

Fred C. Koch, for whom Koch Industries, Inc. is named, developed an improved method of converting heavy oil into gasoline. His entrepreneurial drive formed the foundation of what would become Koch Industries. From seeds planted in the 1920s, Koch companies have ultimately branched into a large number of industries and endeavors. Throughout this report, key dates in Koch's evolution chronicle these companies' efforts to live by their core values, create value in the marketplace and add value in their communities.

1927 DONS JOURN

KOCH HISTORY

Fred C. Koch developed innovative crude oil refining process.

Koch Industries, Inc.

Privately held Koch Industries, Inc. owns a diverse group of companies worldwide. These companies leverage capabilities such as Market Based Management[®], and operations, trading, transaction and public sector excellence to create long-term value for customers and society.

Active in many industry sectors, Koch companies supply communities with energy to heat and cool buildings, fibers for superior carpets and garments, chemicals used to manufacture a wide range of products, forest products such as bath tissue, paper towels, building products and packaging, and financial services that promote growth. Other Koch companies offer industries raw materials and processing equipment. Koch trading companies help bring liquidity and efficiency to global commodity and financial markets. Koch companies also serve consumers' needs for beef, fuels, fertilizer and plastics.

Winkler-Koch Engineering built cracking units in the former Soviet Union.

1929-32

1940

Wood River Oil & Refining Company founded; predecessor company to Koch Industries, Inc.



Koch Engineering Company formed.



ABOVE: Koch Pipeline Company, L.P. transports refined petroleum products to storage terminals, major customers such as airlines directly, and delivers to wholesale distributors that supply fuel to consumers. RIGHT: Employees at the Flint Hills Resources refinery in Corpus Christi, Texas, annually produce about 4 billion pounds of commodity chemicals.

From 1961 – the year current chairman and chief executive officer Charles Koch came to work at his father's business – through 2005, the value of the Standard & Poor's 500 grew about 110-fold, assuming the reinvestment of dividends. During that same period, the value of Koch Industries grew 1,700-fold, using the same assumptions. The growth of Koch companies has been achieved both through acquisitions and through expansion and broadening of existing businesses. Koch companies also exit or decrease their investments in businesses based on a continuous evaluation process that compares their internal value to their market value.

Today, Koch Industries, Inc. is a privately held company based in Wichita, Kan., that owns a diverse group of companies with a presence in nearly 60 countries and that employ about 80,000 people. These companies are involved in core industries such as refining and chemicals; chemical technology equipment; commodity and financial trading; minerals; fertilizers; fibers and polymers; forest and consumer products; ranching; securities and finance; as well as in other ventures and investments.



1946

Wood River Oil & Refining Company acquired Rock Island Oil & Refining Company in Oklahoma.



David H. Koch, Koch Industries, Inc. executive vice president; Charles G. Koch, chairman and chief executive officer; and David L. Robertson, president and chief operating officer. These three leaders have more than 100 years of experience with Koch companies.

t Koch Industries, we are firmly focused on long-term success. We believe in creating real value, rather than the illusion of value. To do so, we strive to live by core values and principles that include integrity, humility, respect and what we call principled entrepreneurship $^{\text{\tiny TM}}$.

Our business philosophy, Market Based Management®, is a value system and framework for action that encourages employees to think and act like principled entrepreneurs. This philosophy enables us to practice a process of creative destruction, constantly searching for opportunities to improve and grow. We believe a company must drive change internally to survive and prosper.

Creative destruction has been the catalyst for our diversification from petroleum, pipelines, ranching and engineering into other industries. Our companies have built an extensive trading capability, added robust financial services for a range of customers, divested some interests, and expanded into other businesses that fit our capabilities, such as chemicals, fibers, and forest and consumer products. Our continuous review of business value also means we sell assets and businesses that are valued more by others.

As a private company, we are better equipped to weather the cycles of business and respond quickly to market developments. We focus on maximizing long-term value and are not distracted by a need to meet quarterly earnings projections. We strive to make tough decisions, react rapidly to market opportunities and are willing to absorb volatility. We evaluate our financial performance in a way that fully represents economic reality. Our historical shareholder practice of reinvesting as much as 90 percent of earnings has provided us with the financial strength necessary to grow and diversify.

In this brochure, we describe the values and the capabilities that are the foundation of Koch Industries and its companies. Living by these values and applying these capabilities within our businesses and our communities, we believe we can create superior value for our customers, employees and shareholders, and society as a whole.

David X Zesl Pair L. Pleten





Koch companies strive to discover what people value and to deliver superior customer value with fewer resources. Their employees are dedicated to adding value in the many communities in which their companies operate, through civic and charitable contributions and employee involvement.



Fiberglass company formed.

