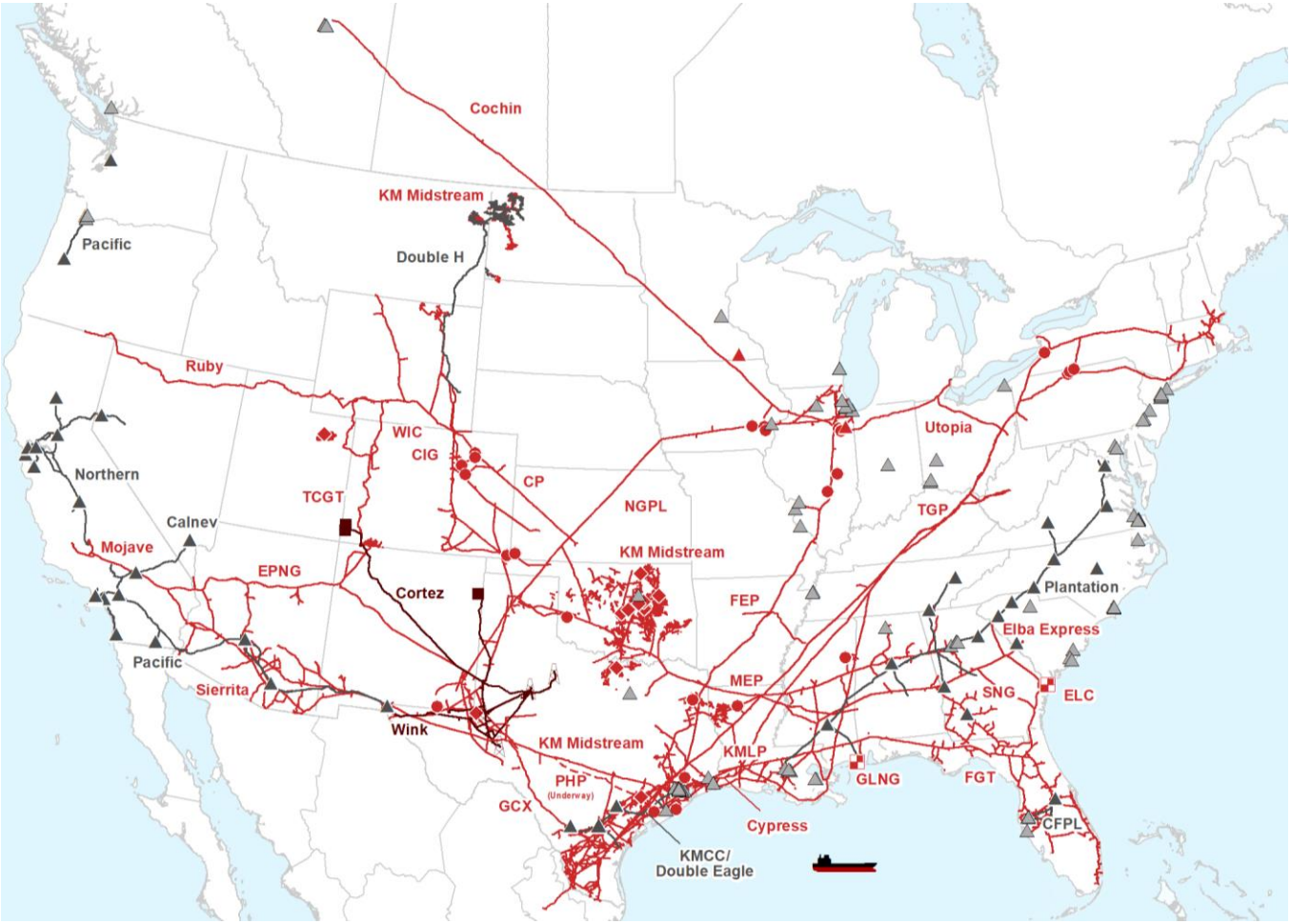
| | |
|---|---|
| #2 out of 163 | Refiners and Pipelines (Industry Group) |
| #2 out of 91 | Oil & Gas Storage and Transportation (Subindustry) |

Source: EPA Inventory of U.S. Greenhouse Gas Emissions & Sinks: 1990-2017 (published 04/11/2019). Emissions reductions statistics refer to changes through 2017, the latest available. EIA for U.S. natural gas production.

a) Kinder Morgan's EPA Natural Gas STAR Summary Report (September 2019).
b) Based on Kinder Morgan metrics as of 9/30/2019 versus most applicable industry performance.
c) As of 6/18/2019.

# KMI: A Compelling Investment Opportunity

Strategically-positioned assets generating substantial cash flow with attractive investment opportunities




- ~90% take-or-pay or fee-based earnings[a]
- ~$7.6 billion 2020B Adjusted EBITDA[b]
- 5% current dividend yield
- 25% budgeted dividend increase in 2020
- Highly-aligned management (15% stake)
- Active stock buyback program

Market sentiment may change, but we'll stay focused on making money for our shareholders

Note: See Non-GAAP Financial Measures and Reconciliations.
a) Based on 2019B Adjusted Segment EBDA plus JV DD&A.
b) Please refer to "KMI: 2020 Guidance – Published Budget" for more detail.

# Appendix

# Prioritizing Environmental, Social and Governance (ESG)

Multi-faceted approach to good corporate governance | On-going enhancements to disclosures

## CORPORATE GOVERNANCE

13 independent out of 16 board members

2 female board members

Majority voting to elect board members annually

Proxy access bylaw provisions

Annual say on pay voting

Director and officer stock ownership guidelines

Compensation linked to ESG

Board Environmental, Health and Safety (EHS) committee oversees ESG matters

## ESG RESOURCES

Disclosure:

- 2018 ESG Report
- 2ºC scenario analysis included in report
- Annual Meeting Proxy Statement

Framework:

- Operations Management System

Policies and guidelines:

- EHS Policy Statement
- Biodiversity Policy
- Indigenous Peoples Policy
- Community Relations Policy
- Statement on Climate Change
- Corporate Governance Guidelines
- Code of Business Conduct and Ethics
- Contractor Environment / Safety Manual

Programs:

- Public Awareness Program
- Kinder Morgan Foundation

Note: For consolidated ESG information, please visit the ESG / sustainability page on KMI and KML websites

# Overview of Pembina Acquisition of KML and U.S. Cochin

KINDER MORGAN

Attractive transaction for all stakeholders

- KMI to sell U.S. Cochin for $1.546 billion cash
  - Represents ~13x expected 2019 Adjusted EBITDA
  - Tax gain expected to be fully offset with NOL
- Pembina to acquire all of Kinder Morgan Canada (TSX: KML) in exchange for Pembina shares (TSX: PPL, NYSE: PBA)
  - Each KML common share to be exchanged for 0.3068 Pembina shares
  - KML's preferred equity to be assumed by Pembina
  - KMI to receive approximately 25 million Pembina shares for its 70% stake in KML (~$935 million on 8/20/2019)
    - Represents <5% stake in Pembina
  - KMI expected to pay Canadian withholding taxes upon receipt of Pembina shares and Canadian capital gains taxes upon eventual sale (combined ~$150mm at 0.75 USD/CAD)[a]
- Expect to close in December 2019, subject to customary closing conditions (including KML shareholder approval)
  - Pembina's acquisitions of U.S. Cochin and KML are cross-conditioned upon each other
- Assuming the transaction closes in December 2019, KMI's expected year-end 2019 Net Debt-to-Adjusted EBITDA ratio will be ~4.4x from previously forecasted ~4.6x
  - Initially, proceeds will be used to reduce debt; additionally, Net Debt will benefit by the removal of 50% of KML's preferred equity (~$215 million)
  - Plan to maintain long-term leverage target of approximately 4.5x
  - Remaining funds to be used opportunistically to invest in attractive projects and/or repurchase KMI shares
- Roughly $260 million impact to KMI 2020 Adjusted EBITDA from transaction

38% premium to KML shareholders and pre-tax proceeds to KMI of ~$2.5 billion[a]

Note: All amounts in U.S. dollars.

a) Based on 8/20/2019 closing prices. Value to KMI excludes benefit of preferred equity being assumed by Pembina.

# Stable, Multi-Year Fee-Based Cash Flow

~96% of 2019B segment cash flow is from take-or-pay and other fee-based contracts or hedged[a]


**66% Fee-Based Take-or-Pay:** highly dependable cash flow under multi-year contracts

- Entitled to payment regardless of throughput for periods of up to 20+ years

**25% Other Fee-Based:** dependable cash flow, volumes largely independent from commodity price

- Supported by stable volumes, critical infrastructure between major supply hubs and stable end-user demand
- **Products Pipelines (10%):** competitively advantaged connection between refineries and end markets has resulted in stable or growing refined products piped volumes (2011-2019E CAGR of 1.4%)[b]
- **Natural Gas Pipelines (10%):** gathering and processing cash flow underpinned by dedications of economically viable acreage
- **Terminals / other (5%):** 86% of fee-based cash flow associated with high-utilization liquids assets and requirements contracts for petcoke and steel

**5% Hedged:** disciplined approach to managing price volatility

- $CO_2$ actual oil volumes produced have been within 1.4% of budget over the past 11 years
- Substantially hedged near-term exposure
- $CO_2$ segment hedges as of 9/30/19:

| | | Remaining 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Oil - WTI hedges | $/bbl | $57.55 | $56.32 | $54.27 | $55.28 | $53.49 |
| | bbl/d | 34,400 | 24,900 | 13,500 | 6,100 | 2,700 |
| NGLs | $/bbl | $27.04 | $28.73 | | | |
| | bbl/d | 2,870 | 2,221 | | | |
| Mid-Cush diff | $/bbl | ($8.08) | $0.10 | | | |
| | bbl/d | 33,850 | 29,350 | | | |

**4% Commodity Based**

a) Based on 2019 budgeted Adjusted Segment EBDA plus JV DD&A. See Non-GAAP Financial Measures and Reconciliations.
b) Kinder Morgan refined products volumes transported. Volumes include SFPP, CALNEV, Central Florida, Plantation Pipe Line (KM share).

