

***Selected Financial Data.***

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, referred to in the following discussion as “SFAS 142.” SFAS 142, which superceded Accounting Principles Board Opinion No. 17, *Intangible Assets*, addresses financial accounting and reporting for (1) intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) at acquisition and (2) goodwill and other intangible assets subsequent to their acquisition. SFAS 142 is required to be applied starting with fiscal years beginning after December 15, 2001. As previously disclosed in Kinder Morgan Energy Partners, L.P.’s Form 10-Q for the period ended March 31, 2002 as filed with the Securities and Exchange Commission on May 10, 2002, Kinder Morgan Energy Partners, L.P. adopted SFAS 142 effective January 1, 2002.

The following sets forth the selected financial data of Kinder Morgan Energy Partners, L.P. as presented in Item 6 of its Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission on February 20, 2002.

|   | Year Ended December 31,                            |                   |                   |                   |                  |
|---|--|-------------------|-------------------|-------------------|------------------|
|   | 2001(3)  | 2000(4)           | 1999(5)           | 1998(6)           | 1997             |
|   | (In thousands, except per unit and operating data) |                   |                   |                   |                  |
| <b>Income and Cash Flow Data:</b>   |  |                   |                   |                   |                  |
| Revenues  | \$2,946,676  | \$ 816,442        | \$ 428,749        | \$ 322,617        | \$ 73,932        |
| Cost of product sold  | 1,657,689  | 124,641           | 16,241            | 5,860             | 7,154            |
| Operating expense   | 410,885  | 190,329           | 111,275           | 77,162            | 17,982           |
| Fuel and power  | 73,188   | 43,216            | 31,745            | 22,385            | 5,636            |
| Depreciation and amortization   | 142,077  | 82,630            | 46,469            | 36,557            | 10,067           |
| General and administrative  | 99,009   | 60,065            | 35,612            | 39,984            | 8,862            |
| Operating income  | 563,828  | 315,561           | 187,407           | 140,669           | 24,231           |
| Earnings from equity investments  | 84,834   | 71,603            | 42,918            | 25,732            | 5,724            |
| Amortization of excess cost of equity investments                         | (9,011)  | (8,195)           | (4,254)           | (764)             | -                |
| Interest (expense)  | (175,930)  | (97,102)          | (54,336)          | (40,856)          | (12,605)         |
| Interest income and other, net  | (5,005)  | 10,415            | 22,988            | (5,992)           | (353)            |
| Income tax (provision) benefit  | (16,373)   | (13,934)          | (9,826)           | (1,572)           | 740              |
| Income before extraordinary charge  | 442,343  | 278,348           | 184,897           | 117,217           | 17,737           |
| Extraordinary charge  | -  | -                 | (2,595)           | (13,611)          | -                |
| Net income  | <u>\$ 442,343</u>                                  | <u>\$ 278,348</u> | <u>\$ 182,302</u> | <u>\$ 103,606</u> | <u>\$ 17,737</u> |
|   |  |                   |                   |                   |                  |
| Basic Limited Partners' income per unit<br>before extraordinary charge(1) | <u>\$ 1.56</u>                                     | <u>\$ 1.34</u>    | <u>\$ 1.31</u>    | <u>\$ 1.04</u>    | <u>\$ 0.51</u>   |
|   |  |                   |                   |                   |                  |
| Basic Limited Partners' net income per unit                               | <u>\$ 1.56</u>                                     | <u>\$ 1.34</u>    | <u>\$ 1.29</u>    | <u>\$ 0.87</u>    | <u>\$ 0.51</u>   |
|   |  |                   |                   |                   |                  |
| Diluted Limited Partners' net income per unit(2)                          | <u>\$ 1.56</u>                                     | <u>\$ 1.34</u>    | <u>\$ 1.29</u>    | <u>\$ 0.87</u>    | <u>\$ 0.51</u>   |
|   |  |                   |                   |                   |                  |
| Per unit cash distribution paid   | <u>\$ 2.08</u>                                     | <u>\$ 1.60</u>    | <u>\$ 1.39</u>    | <u>\$ 1.19</u>    | <u>\$ 0.82</u>   |
|   |  |                   |                   |                   |                  |
| Additions to property, plant and equipment                                | \$ 295,088   | \$ 125,523        | \$ 82,725         | \$ 38,407         | \$ 6,884         |
|   |  |                   |                   |                   |                  |
| <b>Balance Sheet Data (at end of period):</b>                             |  |                   |                   |                   |                  |
| Net property, plant and equipment   | \$5,082,612  | \$3,306,305       | \$2,578,313       | \$1,763,386       | \$ 244,967       |
| Total assets  | \$6,732,666  | \$4,625,210       | \$3,228,738       | \$2,152,272       | \$ 312,906       |
| Long-term debt  | \$2,231,574  | \$1,255,453       | \$ 989,101        | \$ 611,571        | \$ 146,824       |
| Partners' capital   | \$3,159,034  | \$2,117,067       | \$1,774,798       | \$1,360,663       | \$ 150,224       |