Living Values - MBME Kech companies focus on building competitive Kech companies try to bring the produc-

Koch companies focus on building competitive advantages in the industries in which they operate.

Koch companies create these advantages and capture profitable opportunities in the market-place through leadership in developing and practicing Market Based Management[®]. MBM[®], implemented in Koch companies worldwide, was developed based on these beliefs:

- Long-term business success comes only from creating real value for customers and society, not the illusion of value.
- The world is experiencing an unprecedented (and accelerating) rate of change.
- To create value amid this change requires a well-founded understanding of what people value and how the world works.
- Throughout history, the framework that leads to the greatest value creation is one based on economic freedom, individual responsibility and the rule of law.
- A market system based on private property and economic freedom has proven to be the most effective and efficient system for creating prosperity and social progress.

Koch companies try to bring the productive power of the free market into their operations by applying MBM® through five dimensions:

Vision: Koch companies constantly seek opportunities, in any industry, for which their capabilities will create superior value.

Virtue and Talents: Integrity, humility, teamwork, intellectual honesty and the desire to create real value are necessary for a free society to function properly. Talented people who embody these virtues are an important driver in an organization's success.

Knowledge Processes: A key driver of prosperity is understanding what people value and how to satisfy those values. Thus, Koch companies strive to create a culture and the measures necessary to build the relevant knowledge.

Decision Rights: Creating superior value requires that decisions be made by those who have demonstrated the ability to get results. Therefore, authorities are set more by comparative advantage than by hierarchy.

Incentives: Koch companies try to reward their people like entrepreneurs, paying them a portion of the long-term value they create.

1959 ,,

Wood River's name is changed to Rock Island Oil & Refining Co. Each Koch company's mission can be best accomplished when every employee contributes to the long-term health of the company, which depends upon a commitment to legal compliance and safe and environmentally sound practices. These companies and their employees live by a set of principles that include integrity, humility, the desire to create real, longterm value, and respect - to name a few.



Koch Industries, Inc. has adopted principles to guide Koch company employees as they work to create real, long-term value in a myriad of industries worldwide. These principles are rooted in the company's business philosophy, Market Based Management®, which is a values-based framework for action. Koch company employees are expected to be both principled entrepreneurs and responsible citizens.



Charles G. Koch joined Koch Engineering from Arthur D. Little; became president of Rock Island in 1966.

MBM® Guiding Principles

1. Integrity

Conduct all affairs lawfully and with integrity.

2. Compliance

Strive for 10,000 percent compliance, with 100 percent of employees fully complying 100 percent of the time. Ensure excellence in environmental, safety, and all other areas of compliance. Stop, think and ask.

3. Value Creation

Create real long-term value by the economic means. Understand, develop, and apply MBM^{\circledast} to achieve superior results. Eliminate waste.

4. Principled Entrepreneurship™

Demonstrate the sense of urgency, discipline, accountability, judgment, initiative, economic and critical thinking skills, and the risk-taking mentality necessary to generate the greatest contribution to the company.

5. Customer Focus

Understand and develop customer relationships to profitably anticipate and satisfy their needs.

6. Knowledge

Seek and use the best knowledge and proactively share your knowledge while embracing a challenge process. Measure profitability wherever practical.

7. Change

Embrace change. Envision what could be, challenge the status quo, and drive creative destruction.

8. Humility

Practice humility and intellectual honesty. Constantly seek to understand and constructively deal with reality to create real value and achieve personal improvement.

9. Respect

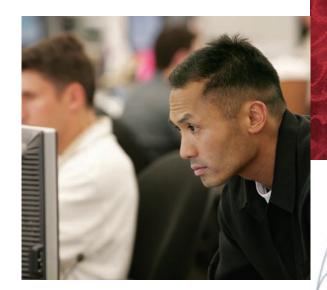
Treat others with dignity, respect, honesty, and sensitivity. Appreciate the value of diversity. Encourage and practice teamwork.

10. Fulfillment

Produce results that create value to realize your full potential and find fulfillment in your work.

1967 ,,,

Charles Koch became chairman and chief executive officer following his father's death. Renamed company Koch Industries, Inc. in honor of Fred C. Koch in 1968. Koch companies apply core capabilities such as Market Based Management®, and operations, trading, transaction and public sector excellence to create long-term value for customers and society. BELOW: In Houston, Koch company traders offer worldwide and domestic trading in crude oil, industrial fuels, gasoline, jet fuel and diesel, natural gas liquids, as well as steel and metals. RIGHT: The acquisition of INVISTA in 2004 added new capabilities in technology and product differentiation, including branded products such as STAINMASTER® carpet.