# Energy Toll Road

## Cash flow security with ~90% from take-or-pay and other fee-based contracts

| | Natural Gas Pipelines | Products Pipelines | Terminals | $CO_2$ |
|---|---|---|---|---|
| **2019B EBDA %[a]** | **61%** | **15%** | **14%** | **10%** |
| **Asset Mix (% of Segment EBDA)** | 76% interstate pipelines[b]<br>9% intrastate pipelines[b]<br>15% gathering, processing and treating (G&P) | 60% refined products<br>40% crude | 78% liquids<br>61% terminals<br>17% Jones Act tankers<br>22% bulk | 62% oil production related<br>38% $CO_2$ & transport |
| **Volume Security** | **Interstate & LNG:** ~94% take-or-pay[a]<br>**Intrastate:** ~76% take-or-pay[a,c]<br>**G&P:** ~80% fee-based with minimum volume requirements and/or acreage dedications[a] | **Refined products:** primarily volume-based<br>**Crude:** ~61% take-or-pay[a] | **Liquids & Jones Act:** ~80% take-or-pay[a]<br>**Bulk:** primarily minimum volume guarantee or requirements | **$CO_2$ & transport:** ~83% minimum volume committed<br>**EOR oil production:** volume-based |
| **Average Remaining Contract Life** | **Interstate / LNG:** 6.3 / 13.4 years<br>**Intrastate:** 4.6 years[c]<br>**Gathering:** 3.1 years<br>**NGL Pipelines:** 6.3 years | **Refined products:** generally not applicable<br>**Crude:** 2.4 years | **Liquids:** 3.6 years<br>**Jones Act:** 1.8 years[d]<br>**Bulk:** 5.0 years | **$CO_2$ & transport:** 7.2 years |
| **Pricing Security** | **Interstate:** primarily fixed based on contract<br>**Intrastate:** primarily fixed margin<br>**G&P:** primarily fixed price | **Refined products:** annual FERC tariff escalator (PPI-FG + 1.23%)<br>**Crude / NGLs:** primarily fixed based on contract | Based on contract; typically fixed or tied to PPI | **$CO_2$ & transport:** ~80% protected by contractual price floors[a]<br>**EOR oil production:** volumes ~79% hedged[e] |
| **Regulatory Security** | **Interstate:** regulated return<br>**Intrastate:** essentially market-based<br>**G&P:** market-based | **Pipelines:** regulated return<br>**Terminals & transmix:** not price regulated[f] | Not price regulated | Primarily unregulated |
| **Commodity Price Exposure** | **Interstate:** no direct exposure<br>**Intrastate:** limited exposure<br>**G&P:** limited exposure | Minimal, limited to transmix business | No direct exposure | Full-year 2019: ~$6mm in DCF per $1/Bbl change in oil price |

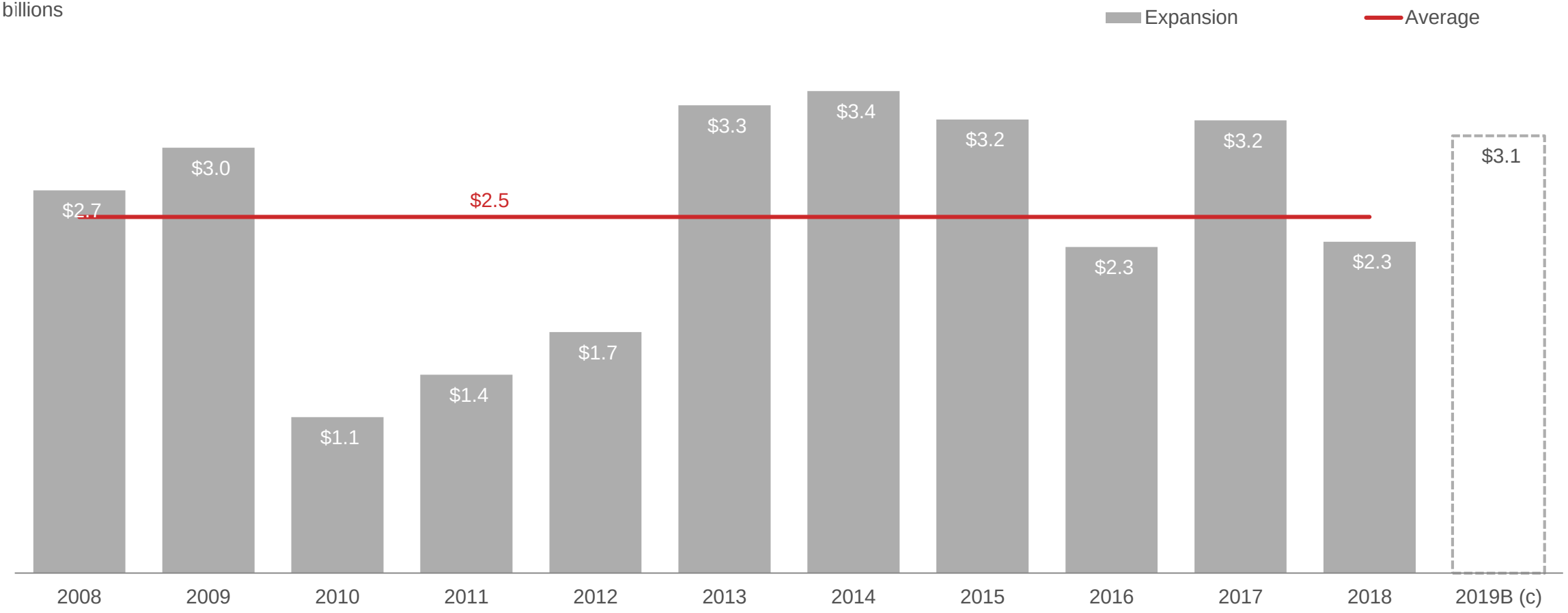
Note: All figures as of 1/1/2019, unless otherwise noted.
a) Based on 2019 budgeted Adjusted Segment EBDA plus JV DD&A. See Non-GAAP Financial Measures and Reconciliations.
b) Includes related storage and NGL pipelines.
c) Includes term sale portfolio.
d) Jones Act vessels: average remaining contract term is 1.8 years, or 3.9 years including options to extend.
e) Percentage of Q4 2019 budgeted net crude oil and NGL net equity production.
f) Terminals not FERC-regulated, except portion of CALNEV.

# Averaged $2.5 Billion of Discretionary Capital per Year

Since 2008

## ANNUAL GROWTH CAPITAL & CONTRIBUTIONS TO JVs[a,b]

$ billions




Established track record of investing $2 to $3 billion per year in growth projects

Note: Discretionary capital includes equity contributions to joint ventures which may include debt repayments, and excludes $19.8 billion of capital for acquisitions since 2008.

a) Includes KMP (2008-2014), EPB (2013-2014), and KMI (2015-2019B). Average from 2008-2018.

b) Excludes capital expenditures of our Canadian assets from KML IPO (May 2017) forward, though we do include these expenditures in the denominator of our ROI calculation.

c) Includes $2.0 billion growth capital and $1.1 billion JV contributions ($0.7 billion of expansion capital and $0.6 billion of debt repayments, net of $0.2 billion of partner contributions for our consolidated JVs).

# Successfully Achieving Attractive Build Multiples

Disciplined steward of capital

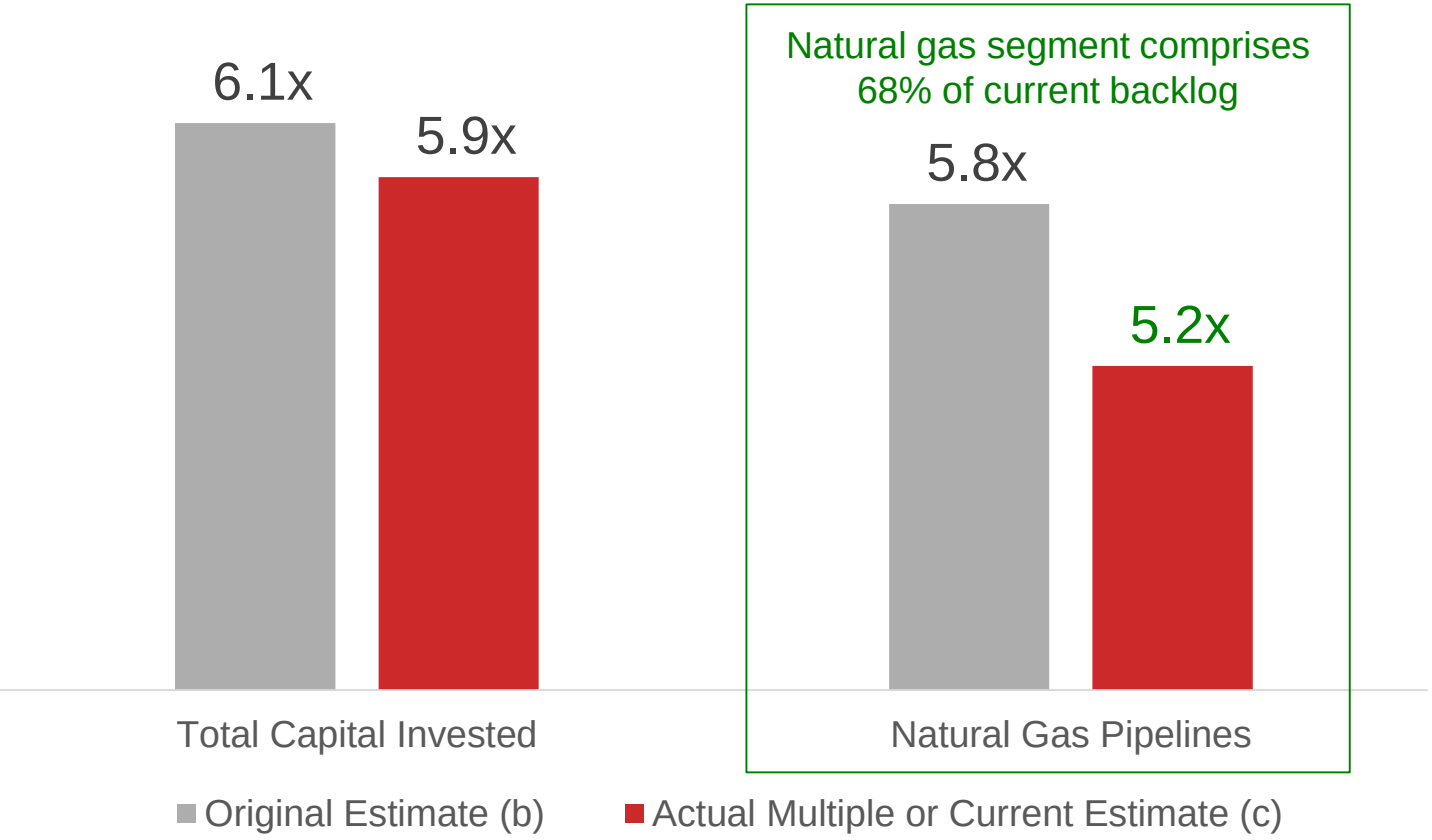
**Competitive advantages:**

- Expansive asset base — ability to leverage or repurpose steel already in the ground
- Connected to practically all major supply sources
- Established deliverability to primary demand centers — final mile builds typically expensive to replicate due to congestion
- Strong balance sheet and ample liquidity — internal cash flow available to fund nearly all investment needs

Expansive footprint creates opportunities for differentiated returns

**INVESTMENT MULTIPLES: PROJECTS COMPLETED 2015-2018**

Capital invested / year 2 Project EBITDA[a]




Note: See Non-GAAP Financial Measures and Reconciliations. Includes certain projects placed in commercial service prior to 2015, but were still under construction.