- (1) Represents income before extraordinary charge per unit adjusted for the two-for-one splits of units on October 1, 1997 and on August 31, 2001. Basic Limited Partners' income per unit before extraordinary charge was computed by dividing the interest of our unitholders in income before extraordinary charge by the weighted average number of units outstanding during the period.
- (2) Diluted Limited Partners' net income per unit reflects the potential dilution, by application of the treasury stock method, that could occur if options to issue units were exercised, which would result in the issuance of additional units that would then share in our net income.
- (3) Includes results of operations for the remaining 50% interest in the Colton Processing Facility, KMTP, Casper and Douglas gas gathering assets, 50% interest in Coyote Gas Treating, LLC, 25% interest in Thunder Creek Gas Services, LLC, Central Florida Pipeline LLC, Kinder Morgan Liquids Terminals LLC, Pinney Dock & Transport LLC, CALNEV Pipe Line LLC, 34.8% interest in the Cochin Pipeline System, Vopak terminal LLCs, Boswell terminal assets, Stolt-Nielsen terminal assets and additional gasoline and gas plant interests since dates of acquisition. The remaining interest in the Colton Processing Facility, KMTP, Casper and Douglas gas gathering assets and our interests in Coyote and Thunder Creek were acquired on December 31, 2000. Central Florida and Kinder Morgan Liquids Terminals LLC were acquired January 1, 2001. Pinney Dock was acquired March 1, 2001. CALNEV was acquired March 30, 2001. Our second investment in Cochin, representing a 2.3% interest was made on June 20, 2001. Vopak terminal LLCs were acquired July 10, 2001. Boswell terminals were acquired August 31, 2001. Stolt-Nielsen terminals were acquired on November 8 and 29, 2001, and our additional interests in the Snyder Gasoline Plant and the Diamond M Gas Plant were acquired on November 14, 2001.
- (4) Includes results of operations for KMIGT, 66 2/3% interest in Trailblazer Pipeline Company, 49% interest in Red Cedar, Milwaukee Bulk Terminals, Dakota Bulk Terminal, remaining 80% interest in Kinder Morgan CO2 Company, L.P., Devon Energy carbon dioxide properties, Kinder Morgan Transmix Company, LLC, a 32.5% interest in Cochin Pipeline System and Delta Terminal Services LLC since dates of acquisition. KMIGT, Trailblazer assets, and our 49% interest in Red Cedar were acquired on December 31, 1999. Milwaukee Bulk Terminals, Inc. and Dakota Bulk Terminal, Inc. were acquired on January 1, 2000. Kinder Morgan Transmix Company, LLC was acquired on October 25, 2000. Our 32.5% interest in Cochin was acquired on November 3, 2000, and Delta Terminal Services LLC was acquired on December 1, 2000.
- (5) Includes results of operations for 51% interest in Plantation Pipe Line Company, Products Pipelines' initial transmix operations and 33 1/3% interest in Trailblazer Pipeline Company since dates of acquisition. Our second investment in Plantation, representing a 27% interest was made on June 16, 1999. The Products Pipelines' initial transmix operations were acquired on September 10, 1999, and our initial 33 1/3% investment

in Trailblazer was made on November 30, 1999.

- (6) Includes results of operations for Pacific operations' pipeline system, Kinder Morgan Bulk Terminals and 24% interest in Plantation Pipe Line Company since dates of acquisition. Kinder Morgan Bulk Terminals were acquired on July 1, 1998 and our 24% interest in Plantation Pipe Line Company was acquired on September 15, 1998.

Had the provisions of SFAS 142 been in effect during the years presented above, goodwill amortization would have been eliminated, increasing net income and earnings per limited partner unit as follows:

|  | Year Ended December 31,                 |                   |                   |                   |                  |
|--|---|-------------------|-------------------|-------------------|------------------|
|  | 2001                                    | 2000              | 1999              | 1998              | 1997             |
|  | (In thousands except per share amounts) |                   |                   |                   |                  |
| Reported Income Before   |   |                   |                   |                   |                  |
| Extraordinary Charge   | \$ 442,343                              | \$ 278,348        | \$ 184,897        | \$ 117,217        | \$ 17,737        |
| Add Back: Goodwill Amortization,<br>Net of Related Tax Benefit | 13,416                                  | 5,460             | 3,048             | 966               | -                |
| Adjusted Income Before   |   |                   |                   |                   |                  |
| Extraordinary Charge   | 455,759                                 | 283,808           | 187,945           | 118,183           | 17,737           |
| Extraordinary Charge   | -                                       | -                 | (2,595)           | (13,611)          | -                |
| Adjusted Net Income  | <u>\$ 455,759</u>                       | <u>\$ 283,808</u> | <u>\$ 185,350</u> | <u>\$ 104,572</u> | <u>\$ 17,737</u> |
| Basic Earnings Per Limited Partner Unit:                       |   |                   |                   |                   |                  |
| Reported Net Income  | \$ 1.56                                 | \$ 1.34           | \$ 1.29           | \$ 0.87           | \$ 0.51          |
| Goodwill Amortization  | 0.09                                    | 0.04              | 0.03              | 0.01              | -                |
| Adjusted Net Income  | <u>\$ 1.65</u>                          | <u>\$ 1.38</u>    | <u>\$ 1.32</u>    | <u>\$ 0.88</u>    | <u>\$ 0.51</u>   |
| Diluted Earnings Per Limited Partner Unit:                     |   |                   |                   |                   |                  |
| Reported Net Income  | \$ 1.56                                 | \$ 1.34           | \$ 1.29           | \$ 0.87           | \$ 0.51          |
| Goodwill Amortization  | 0.09                                    | 0.04              | 0.03              | 0.01              | -                |
| Adjusted Net Income  | <u>\$ 1.65</u>                          | <u>\$ 1.38</u>    | <u>\$ 1.32</u>    | <u>\$ 0.88</u>    | <u>\$ 0.51</u>   |