Koch Resources, LLC maintains long-term credit ratings of Aa3 from Moody's Investors Service and A+ from Standard & Poor's Rating Group. Koch companies such as INVISTA, Georgia-Pacific and Flint Hills Resources have their own credit rating apart from Koch Resources, LLC.



Creating Value - Capabilities

The companies in the Koch Industries group work to increase efficiency and create superior value. By applying core capabilities and continuously improving management systems, Koch companies strive to meet the highest standards for compliance excellence while satisfying customer needs.

These companies also cultivate a disciplined style of managing operations and investments. This has helped spur success in current businesses and is a critical part of positioning these companies to grow profitably.

To ensure superior results, employees continuously strive to apply and improve Koch companies' core capabilities:

Market Based Management®: attracting, developing and rewarding superior performers, economic thinking, internal communication, measures, Principled Entrepreneurship™, Guiding Principles, and values-based culture.

Operations Excellence: compliance, employee health and safety, environmental stewardship, audit and assurance, benchmarking, cost effectiveness, and merger and acquisition support.

Trading: point of view, value chain analysis, strategy development, quantitative analysis, risk management, and execution.

Transaction Excellence: opportunity network, value creation strategy, decision-making framework, mergers and acquisitions, financial and organizational structuring, and due diligence.

Public Sector: legal, communications, community and government relations, and philanthropy.

With the acquisitions of INVISTA and Georgia-Pacific, broader capabilities in technology, product development and differentiation are being developed. Creating and supporting superior branded products should serve as a central driver of future value for all Koch companies.



PETROLEUM AND CHEMICALS

och companies have been involved in the petroleum business since 1940, growing refining capacity more than 80-fold in six decades. Today, the Flint Hills Resources group of businesses, subsidiaries of Koch Industries, are engaged in petroleum refining, chemicals and base oil production, crude oil supply and trading, and wholesale marketing of fuel oil, base oils, gasoline, petrochemicals, chemical intermediates, asphalt and other products. A subsidiary of Koch Supply & Trading also produces jet fuel, gas oil, naphtha and residual fuel in Europe.

CRUDE OIL REFINING ROOTS

With facilities in the Netherlands, Alaska, Minnesota and Texas, Koch companies have a combined crude oil refining capacity of about 880,000 barrels per day. They make vital energy products such as gasoline, diesel and jet fuels, as well as asphalt, sulfur and even carbon dioxide used for food processing.

The cleaner-burning fuels produced in Flint Hills Resources' refineries are the result of extensive and ongoing modifications to the facilities.





ABOVE: Environmental stewardship programs at the Texas, shown here, and Minnesota refineries and the Illinois chemical facility have earned Wildlife Habitat Council certification. LEFT: Flint Hills Resources' Pine Bend facility is ranked as one of the most efficient U.S. refineries, thanks to years of investments in both talent and steel.



Wood River Oil & Refining Company co-founded by Fred C. Koch to build a small refinery in Illinois. Koch acquired majority interest in Pine Bend refinery in Minnesota, owned by Great Northern Oil Co.

1969

1981

Koch acquired refinery in Corpus Christi, Texas, from Sun Oil. Second plant acquired in 1995.

PRODUCT MARKETING

Flint Hills Resources produces clean-burning gasoline and diesel that help communities meet clean air goals, as well as fuel oil, jet fuel and other refined products. The company's supply group ensures the refineries are supplied with crude while the marketing teams offer a unique array of products to global customers. Marketers rely on product delivery through a vast system of fuel terminals throughout

the Central United States, Great Lakes, Southeast and Central Atlantic regions, as well as Alaska and Texas.

As a result of Flint Hills Resources' various interests in production facilities in the petroleum chain, the company has expanded its marketing capability regularly to create value for customers. An example of that expansion is the 2003 entry into the base lube oil business following the purchase of a half interest in Louisiana-based Excel Paralubes. The base oil business is a natural extension of Flint Hills Resources, and has introduced it to a new customer base. The company's products are used in motor oil, agriculture oils and marine oils, among others.

In 2005, Flint Hills Resources began operating a system of strategically located asphalt terminals, formerly owned by Koch Materials Company, to market product from the Pine Bend refinery. This refinery's production of asphalt sparked Koch companies' 1979 entry into asphalt marketing.



Flint Hills Resources produces low-sulfur fuels from this unit at its Corpus Christi, Texas, refining complex.

This Anchorage, Alaska, terminal annually offloads about 35,000 tank cars shipped from the North Pole refinery via the Alaska Railroad. That product is then distributed locally, to the Alaska coast, and to the Far East.



Entered lubricant base oil business with investment in Louisiana manufacturing plant.

2004

Flint Hills Resources purchased Alaska assets including a crude oil refinery in North Pole and product terminals in Fairbanks and Anchorage.