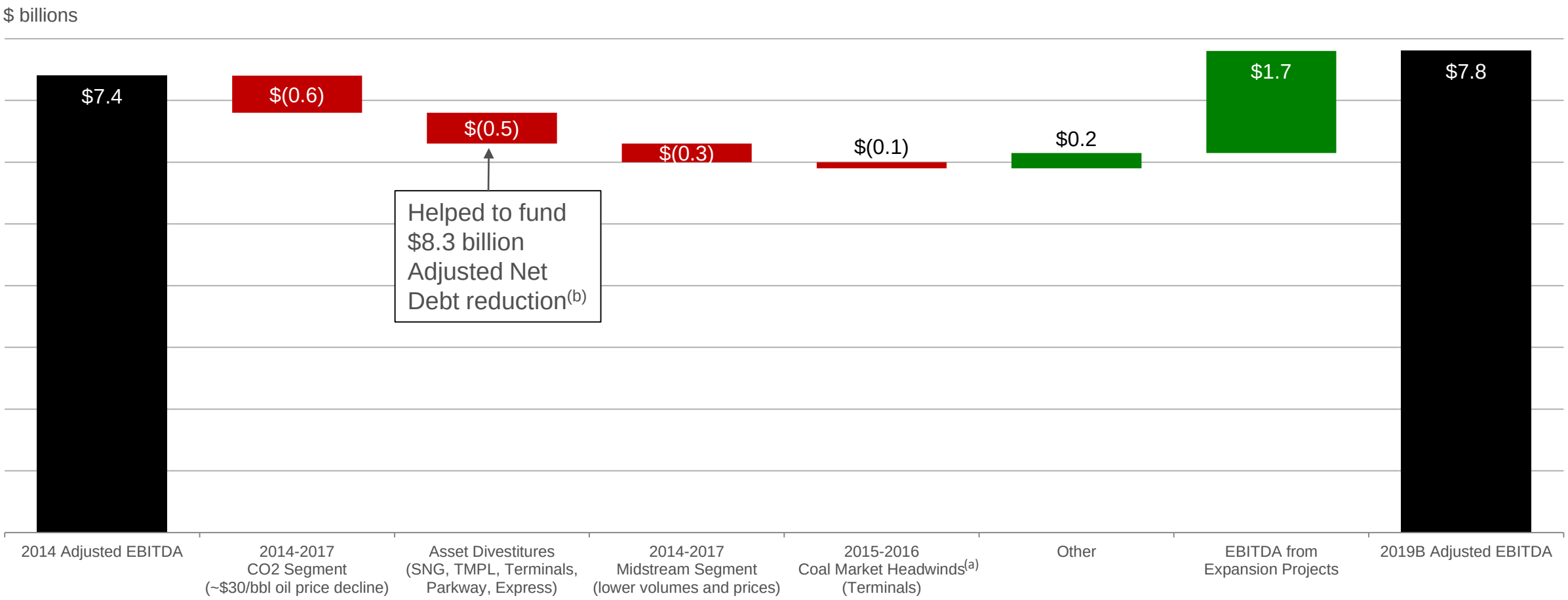
a) Multiple reflects KM share of invested capital divided by Project EBITDA generated in its second full year of operations. Excludes $CO_2$ segment projects.

b) Original estimated capital investment divided by original estimated Project EBITDA for project in its second year of operation.

c) Actual capital invested (except for 2 projects representing $444mm of capex or 4% of total capex, which are partially in service) divided by actual or currently estimated EBITDA.

# Stable Foundation of Cash Flows through Commodity Cycles

5-year change in Adjusted EBITDA




Consistently generated **over $7 billion of Adjusted EBITDA each year** through multiple market disruptions and significant strategic efforts, including asset sales and deleveraging

Note: See Non-GAAP Financial Measures and Reconciliations. Reconciliation for 2014 Adjusted EBITDA provided in 2015 Analyst Day slide deck available on Kinder Morgan website. EBITDA from expansion projects includes Natural Gas, Products, and Terminals segments.

a) Headwinds during 2015 and 2016 in coal market led to bankruptcy filings of three of our largest customers and the cancellation of a contract.

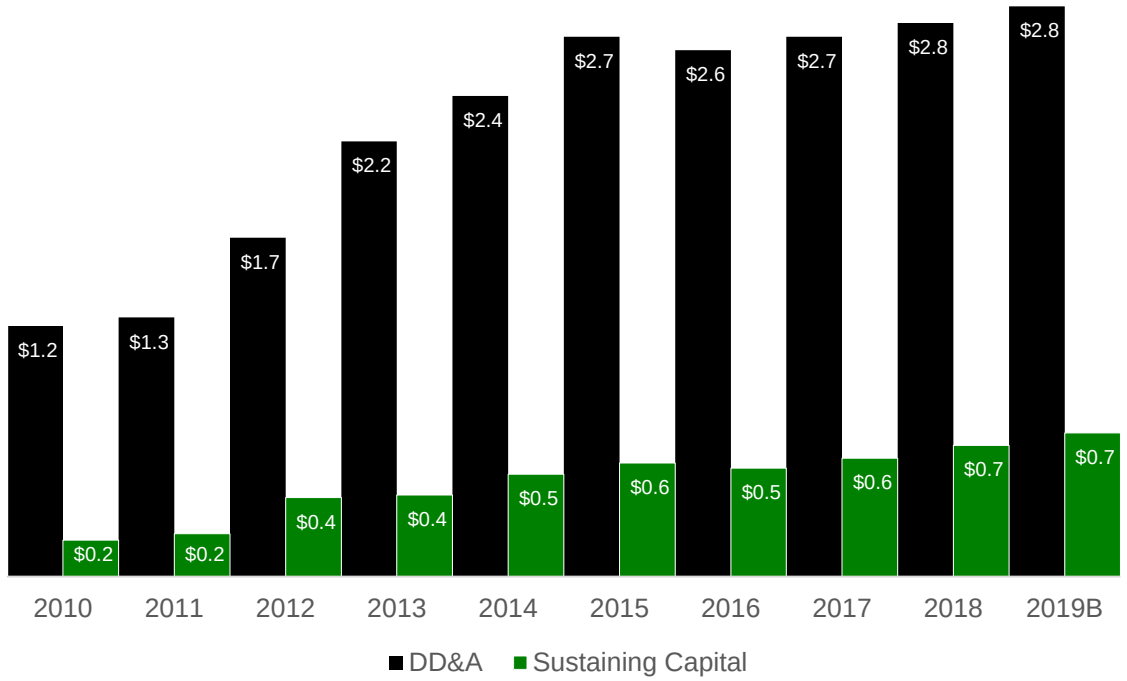
b) Change in consolidated Adjusted Net Debt from 9/30/2015 through 12/31/2018.

# Distributable Cash Flow (DCF) versus Net Income

Largest differences easily explainable and more reflective of cash earnings

## DEPRECIATION EXPENSE VS. SUSTAINING CAPEX[a]

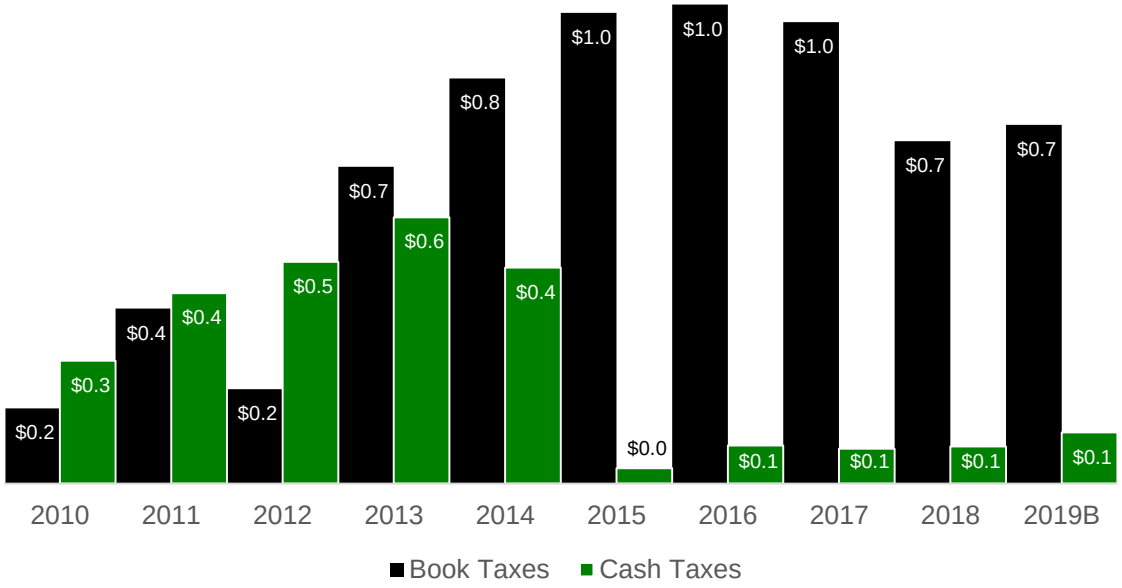
$ billions




- Our sustaining capex budget is built bottom up by operations based on need and long-term plans
- Exemplary safety record demonstrates our spending level on sustaining capex is appropriate

## BOOK TAX EXPENSE VS. CASH TAXES

$ billions




- We do not expect to be a significant U.S. cash tax payer until beyond 2026

Note: 2010-2018 as presented on the distributable cash flow reconciliation to net income available to common stockholders in Forms 10-K, which includes KM's share of unconsolidated JV amounts.

a) Represents depletion, depreciation and amortization expense (DD&A), including amortization of excess cost of equity investments and JV DD&A. See Non-GAAP Financial Measures and Reconciliations.

# KMI Business Risks

## Summary

- Regulatory
  - FERC rate cases (Products Pipelines and Natural Gas Pipelines)
  - Provincial, state, and local permitting issues
- $CO_2$ crude oil production volumes
- Throughput on our volume-based assets
- Commodity prices
  - 2019 budget average strip price assumptions: $60.00/bbl for crude and $3.15/mmbtu for natural gas
  - Price sensitivities (full-year):

| Price Δ | Commodity | DCF Impact |
|---|---|---|
| $1/bbl | Oil | ~$8mm |
| $0.10/mmbtu[a] | Natural Gas | ~$1mm |
| 1% | NGL / Crude Oil Ratio | ~$3mm |

- Project cost overruns / in-service delays
- Interest rates
  - Sensitivity (full-year): 100-bp change in floating rates = ~$104 million interest expense impact[b]
- Foreign exchange rates
  - 2019 budget rate assumption of 0.76 USD per 1.00 CAD
  - Sensitivity (full-year): 0.01 ratio change = ~$0.4 million DCF impact
- Environmental (e.g. pipeline / asset failures)
- Economically sensitive business
- Cyber security

a) Natural Gas Midstream sensitivity incorporates current hedges, and assumes ethane recovery for majority of year, constant ethane frac spread vs. natural gas prices.
b) As of 9/30/2019, approximately $10.4 billion of KMI's long-term debt was floating rate (~30% floating). Assumes swaps expiring in the current year are replaced with new swaps.