PETROCHEMICALS

Flint Hills Resources not only produces fuel for automobiles and heating oil for homes, but also an array of petrochemicals necessary to manufacture thousands of items used daily.

From the Flint Hills Resources Corpus Christi refining complex about 4 billion pounds of commodity chemicals – including paraxylene, cumene, benzene, toluene, pseudocumene, xylene, orthoxylene and metaxylene – are produced annually. These chemicals are marketed and distributed from offices in Wichita, Kan., and Singapore. Some of the products made from the derivatives of these chemicals include CDs, athletic shoes, tires, beverage bottles, PVC pipe and adhesives.

BUILDING BLOCKS FOR EVERYDAY USE

From a plant near Joliet, Ill., Flint Hills Resources produces chemical intermediates such as maleic anhydride (MAN), trimellitic anhydride (TMA), and purified isophthalic acid (PIA). The company also has a long-term agreement to produce PIA at a plant in Geel, Belgium. The company serves its global customer base through marketing offices in Wichita, Chicago, Switzerland and Hong Kong.

MAN is used in polyester resins, agricultural chemicals, automotive and consumer products. TMA is used in the automotive, construction, appliance and coatings sectors. PIA is added to a wide range of high-strength polyester resin (PET) products and coatings, and in the packaging, appliance and automotive industries.



The petrochemical processing plant in Corpus Christi, Texas, annually produces more than 4 billion pounds of commodity chemicals.

Chemical intermediates, such as purified isophthalic acid, produced at this plant near Joliet, III., are key ingredients for producing polyester resin products as well as coatings for the automotive industry.



Flint Hills Resources acquired a chemical intermediates business from BP.

Flint Hills Resources added asphalt terminals in the U.S. Midwest, following an affiliate's divestiture of non-strategic asphalt terminal locations in the U.S. and Mexico.



s part of a 1946 refining acquisition, Koch Industries' predecessor company acquired a small crude oil pipeline system in southwestern Oklahoma. Over the years, Koch companies have bought or built and sold pipeline systems transporting crude oil and refined products, as well as natural gas, natural gas liquids and anhydrous ammonia. Today, Koch Pipeline Company, L.P. owns and operates pipelines carrying crude oil, refined products and natural gas liquids.

PURSUING EXCELLENCE IN THE COMMUNITY

In some areas, all neighbors see of a Kochowned or operated pipeline is a cleared area and company markers along the pipeline's path. Where there are facilities such as pump stations and terminals, Koch Pipeline Company may be a more visible part of the community. But in each community it touches, and with each of the pipeline systems it operates, the company strives for excellence – in regulatory and legal compliance, safety, and environmental stewardship.

Building from seven decades of pipeline experience, today's Koch Pipeline Company, L.P. and its affiliates keep a 4,000-mile network of pipelines running efficiently and safely, fueling modern conveniences necessary for everyday life.

INVESTING IN KEY SYSTEMS

Koch Capital Investment Company, LLC is the largest shareholder in Colonial Pipeline Company, owner of the world's largest-volume refined products pipeline. The Colonial system runs from southeast Texas to the eastern seaboard, with an average daily delivery of 2.3 million barrels of products.



The company owns or operates about 4,000 miles of pipeline, transporting about 900,000 barrels of petroleum-based liquids daily. From 1999 to 2005, Koch Pipeline employees helped reduce releases on company pipelines by 84 percent. The Texas Pipeline System transports refined products from the Flint Hills Resources Corpus Christi, Texas, refining complex to San Antonio, Bastrop, Austin, Waco and the Dallas-Fort Worth area.



Wood River Oil & Refining Company built products pipeline to Rockford, III.

Began construction of Wood River pipeline to provide additional crude for Pine Bend refinery.

1980

2004

Koch Alaska Pipeline Company, LLC purchased an interest in Trans Alaska Pipeline System. hen Wood River sold its interest in a refinery in Wood River, III., in 1950, Fred C. Koch used the proceeds to enter the ranching business. An outdoorsman, he grew up in Texas ranching country and devoted time in his later years to improving Koch's ranches. Today, Matador Cattle Company, a division of Koch Agriculture Company, has one of the nation's 10 largest cow/calf operations, and annually markets about 5 million pounds of beef.

THE LAND AND THE BUSINESS BOTH THRIVE

Even in the tradition-laden business of ranching, Koch finds ways to apply its discovery mentality. The utilization of Market Based Management® — including encouraging ranch employees to think and act like entrepreneurs—has significantly improved the ranches' operational performance and environmental stewardship, as evidenced by their productivity and the many environmental excellence awards

they have received. Since the mid-1970s, Matador Cattle Company has led the way with innovative practices that preserve the environment while also increasing beef production. The key to success for both the ranches and the environment is an effective land-management plan that takes advantage of the herd's breeding and grazing cycles.



Matador Cattle Company uses innovative grazing and land-management practices that increase livestock productivity and wildlife habitat. Wild turkeys are common on the Texas ranch.



Fred C. Koch acquired Spring Creek Ranch in the Kansas Flint Hills.

Koch subsidiary acquired Beaverhead Ranch, west of Yellowstone National Park in Montana.

1951 ***

AN ADDED BENEFIT

Not only have Matador Cattle Company's land stewardship programs allowed the ranches to endure Mother Nature's extended droughts, they have also resulted in increased wildlife diversity. Beaverhead Ranch became the first ranch ever certified by the national Wildlife Habitat Council for its wildlife management successes, including re-establishing habitat for the Westslope cutthroat trout, and increasing the number of elk and deer, and the diversity of plants. In Kansas, Spring Creek Ranch is now home to a large wild turkey population. In Texas, cowboys evaluate all management decisions to determine their effect on wildlife as well as livestock.





LEFT: Matador Cattle Company operates ranches totaling about 445,000 acres of land and 15,000 head of cattle. Beaverhead Ranch, in Montana, shown here, is located west of Yellowstone National Park. ABOVE: Spring Creek provides the name for the Kansas ranch operated by Matador Cattle Company.



Rock Island acquired Matador Ranch in West Texas.

1975

Introduced rest-rotation grazing system in Montana.

Beaverhead Ranch became first ranch in the United States to earn Wildlife Habitat Council certification.



eginning in 1945 with one company that made one product – fractionation trays for refineries – Koch chemical technology companies have built a global industrial processing and pollution-prevention equipment and engineering business. Today, under David H. Koch's leadership, companies within Koch Chemical Technology Group, LLC are world leaders in providing equipment and services so that industrial and municipal customers can increase output and improve efficiency, while reducing emissions and providing better products for their customers.

SERVING THE WORLD

Serving many industrial sectors in both advanced nations and developing regions, these firms have research and development, manufacturing and sales offices around the globe, from Australia to Europe, and South America to Asia. In addition, they have forged alliances with other industrial equipment and engineering firms that help them reach additional customers and provide integrated capabilities, from design to installation to service.



ABOVE: A Brown Fintube Company affiliate acquired IMB, an Italian heat exchangers manufacturer in 2005. As Koch Heat Transfer Group, the company markets innovative heat-transfer solutions to the process industry worldwide. LEFT: In 2004, Koch Membrane Systems, Inc. acquired Puron, a producer of membrane filter modules, to expand the company's product offerings. The membranes installed here treat waste from a Belgium brewery.

Koch Engineering Company, Inc. formed. Koch Chemical Technology group name initiated in 1980.

1952

FLEXITRAY® valve trays introduced.



David H. Koch joined Koch Engineering as technical-salesman; became president in 1979.

KOCH-GLITSCH

Koch-Glitsch and its affiliated companies – including Koch Specialty Plant Services and Koch Modular Process Systems – are global leaders in the supply of mass-transfer and mist-elimination equipment, as well as other process technologies and related specialty services. Koch-Glitsch products are found in virtually every refinery and chemical plant worldwide. With manufacturing locations in nine countries and sales and technical personnel in 19 countries, Koch-Glitsch can reach worldwide with innovative solutions for mass-transfer or mist-elimination challenges.

THE JOHN ZINK COMPANY

John Zink Company's combustion and environmental control systems are put to work worldwide by industry giants that refine oil, produce plastics, distribute fuels, generate power, transport energy and manage waste. John Zink, which became part of the Koch Chemical Technology Group in 1989, has developed and implemented world-class management systems that are recognized for meeting or exceeding industry standards in quality, safety and health, and the environment.



ABOVE: John Zink Company's test centers in Tulsa, Okla., shown here, and Luxembourg host more than 100 customer performance tests each year. LEFT: Around the globe, Koch-Glitsch designs and manufactures state-of-the-art mass transfer products for the chemical, petrochemical, refining, gas processing, pharmaceutical and specialty industries.



Purchased Brown Fintube Company, a producer of hairpin and twisted tube heat exchangers.



Acquired assets of Glitsch, a worldwide manufacturer of mass-transfer and mistelimination equipment.



Brown Fintube affiliate acquired manufacturer of shell-and-tube heat exchangers. Companies adopted Koch Heat Transfer Group name.

COMMODITY AND FINANCIAL TRADING

t one point, a Koch company was the largest crude-oil gatherer in North America. As the company's volumes grew, so did the need to market and trade crude oil. That evolution helped spawn a trading capability that today includes many commodities and risk management activities and helps Koch companies and their customers successfully participate in ever-changing global markets. This includes a financial trading capability to invest some of Koch companies' liquid assets.