# Joint Venture Treatment in Key Metrics

| | **KM controls and fully consolidates**<br>(third party portion referred to as noncontrolling interests in financial statements) | **KM does not control or consolidate**<br>(KM portion referred to as equity investments in financial statements) |
|---|---|---|
| Example JVs | KML (~70%), Elba Liquefaction (51%), BOSTCO (55%) | NGPL (50%), SNG (50%), FGT (50%), MEP (50%), FEP (50%), Gulf LNG (50%) |
| Net Income | **Includes 100% of JV Net Income**<br>(consolidated throughout income statement line items) | **Includes KM owned % of JV Net Income**<br>(included in Earnings from Equity Investments) |
| Net Income Available to Common Stockholders | **Includes KM owned % of JV Net Income**<br>(excludes Net Income Attributable to Noncontrolling Interests) | **Includes KM owned % of JV Net Income**<br>(included in Earnings from Equity Investments) |
| Segment EBDA | **Includes 100% of JV's operating results before DD&A**<br>(excludes G&A and corporate charges, interest expense and book taxes) | **Includes KM owned % of JV Net Income**<br>(includes JV DD&A, G&A, interest expense and book taxes, if any) |
| Adjusted EBITDA | **Includes 100% of KML**<br>(KML debt consolidated at KMI)<br><br>**Otherwise, includes KM owned % of JV's (Net Income + DD&A + Book Taxes + Interest Expense)**<br>(excludes Net Income Attributable to Noncontrolling Interests except KML's) | **Includes KM owned % of JV's (Net Income + DD&A + Book Taxes)**<br>(i.e., after subtracting interest expense) |
| Distributable Cash Flow (DCF) | **Includes KM owned % of JV's (Net Income + DD&A + Book Taxes – Cash Taxes – Sustaining CapEx)**<br>(excludes all Net Income Attributable to Noncontrolling Interests) | **Includes KM owned % of JV's (Net Income + DD&A + Book Taxes – Cash Taxes – Sustaining CapEx)** |
| Debt | **100% of JV debt included, if any**<br>(fully consolidated on balance sheet)<br><br>**Includes 50% of KML preferred equity in Net Debt** | **No JV debt included**<br>(JV's Adjusted EBITDA contribution is after subtracting interest expense) |
| Sustaining Capex | **Includes KM owned % of JV sustaining capital** | |
| Growth Capex and Contributions to JVs | **Includes KM contributions to JVs based on % owned, including for projects and debt repayment** | |

Note: See Non-GAAP Financial Measures and Reconciliations.

# Natural Gas Segment Overview

Connecting key natural gas resources with major demand centers

## Asset Summary

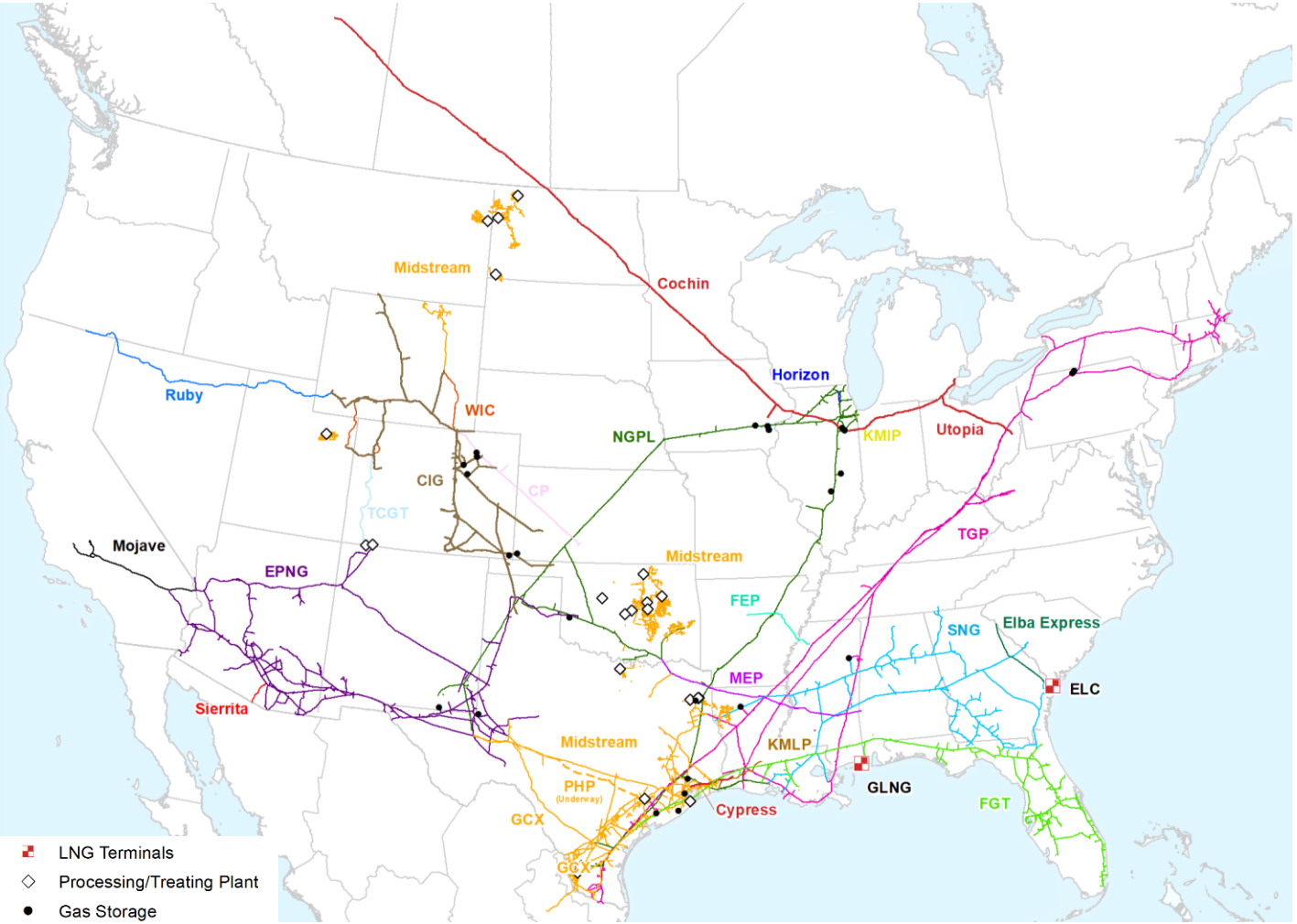
| | | |
|---|---|---|
| Natural gas pipelines: | ~70,000 | Miles |
| NGL pipelines: | ~2,700 | Miles |
| U.S. natural gas consumption moved: | | ~40% |
| Working gas storage capacity: | 657 | Bcf |

**2019B EBDA[a]: ~$5.1 billion**

**Project Backlog:**

**$2.8 billion** to be completed in 2019-2023[b]

- Permian takeaway, including de-bottlenecking and new build (PHP)
- Bakken G&P expansions
- Supply for U.S. power and LDC demand
- LNG liquefaction (Elba Island)
- Transport projects supporting LNG exports
- Exports to Mexico




a) 2019 budgeted Adjusted Segment EBDA plus JV DD&A. See Non-GAAP Financial Measures and Reconciliations.
b) Includes KM share of non-wholly owned projects. Includes projects currently under construction.

# Manageable Natural Gas Re-Contracting Exposure

Analysis of existing contract base (as of YE2018)

**EXPECTED ANNUAL NET RE-CONTRACTING EXPOSURE (KM SHARE):**

% of $8.4bn 2019B Total Segment EBDA[a]

| | 2020 | 2021 |
|---|---|---|
| **Interstate pipelines** | -0.7% | -2.3% |
| **G&P and Intrastates** | -0.2% | -0.3% |
| **Total Natural Gas Pipeline Segment** | **-0.9%** | **-2.6%** |

**Assumptions**

- Negative figures represent unfavorable re-contracting exposure based on November 2018 market assumptions
- Excludes contracted cash flow associated with new growth projects
- Assumes evergreen contracts are renewed at market rates
- Interstate transport contracts average remaining term of 6 years 4 months

Re-contracting exposure of base business relatively limited and expected to be more than offset by growth projects underway, continued increases in usage, volume growth and improved storage values

a) 2019 budgeted Adjusted Segment EBDA plus JV DD&A. See Non-GAAP Financial Measures and Reconciliations.

# FERC-Regulated Interstate Natural Gas Assets

Summary statistics, including remaining contract term and rate moratorium dates (where applicable)

| # | Asset Name (Nickname) | KM Ownership | Miles | Transport Capacity (Bcfd) | Storage Capacity (Bcf) | Avg. Remaining Contract Term (years) (c) | % of 2017 Revenues from Negotiated or Discounted Rates (d) | Rate Moratorium through Date | 501-G Process |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Tennessee Gas Pipeline (TGP) | 100% | 11,800 | 12.1 | 110 | 8.4 / 3.8 (a) | 61% | 10/31/2022 | Settlement approved |
| 2 | El Paso Natural Gas (EPNG) | 100% | 10,200 | 5.7 | 44 | 5.5 | 76% | 12/31/2021 | Settlement approved |
| 3 | Natural Gas Pipeline (NGPL) | 50% | 9,100 | 7.6 | 288 | 5.4 / 4.0 (a) | 80% | 6/30/2022 | Proceedings terminated |
| 4 | Southern Natural Gas (SNG) | 50% | 6,950 | 4.3 | 69 | 6.2 / 2.8 (a) | 29% | 8/31/2021 | Waiver granted |
| 5 | Florida Gas Transmission (FGT) | 50% | 5,350 | 3.9 | — | 9.2 | 46% | 1/31/2021 | Proceedings terminated |
| 6 | Colorado Interstate Gas (CIG) | 100% | 4,300 | 5.2 | 38 | 6.2 / 6.4 (a) | 30% | 9/30/2020 | Proceedings terminated |
| 7 | Wyoming Interstate (WIC) | 100% | 850 | 3.8 | — | 3.5 | 68% | 12/31/2020 | Proceedings terminated |
| 8 | Ruby Pipeline | 50% (b) | 680 | 1.5 | — | 3.5 | 95% | — | Proceedings terminated |
| 9 | Midcontinent Express (MEP) | 50% | 510 | 1.8 | — | 1.7 | 96% | — | Proceedings terminated |
| 10 | Mojave Pipeline | 100% | 470 | 0.4 | — | 1.0 | 1% | — | Proceedings terminated |
| 11 | Cheyenne Plains (CP) | 100% | 410 | 1.2 | — | 1.7 | 95% | — | Proceedings terminated |
| 12 | TransColorado (TCGT) | 100% | 310 | 0.8 | — | 0.9 | 93% | — | Proceedings terminated |
| 13 | Elba Express (EEC) | 100% | 200 | 1.1 | — | 18.0 | 100% | — | Proceedings terminated |
| 14 | Fayetteville Express Pipeline (FEP) | 50% | 185 | 2.0 | — | 2.2 | 100% | — | Proceedings terminated |
| 15 | KM Louisiana Pipeline (KMLP) | 100% | 135 | 3.0 | — | 0.8 | 100% | — | Proceedings terminated |
| 16 | Sierrita Pipeline | 35% | 60 | 0.2 | — | 20.8 | 100% | — | Proceedings terminated |
| 17 | Horizon Pipeline | 25% | 30 | 0.4 | — | 5.5 | 77% | — | Proceedings terminated |
| 18 | KM Illinois Pipeline (KMIP) | 50% | 3 | 0.2 | — | 3.0 | 100% | — | Proceedings terminated |
| 19 | Southern LNG Co. (SLNG) | 100% | — | 1.8 | 12 | 13.8 | 78% | — | Proceedings terminated |
| 20 | Bear Creek Storage | 75% | — | — | 59 | n.a. | 0% | — | Settlement approved |
| 21 | Young Gas Storage | 47.5% | — | — | 6 | 6.4 | 0% | 12/31/2021 | Settlement approved |

TGP and EPNG rate adjustments result in combined ~$50mm Adjusted EBITDA impact for 2019 (~$100mm annually when fully implemented)

These two agreements resolved the vast majority of our 501-G exposure

a) Average remaining contract term shown for transport / storage contracts.
b) Reflects third party ownership of a 50% preferred interest.
c) Contracts executed of 12/31/2018.
d) As calculated per our 501-G filings. Other revenue not subject to max rate adjustment is included where appropriate.