STRONG CUSTOMER FOCUS

Traders for Koch companies offer services and products tailored to meet customer needs. They utilize decades of knowledge of the physical products necessary for refining crude oil and natural gas liquids, as well as trading experience that spans five decades. For example, Koch companies began processing natural gas liquids in the early 1970s and from that built a global trading capability that continues today.

Backed by a global network and Koch Resources, LLC's strong credit rating Koch Supply & Trading traders bring a disciplined, strategic approach to trading that is focused on knowledge systems and customer relationships. Koch Supply & Trading companies have built international coverage and developed world-class market knowledge, as well as sophisticated information-gathering and market-analysis skills.



Koch companies have traders in Houston, shown here; New York; Calgary; Rotterdam; London; Mumbai; Moscow; and Singapore. Koch companies began trading in Houston in the mid-1970s.



A Koch company began international crude oil trading.

First oil derivatives introduced by a Koch company and Chase Manhattan Bank.

1986

A Koch company began trading metals.

DIVERSE COMMODITY INTERESTS

Koch Supply & Trading and other Koch companies apply worldwide trading and risk management capabilities to numerous commodities such as petroleum feedstocks, refined products, steel, precious and industrial metals, chemicals, petroleum coke, coal, sulfur, fertilizers, natural gas, natural gas liquids, and electric power.

Koch Supply & Trading develops tailored trading products to meet cross-commodity needs of customers around the world. For example, Koch Supply & Trading offers volatility swaps with counterparties seeking unique tools to hedge their positions.

CAPITAL MARKETS EXPERTISE

Koch Capital Markets, LP extends Koch Industries' trading expertise into the financial markets. By using an extensive analytical and disciplined trade-structure approach, the company conducts substantial proprietary trading activities in interest rate, currency, credit and equity markets to provide superior risk-adjusted returns.



ABOVE: In London, Koch company traders primarily work with counterparties in Europe, Africa, the former Soviet Union and the Middle East. RIGHT: Koch Shipping, Inc., a Koch Supply & Trading company, ensures that the 600 million barrels of crude oil and other petroleum products bought and sold by Koch companies annually arrive at their destination safely and on time. Koch Supply & Trading companies also move products through global terminals and hubs.







Moscow office opened.

2005 ,,,

Koch Supply & Trading group acquired gas liquids trading interests from Koch Hydrocarbon, LP.

s Koch companies built operating and trading expertise around petroleum-related businesses, they saw opportunities to branch out into other industries. In the early 1970s, Koch Hydrocarbon Company and its affiliates moved into gas liquids gathering and fractionation, a business that was ultimately sold in 2005. In 1976, Koch created a carbon business to sell petroleum coke, a by-product of refining, from the Pine Bend refinery. And following the acquisition of ammonia assets, Koch Nitrogen Company was formed to market nitrogen-based fertilizers.

DIVERSIFYING PORTFOLIOS

Today, Koch Mineral Services, LLC and its affiliates are among the world's largest dry-bulk commodity handlers. They market and trade more than 30 million tons of product annually, primarily to customers in the utility, cement, steel, pulp and paper, and fertilizer industries.

A BROAD ARRAY OF COMMODITIES

Koch Carbon and its affiliates offer global customers trading access to a wide variety of commodities, including petroleum coke, domestic and international coal, sulfur, cement, salt, magnetite, iron alloys, pulp, recycled papers and ocean freight.

Koch Carbon LLC, KOMSA and The C. Reiss Coal Company, subsidiaries of Koch Mineral Services, are world leaders in trading and marketing petroleum coke, coal, salt, slag, cement, clinker, ocean freight and other dry bulk commodities. This conveyer at Koch Carbon's Chicago site can move 3,000 tons of petroleum coke an hour.





Koch Hydrocarbon Company formed to leverage natural gas liquids transportation capabilities; business sold in 2005.

Koch Carbon formed to trade petroleum coke from Pine Bend Refinery.

1976



1986

Acquired The C. Reiss Coal Company, a Great Lakes company founded by Clemens Reiss in 1880. As part of this trading business, these companies operate a network of large bulk terminals in the United States – the Great Lakes, California and Texas – as well as in Venezuela. Koch Carbon companies also transport significant volumes of these physical commodities via ocean vessel, barge, rail and truck, and provide custom blending, screening and crushing of various commodities.

OIL AND GAS PRODUCTION

Koch Exploration Company and its affiliates are involved in oil and natural gas exploration and production, focusing on optimizing and trading the assets within their portfolios. These companies acquire, develop and trade properties in the United States, Canada and Brazil that produce heavy crude oil, conventional oil, unconventional gas (coalbed methane, tight sandstones and fractured shales) and conventional natural gas. Experimenting with drilling and production practices as well as optimizing asset value through trading are key company strategies. The companies have offices in Calgary, Denver and Rio de Janeiro.



ABOVE: Koch companies have been involved in crude oil exploration since 1942. Koch Exploration Company oversees properties in North and South America, including this oil processing battery and gas compression facility in Ponta do Mel, Brazil, near the Atlantic Ocean. RIGHT: Koch Minerals companies trade a wide variety of physical and financial products from global locations, including Wichita, Kan.



Koch Hydrocarbon and Diamond Shamrock formed Diamond-Koch to transport, store and process natural gas liquids and olefins; business sold in 2002.

1998 ***

2004,,,

NITROGEN FERTILIZERS

From a single ammonia production facility and import terminal in the United States, Koch Nitrogen Company and its affiliates have become one of the world's largest producers and marketers of nitrogen fertilizers. Koch Nitrogen companies continue to expand their capabilities to serve customers' needs for ammonia, urea and UAN.



ABOVE: Since 1988, Koch Nitrogen and its affiliates have expanded their assets and investments to market more than 6 million metric tons of ammonia, urea and UAN annually. RIGHT: Koch Nitrogen Company operates this facility in Enid, Okla., which produces free ammonia, UAN and urea.

Koch Nitrogen companies manufacture, market and distribute more than 6 million metric tons of fertilizer annually. In addition to its production capacity in North America, Koch Nitrogen companies own interests in plants in Venezuela, and Trinidad and Tobago, and market much of their production. The companies' marketing representatives cover global demand with personnel in Wichita, Cayman Islands, London, Beijing and Lugano, Switzerland. Koch Nitrogen companies also offer services through numerous terminals in strategically located, core market regions to ensure stable nitrogen fertilizer supply for customers.

A Koch Nitrogen company is also an investor in Propileno de Falcon Profalca, C.A., which operates a Venezuelan splitter that produces propylene used to manufacture carpeting, automotive parts and toys.

Koch Nitrogen affiliate invested in FertiNitro, a Venezuelan fertilizer complex.

Koch Nitrogen Company formed to market ammonia.

2000



Koch Nitrogen and affiliates acquired U.S. and off-shore fertilizer assets and marketing rights from Farmland.

Koch company acquired a substantial municipal leasing portfolio in 1992, marking an opportunistic investment into a new industry. Since then, Koch Financial Corporation and its affiliates have expanded their knowledge and capabilities to build a portfolio of services in municipal finance and trading, financial guaranty reinsurance, and collateralized debt obligations.

MUNICIPAL FINANCE

Koch Financial enables states, counties, municipalities, school districts and other government entities to purchase assets such as



computer hardware and software, telecommunications, energy management systems, and emergency vehicles. Tax-exempt leasing offers government entities an efficient and cost-effective solution to meet ever-changing financing needs.

Koch Financial
Corporation and its
affiliates offer an
array of services for
their customers and
continually strive
to expand those
services through
acquisitions and
investments in the
financial services
industry.

Koch Financial and its affiliates have provided more than \$4.8 billion in financing to customers throughout the United States. Part of Koch Financial's innovative approach is to connect with companies that provide equipment or services to government entities. In this way, companies can pair their equipment packages or services with the company's customer financing solutions.

IDENTIFYING AND MANAGING OPPORTUNITIES

Koch Financial is focused on growing its capabilities internally as well as searching for opportunities via investments and acquisitions. The company uses diverse origination channels and risk management capabilities to identify investment opportunities. Koch Financial and its affiliates actively manage a multibillion-dollar portfolio of municipal securities, including high-grade municipal bonds, tax-exempt notes, structured tax-exempt securities, and fixed income derivatives.

NEW INVESTMENTS

Building on its municipal and financial product strategies, Koch Financial Re, an affiliate of Koch Financial, has invested in a financial guaranty reinsurance business. Channel Reinsurance Ltd. was formed by Koch Financial Re, Ltd., Renaissance Re Holdings Ltd., Partner Re Ltd. and MBIA to provide risk transfer and capital relief to primary insurers. The new company assumed a \$27 billion portfolio from MBIA, and has total claims-paying resources of about \$700 million.

Koch Financial entered high-grade municipal bond trading and securitization business.

Koch company acquired municipal leasing portfolio from Chrysler Capital.

2002

Affiliate invested in Channel Re, a reinsurance company based in Bermuda.

FIBERS AND POLYMERS

uilding on a long history in petrochemical markets, subsidiaries of Koch Industries, Inc. joined with a Mexican firm in 1998 to form KoSa B.V., whose subsidiaries manufactured advanced polyester resins and man-made fibers. After acquiring full ownership of KoSa in 2001, Koch companies began looking for expansion opportunities elsewhere in the industry. In 2004, Koch subsidiaries combined KoSa with INVISTA, the fibers and intermediates business acquired from DuPont, creating the world's largest integrated producer and marketer of premium fibers, polymers and intermediates.