# Terminals Segment Overview

Diversified terminaling network connected to key refining centers and market hubs

## Asset Summary

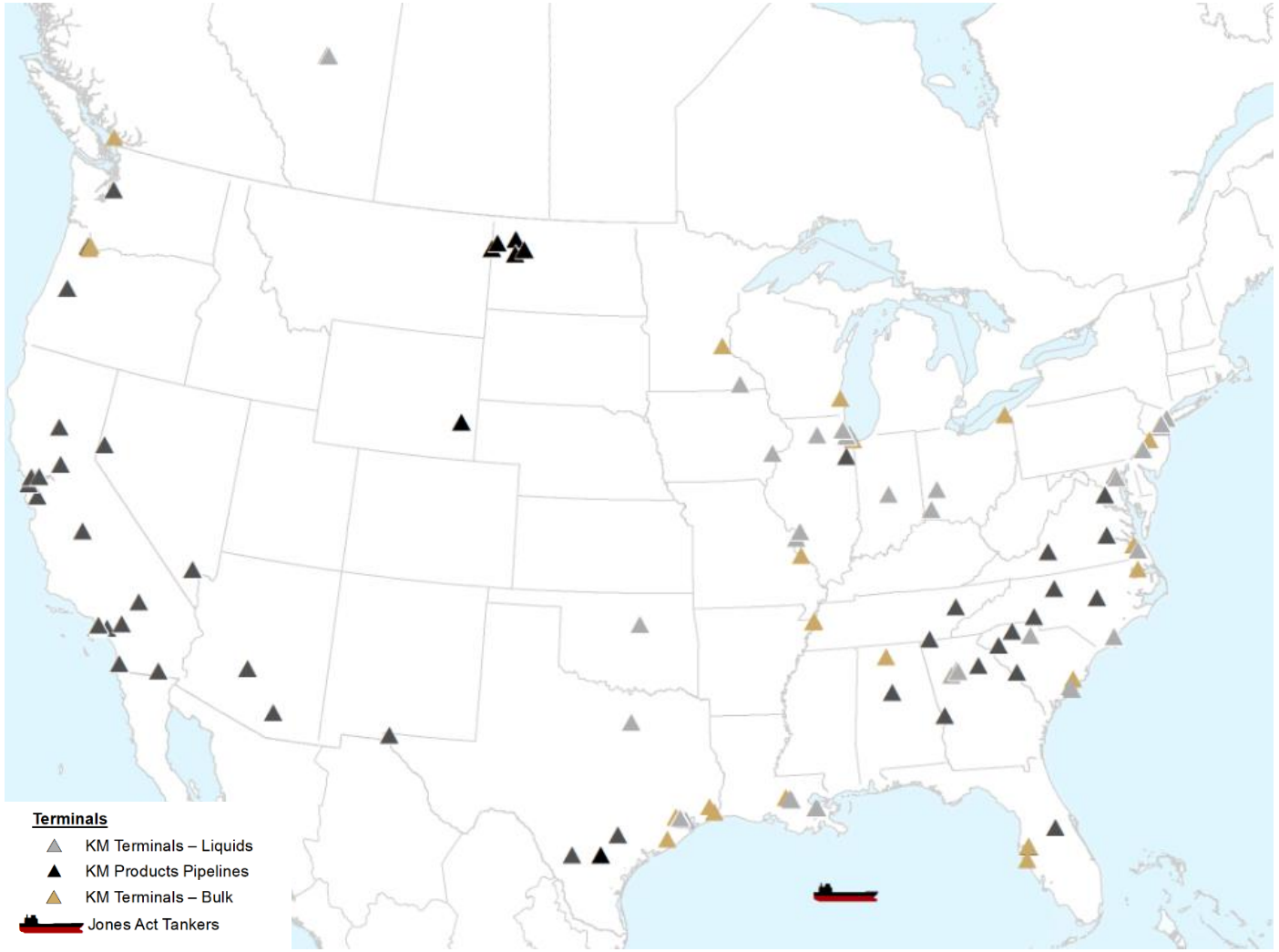
| | | |
|---|---|---|
| Total Kinder Morgan terminals: | 157 | Terminals |
| Terminals segment – bulk | 34 | Terminals |
| Terminals segment – liquids | 56 | Terminals |
| Products Pipelines segment terminals | 67 | Terminals |
| Jones Act: | 16 | Tankers |

**2019B EBDA[a]: ~$1.2 billion**

**Project Backlog:**

**$0.3 billion** to be completed in 2019-2021[b]

- Expanded Houston Ship Channel refined products capabilities for various customers
- Diesel tank expansion at Vancouver Wharves
- Argo ethanol hub facility improvements
- Investments to enhance terminal services for multiple commodities at locations across footprint



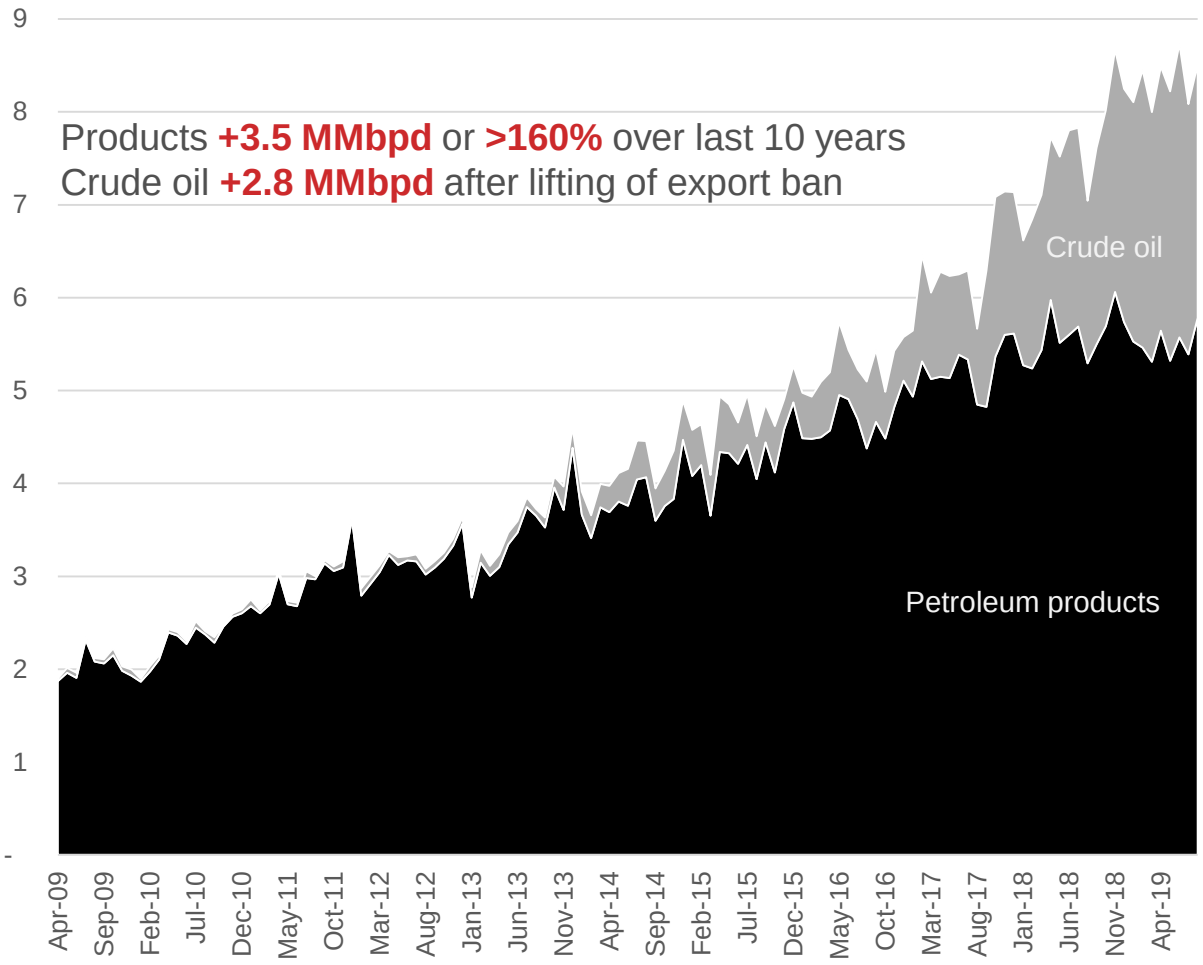

a) 2019 budgeted Adjusted Segment EBDA plus KM share of JV DD&A. See Non-GAAP Financial Measures and Reconciliations.
b) Includes KM share of non-wholly owned projects. Includes projects currently under construction.

# Attractive Growth in Exports of U.S. Petroleum Liquids

Competitive & growing U.S. supplies reach a diverse mix of global customers

## U.S. EXPORTS OF PETROLEUM LIQUIDS

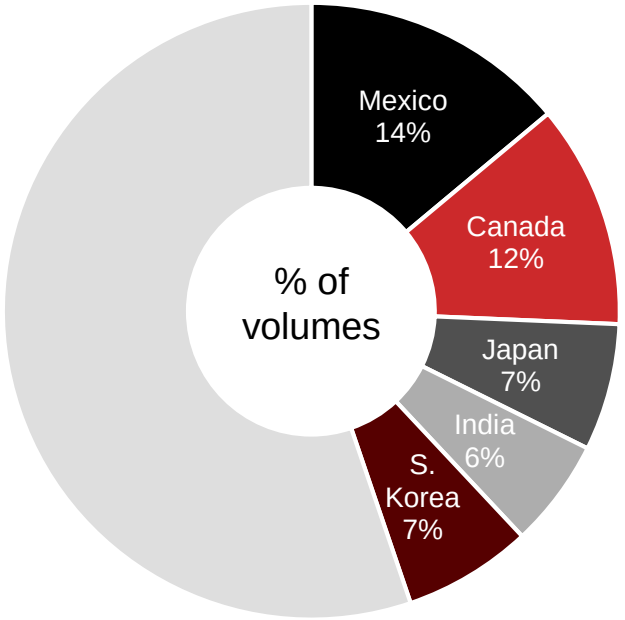
Millions of barrels per day




## DESTINATIONS OF U.S. PETROLEUM LIQUIDS EXPORTS

Top 5 of 109 countries reached in January through August 2019

87 countries represent <1% each on average




Meaningful exports to North American and Asian markets

U.S. supplies over 8 million barrels per day of petroleum liquids to the global market

Source: U.S. Energy Information Administration (latest data available)
Note: Petroleum liquids includes finished petroleum products, crude oil, hydrocarbon gas liquids, unfinished oils, blending components, renewable fuels and oxygenates.

# Largest Independent Refined Products Terminal Hub in the U.S.

Commodities serving the world's most advantaged petroleum and petrochemical industry

## Our unmatched scale and flexibility on the Houston Ship Channel:

**43** million barrels total capacity

**20** inbound pipelines

**15** outbound pipelines

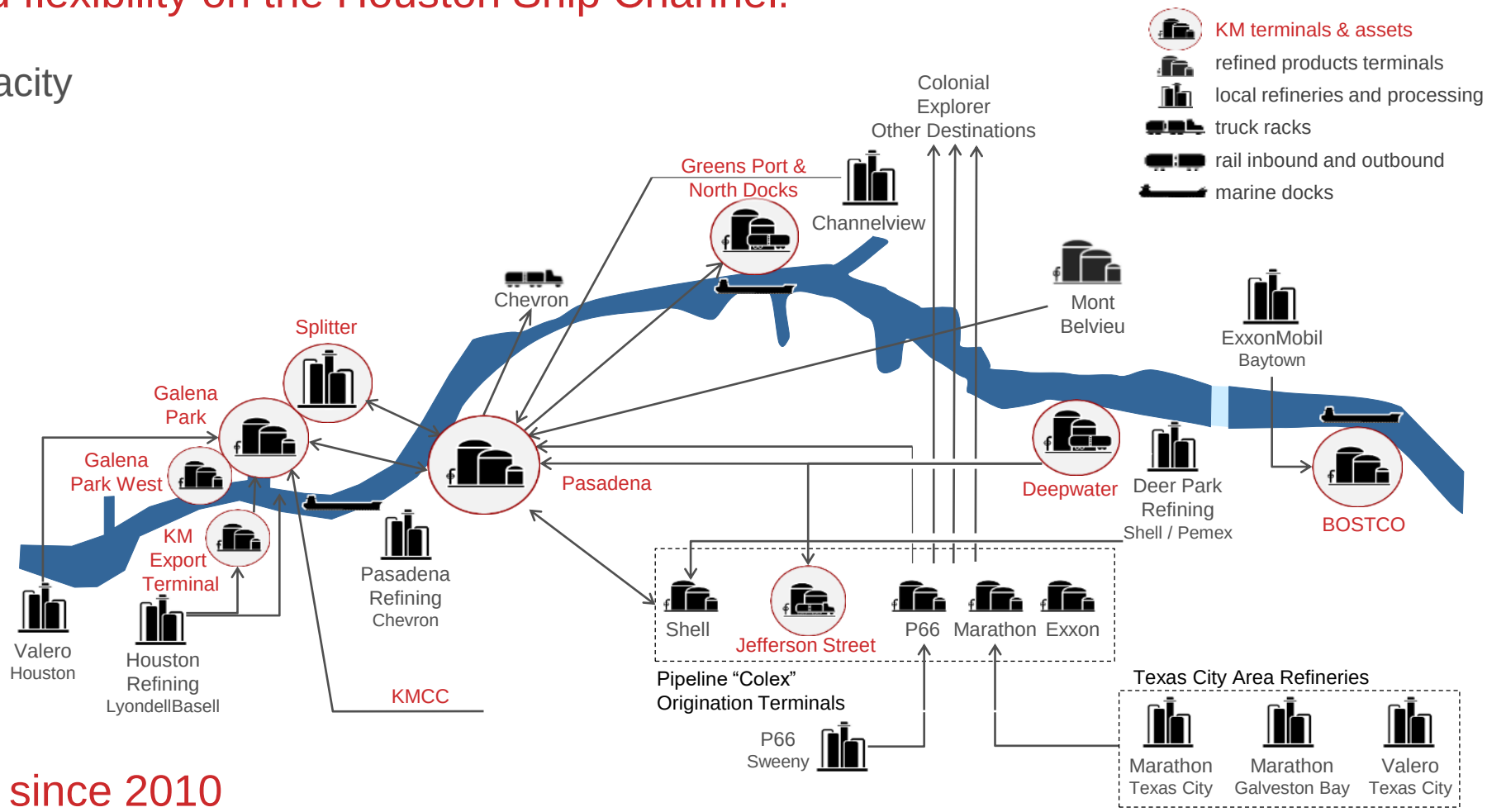
**14** cross-channel pipelines

**12** barge docks

**11** ship docks

**9** bay truck rack

**3** unit train facilities




## Nearly $2 billion invested since 2010

# Products Segment Overview

Strategic footprint with significant cash flow generation

**Asset Summary**

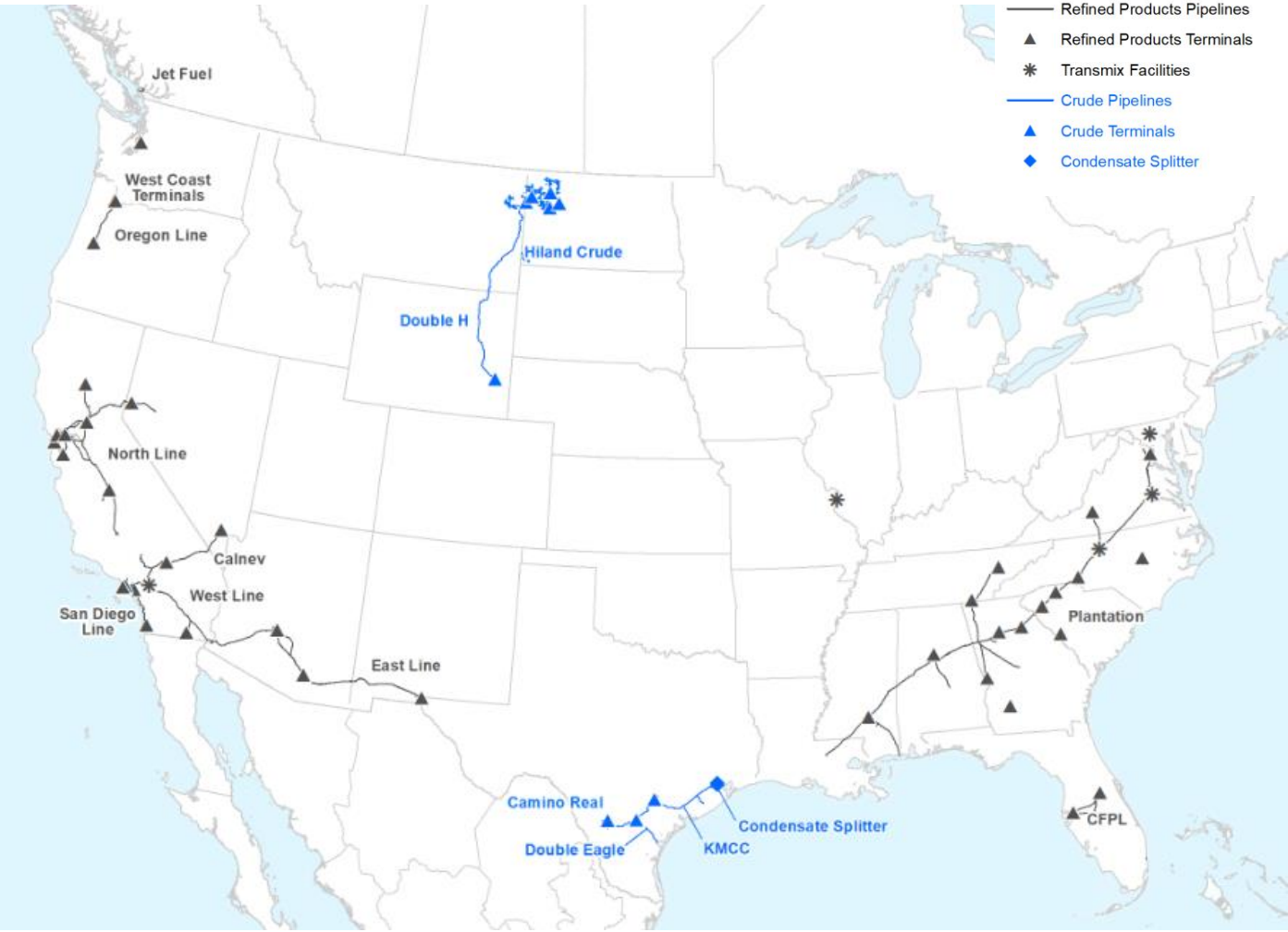
| | | |
|---|---|---|
| Pipelines[a]: | ~9,500 | Miles |
| 2018 throughput[a] | ~2.3 | mmbbld |
| Condensate processing capacity | 100 | mbbld |
| Transmix | 5 | facilities |
| Terminals: | 67 | Terminals |
| Terminals tank capacity | ~39 | mmbbls |
| Pipeline tank capacity | ~15 | mmbbls |

**2019B EBDA[b]: ~$1.3 billion**

**Project Backlog:**

**$0.1 billion** to be completed in 2019-2020[c]

- Various Bakken crude gathering projects
- Plantation Roanoke expansion
- KMCC connection with Gray Oak pipeline from Permian Basin
- Multiple refined products terminaling projects




a) Volumes and mileage include SFPP, CALNEV, Central Florida, Plantation Pipe Line (KM share), KMCC, Camino Real, Double Eagle (KM share), Double H and Hiland Crude Gathering.
b) 2019 budgeted Adjusted Segment EBDA plus KM share of JV DD&A. See Non-GAAP Financial Measures and Reconciliations.
c) Includes KM share of non-wholly owned projects. Includes projects currently under construction.

# $CO_2$ Segment Overview

World class, fully-integrated assets | $CO_2$ source to crude oil production and takeaway in the Permian Basin

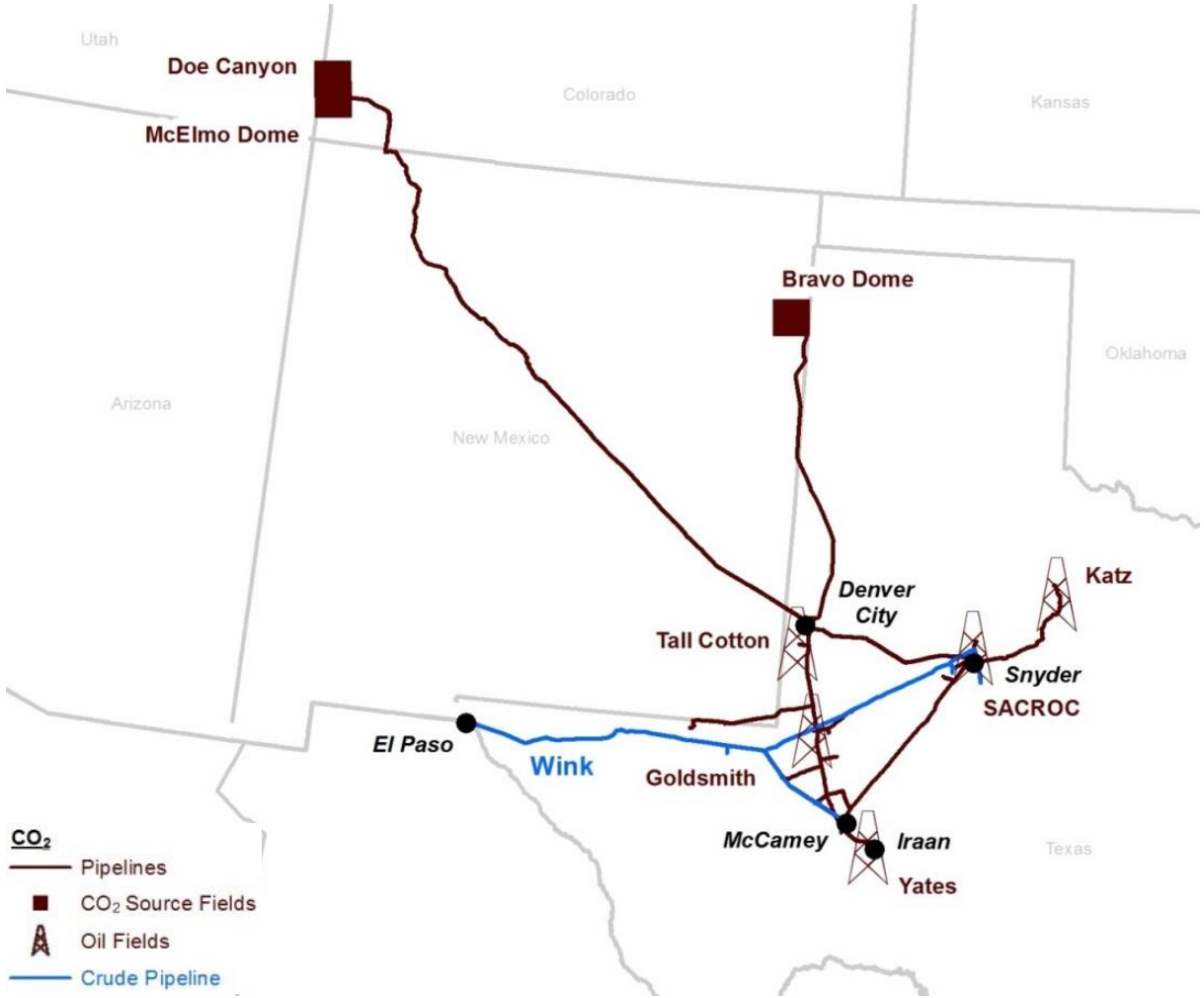
## $CO_2$ & TRANSPORT

| $CO_2$ Reserves | KMI Interest | NRI | Location | Remaining Deliverability | OGIP (tcf) |
|---|---|---|---|---|---|
| **McElmo Dome** | 45% | 37% | SW Colorado | 20+ years | 22.0 |
| **Doe Canyon** | 87% | 68% | SW Colorado | 10+ years | 3.0 |
| **Bravo Dome**[a] | 11% | 8% | NE New Mexico | 10+ years | 12.0 |

| Pipelines | KMI Interest | Location | Capacity (mmcfpd) |
|---|---|---|---|
| **Cortez** | 53% | McElmo Dome to Denver City | 1,500 |
| **Bravo**[a] | 13% | Bravo Dome to Denver City | 375 |
| **Central Basin (CB)** | 100% | Denver City to McCamey | 700 |
| **Canyon Reef** | 97% | McCamey to Snyder | 290 |
| **Centerline** | 100% | Denver City to Snyder | 300 |
| **Pecos** | 95% | McCamey to Iraan | 125 |
| **Eastern Shelf** | 100% | Snyder to Katz | 110 |
| **Wink (crude)** | 100% | McCamey to Snyder to El Paso | 145 mbbld |

## EOR OIL PROD

| Crude Reserves[b] | KMI Interest | NRI | Location | OOIP (billion bbls) |
|---|---|---|---|---|
| **SACROC** | 97% | 83% | Permian Basin | 2.8 |
| **Yates** | 50% | 44% | Permian Basin | 5.0 |
| **Katz** | 99% | 83% | Permian Basin | 0.2 |
| **Goldsmith** | 99% | 87% | Permian Basin | 0.5 |
| **Tall Cotton** | 100% | 88% | Permian Basin | 0.7 |




2019B EBDA[c]: ~$853 million

a) Not KM-operated.
b) In addition to KM's interests above, KM has a 22%, 51%, and 100% working interest in the Snyder gas plant, Diamond M gas plant and North Snyder gas plant, respectively.
c) 2019 budgeted Adjusted Segment EBDA plus JV DD&A. See Non-GAAP Financial Measures and Reconciliations.

# $CO_2$ Free Cash Flow and Attractive Returns

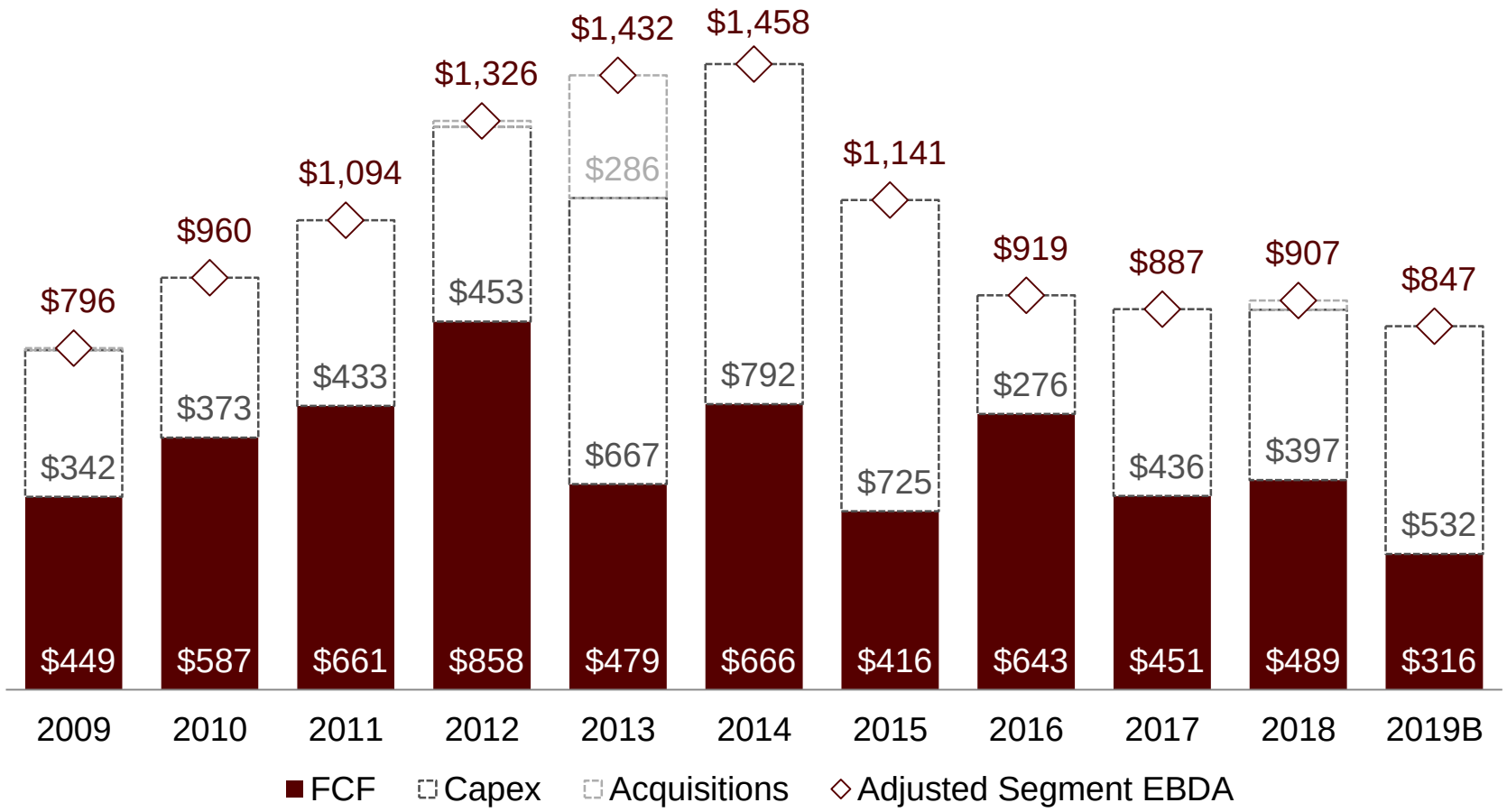
Long history of generating high returns and significant $CO_2$ free cash flow with minimal acquisitions

**$CO_2$ IRR% 2000-2018**

| | |
|---|---|
| EOR oil production | 18% |
| Total $CO_2$ Segment (incl. $CO_2$ & transport) | 28% |

**SIGNIFICANT $CO_2$ FREE CASH FLOW**

$ millions




Note: $CO_2$ Internal Rate of Return (IRR) and $CO_2$ Free Cash Flow. See Non-GAAP Financial Measures and Reconciliations.

# Non-GAAP Financial Measures and Reconciliations

Defined terms

Reconciliations for historical periods

# Use of Non-GAAP Financial Measures

The non-GAAP financial measures of distributable cash flow (DCF), both in the aggregate and per share, Adjusted Segment EBDA, Adjusted EBITDA, Adjusted Earnings, both in the aggregate and per share, and Net Debt and Adjusted Net Debt, and $CO_2$ Free Cash Flow are presented herein.

Our non-GAAP measures have important limitations as analytical tools and should not be considered alternatives to GAAP net income or other GAAP measures. Our non-GAAP measures may differ from similarly titled measures used by others. You should not consider these non-GAAP measures in isolation or as substitutes for an analysis of our results as reported under GAAP. DCF should not be used as an alternative to net cash provided by operating activities computed under GAAP. Management compensates for the limitations of these non-GAAP measures by reviewing our comparable GAAP measures, understanding the differences between the measures and taking this information into account in its analysis and its decision making processes. Reconciliations of historical Non-GAAP financial measures of DCF, Adjusted Segment EBDA, Adjusted EBITDA, Adjusted Earnings, and Free Cash Flow to their most directly comparable GAAP financial measures for 2018 are included herein.

**Certain Items**, as used to calculate our non-GAAP measures, are items that are required by GAAP to be reflected in net income, but typically either (1) do not have a cash impact (for example, asset impairments), or (2) by their nature are separately identifiable from our normal business operations and in our view are likely to occur only sporadically (for example, certain legal settlements, enactment of new tax legislation and casualty losses).

**Adjusted Earnings** – Adjusted Earnings are calculated by adjusting net income available to common stockholders for Certain Items, and Adjusted Earnings per share is Adjusted Earnings divided by average adjusted common shares which include KMI's weighted average common shares outstanding, including restricted stock awards that participate in dividends. Adjusted Earnings is used by certain external users of our financial statements to assess the earnings of our business excluding Certain Items as another reflection of our business's ability to generate earnings. We believe the GAAP measure most directly comparable to Adjusted Earnings is net income available to common stockholders.

**DCF** – DCF is calculated by adjusting net income available to common stockholders before Certain Items (or Adjusted Earnings as defined above) for depreciation, depletion and amortization, or "DD&A," total book and cash taxes, sustaining capital expenditures and other items. DCF is a significant performance measure useful to management and external users of our financial statements in evaluating our performance and measuring and estimating the ability of our assets to generate cash earnings after servicing our debt and preferred stock dividends, paying cash taxes and expending sustaining capital, that could be used for discretionary purposes such as common stock dividends, stock repurchases, retirement of debt, or expansion capital expenditures. We believe the GAAP measure most directly comparable to DCF is net income available to common stockholders. DCF per share is DCF divided by KMI's weighted average common shares outstanding, including restricted stock awards that participate in dividends.

**Adjusted Segment EBDA** is calculated by adjusting segment earnings before DD&A for Certain Items attributable to a segment. General and administrative expenses are generally not under the control of our segment operating managers, and therefore, are excluded when we measure business segment operating performance. Adjusted Segment EBDA is a significant performance measure useful to management, investors, and other external users of our financial statements to evaluate segment performance and to provide additional insight into the ability of our segments to generate segment cash earnings on an ongoing basis. Additionally, management uses this measure, among others, to allocate resources to our segments. We believe the GAAP measure most directly comparable to Adjusted Segment EBDA is segment earnings before DD&A (Segment EBDA).

**Adjusted EBITDA** is calculated by adjusting net income before interest expense, taxes, and DD&A (EBITDA) for Certain Items, net income attributable to noncontrolling interests other than KML, and our share, if any, of unconsolidated JV DD&A and book taxes. Adjusted EBITDA is useful to management, investors, and other external users of our financial statements to evaluate, in conjunction with our net debt, certain leverage metrics. We believe the GAAP measure most directly comparable to Adjusted EBITDA is net income.

# Use of Non-GAAP Financial Measures (Cont'd)

**Project EBITDA,** as used in this presentation, is calculated for an individual capital project as earnings before interest expense, taxes, DD&A and general and administrative expenses attributable to such project, or for joint venture projects, our percentage share of the foregoing. Management uses Project EBITDA to evaluate our return on investment for capital projects before expenses that are generally not controllable by operating managers in our business segments. We believe the GAAP measure most directly comparable to Project EBITDA is the portion of net income attributable to a capital project.

**Net Debt and Adjusted Net Debt** - Net Debt is calculated by subtracting from debt (i) cash and cash equivalents, (ii) the preferred interest in the general partner of Kinder Morgan Energy Partners L.P., (iii) debt fair value adjustments, (iv) 50% of the outstanding KML preferred equity, and (v) the foreign exchange impact on Euro-denominated bonds for which we have entered into currency swaps. Adjusted Net Debt is Net Debt increased by the amount of cash distributed to KML restricted voting shareholders as a return of capital on January 3, 2019, net of the gain realized on settlement of net investment hedges of our foreign currency risk with respect to our share of the KML return of capital on January 3, 2019. Management believes these measures are useful to investors and other users of our financial information in evaluating our leverage. We believe the most comparable measure to Net Debt and Adjusted Net Debt is debt net of cash and cash equivalents. Based on the expected December 2019 closing of the KML-Pembina transaction, expected Net Debt as calculated for year-end 2019 and in 2020 is not adjusted for KML outstanding preferred equity.

KMI does not provide budgeted net income available to common stockholders (the GAAP financial measure most directly comparable to DCF and Adjusted EBITDA) or budgeted metrics derived therefrom (such as the portion of net income attributable to an individual capital project, the GAAP financial measure most directly comparable to Project EBITDA) due to the impracticality of predicting certain amounts required by GAAP, such as unrealized gains and losses on derivatives marked to market, and potential changes in estimates for certain contingent liabilities.

**$CO_2$ Free Cash Flow** is calculated by reducing $CO_2$ segment's GAAP earnings before DD&A by (i) Certain Items, (ii) capital expenditures (both sustaining and growth) and (iii) acquisitions. Management uses $CO_2$ Free Cash Flow separately and in conjunction with IRR to evaluate our return on investment for investments made in our $CO_2$ segment. We believe the GAAP measure most directly comparable to $CO_2$ Free Cash Flow is GAAP Segment Earnings before DD&A.

Budgeted Segment Earnings before DD&A (the GAAP financial measure most directly comparable to 2019 budgeted $CO_2$ Free Cash Flow) is not provided due to the inherent difficulty and impracticability of predicting certain amounts required by GAAP, such as potential changes in estimates for certain contingent liabilities.

**$CO_2$ Internal Rate of Return (IRR)** is the actual rate of return on the $CO_2$ segment, and its EOR oil production assets and investments. The $CO_2$ IRR is calculated based on each year's Free Cash Flows for the years from 2000 to 2018. Management uses $CO_2$ IRR in conjunction with Free Cash Flow to evaluate our return on investments made in our $CO_2$ segment.

**JV DD&A** is calculated as (i) KMI's share of DD&A from unconsolidated JVs, reduced by (ii) our partners' share of DD&A from JVs consolidated by KMI.

**JV Sustaining Capex** is calculated as KMI's share of sustaining capex made by joint ventures (both unconsolidated JVs and JVs consolidated by KMI).

Unconsolidated joint ventures for the periods during which these are accounted for as equity method investments, include Plantation, Cortez, SNG, ELC, MEP, FEP, EagleHawk, Red Cedar, Bear Creek, Cypress, Parkway, Sierrita, Bighorn, Fort Union, Webb / Duvall, Liberty, Double Eagle, Endeavor, WYCO, GLNG, Ruby, Young Gas, Citrus, NGPL and others. KMI's share of DD&A and sustaining capex are included for Plantation and Cortez for the periods presented after 2016.

# KMI GAAP Reconciliation

$ in millions

| Reconciliation of DCF | Year Ended 12/31/18 |
|---|---|
| Net Income | $ 1,919 |
| Noncontrolling interests[a] | (310) |
| Preferred stock dividends | (128) |
| Net Income available to common stockholders | 1,481 |
| Total Certain Items | 501 |
| Adjusted Earnings | 1,982 |
| DD&A | 2,392 |
| JV DD&A[b] | 360 |
| Total book taxes[c] | 710 |
| Cash taxes[d] | (77) |
| Sustaining capex[e] | (652) |
| Other[f] | 15 |
| Distributable Cash Flow (DCF) | $ 4,730 |

| Reconciliation of Adjusted Segment EBDA | |
|---|---|
| Segment EBDA | $ 7,403 |
| Certain Items impacting segments | 269 |
| Adjusted Segment EBDA | 7,672 |

| Reconciliation of net debt | |
|---|---|
| Outstanding long-term debt[g] | $ 33,105 |
| Current portion of debt | 3,388 |
| Foreign exchange impact on hedges for Euro debt outstanding | (76) |
| 50% KML preferred equity | 215 |
| Less: cash & cash equivalents | (3,280) |
| Net Debt | 33,352 |
| KML distribution to restricted voting shareholders | 890 |
| Foreign exchange gain on hedge for our share of TMPL sale proceeds | (91) |
| Adjusted Net Debt | $ 34,151 |

| Reconciliation of Adjusted EBITDA | Year Ended 12/31/18 |
|---|---|
| Net Income | $ 1,919 |
| Total Certain Items | 501 |
| Noncontrolling interests[h] | (252) |
| DD&A | 2,392 |
| JV DD&A[i] | 390 |
| Book taxes[c,j] | 727 |
| Interest, net before Certain Items | 1,891 |
| Adjusted EBITDA | $ 7,568 |

| Certain Items | |
|---|---|
| Fair value amortization | $ (34) |
| Legal and environmental reserves | 63 |
| Change in fair market value of derivative contracts | 80 |
| Losses on impairments and divestitures, net | 317 |
| Hurricane damage | (24) |
| Refund and reserve adjustment of taxes, other than income taxes | (51) |
| Noncontrolling interests' portion of Certain Items | 240 |
| Other | 4 |
| Subtotal | 595 |
| Book tax Certain Items | (58) |
| Impact of 2017 Tax Cuts and Jobs Act | (36) |
| Total Certain Items | $ 501 |

a) Represents net income allocated to third-party ownership interests in consolidated subsidiaries, including ($240) million of noncontrolling interests' portion of Certain Items.
b) Reduced by the noncontrolling interests' portion of KML DD&A of ($30) million.
c) Includes KMI share of unconsolidated C corp JVs' book taxes, net of the noncontrolling interests' portion of KML book taxes of $65 million, and excludes book tax certain items of $58 million.
d) Includes cash taxes for our share of unconsolidated C corp JVs (Citrus, Plantation, NGPL) and state taxes.
e) Includes JV Sustaining Capex of $105 million. Excludes the noncontrolling interests' portion of KML sustaining capital expenditures.
f) Primarily non-cash compensation associated with our restricted stock program partially offset by pension and retiree medical contributions.
g) Excludes Kinder Morgan G.P. Inc.'s $100 million preferred stock due 2057 and debt fair value adjustments.
h) Represents 3rd party share of consolidated JVs excluding KML noncontrolling interests of ($58) million, and including ($240) million of noncontrolling interests' portion of Certain Items.
i) JV DD&A is not reduced by the noncontrolling interests' portion of KML DD&A of ($30) million.
j) Represents Total book taxes plus noncontrolling interests' portion of KML book taxes of $17 million.

# Reconciliation of $CO_2$ Free Cash Flow

$ in millions

| | Year Ended December 31, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reconciliation of CO2 Free Cash Flow** | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Segment EBDA | $ 783 | $ 965 | $ 1,099 | $ 1,322 | $ 1,435 | $ 1,240 | $ 657 | $ 827 | $ 847 | $ 759 |
| Certain items: | | | | | | | | | | |
| Non-cash impairments and project write-offs | - | - | - | - | - | 243 | 622 | 29 | - | 79 |
| Derivatives and other | 13 | (5) | (5) | 4 | (3) | (25) | (138) | 63 | 40 | 69 |
| Adjusted Segment EBDA | 796 | 960 | 1,094 | 1,326 | 1,432 | 1,458 | 1,141 | 919 | 887 | 907 |
| Capital expenditures (a) | 342 | 373 | 433 | 453 | 667 | 792 | 725 | 276 | 436 | 397 |
| Acquisitions | 5 | - | - | 14 | 286 | - | - | - | - | 21 |
| **CO2 Free Cash Flow** | **$ 449** | **$ 587** | **$ 661** | **$ 858** | **$ 479** | **$ 666** | **$ 416** | **$ 643** | **$ 451** | **$ 489** |

a) Includes both sustaining and growth capital expenditures.

KINDER MORGAN