GLOBAL LEADER, COMPETITIVELY POSITIONED

INVISTA B.V., born from a strong heritage of product innovation and market insight, owns an independently managed group of companies wholly owned by Koch subsidiaries. INVISTA is one of the world's largest producers of chemical intermediates, polymers and resins, and manmade fibers used in manufacturing nylon, spandex and polyester products. The company has manufacturing sites worldwide, holds more than 700 unique patents and significant intellectual property, and offers customers strong product development and technical support. This reach and the company's recognized brands positions INVISTA to compete successfully in global markets.

EMBEDDED IN EVERYDAY LIFE

INVISTA's products are found in virtually every closet, pantry, soda machine and parking lot. For instance, the company's polyester resin

is used to produce light-weight plastic bottles that contain major soft drink, water, ketchup and juice brands. In automobiles, INVISTA's products are found in airbags, plastics under the hood, carpets, upholstery and tire cord. For the home, INVISTA's fibers help make long-lasting carpets and comfortable apparel.



INVISTA Apparel's LYCRA® HAS IT advertising campaign showcases the benefits of LYCRA® fiber. LYCRA® is used by leading garment manufactures and designers to create products with comfort, better fit, greater stretch recovery and freedom of movement.

Formed KoSa after acquiring 50 percent ownership of Hoechst's polyester division. Koch subsidiaries acquired full ownership of KoSa.



THE BREADTH OF INVISTA

INVISTA Apparel – with branded fibers such as LYCRA*, and COOLMAX* – offers users the ease and comfort of innovative synthetic fibers in apparel products including ready-to-wear, intimate, legwear, sports, swimwear and career. INVISTA Apparel maintains a presence in every major market and garment region in the world.

INVISTA Interiors provides innovative solutions for residential and commercial interiors, bedding,

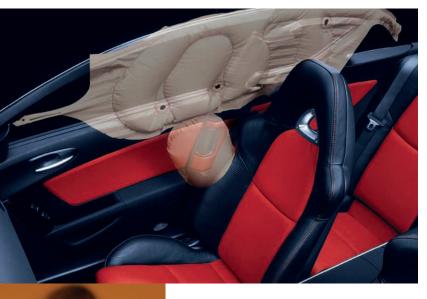
flooring and furniture. INVISTA's premium nylon 6,6 fiber, which is sold under the STAINMAS-TER® and ANTRON® brands, has unique properties that resist the penetration of stains and soil.

INVISTA Intermediates is the world's largest nylon and polyester intermediates producer. These chemical building blocks are used across the fibers, polymers and resins markets as well as in many other applications.

INVISTA Performance Fibers draws from a legacy of invention to serve many industrial markets. INVISTA's unique technical expertise results in safer automobiles including seatbelts, more durable, lightweight military uniforms and superior fibers and finishes. Popular brands include CORDURA® and SOLARMAX®.

INVISTA Polymer and Resins supplies a diverse portfolio of products to global polyester and nylon markets. INVISTA's polyethylene terephthalate (PET) resins are used in packaging applications for soft drinks, water, beer, juice and food.

Other business lines include Polyester Textile Fibers that markets brands such as POLARGUARD® and AVORAFR and INVISTA Performance Technologies, which provides the resources and technology for licensing in purified terephthalic acid (PTA), polyester polymerization for fiber and PET resins, and large-scale polyester staple spinning machines.



ABOVE: INVISTA's development of fibers used to manufacture side-curtain and specialty airbags added an effective secondary area of protection to the original frontal collision airbags. INVISTA nylon 6,6 filament products are engineered to withstand exposure to extremely high vehicle temperature and humidity. LEFT: Available in the widest range of lusters, fiber sizes and dye levels, ANTRON® carpet fiber gives unlimited design possibilities for commercial carpet.

Koch subsidiaries acquired INVISTA, formerly DuPont Textiles & Interiors.

2004



INVISTA's PolyShield® technology developed to extend the shelf-life of various beverages.

FOREST AND CONSUMER PRODUCTS

or more than six decades, Koch Industries has applied its capabilities in new businesses. In 2004, Koch companies entered the pulp industry, acquiring two pulp mills and other assets from Georgia-Pacific Corp. From that acquisition, Koch was able to acquire the industry knowledge it needed to complete its largest acquisition to date: the \$21 billion purchase of Georgia-Pacific in December 2005. Koch views the forest products sector as a platform for continued growth.

THE BENEFITS TO BEING PRIVATELY HELD

As a privately held, independently managed subsidiary of Koch Industries, Georgia-Pacific now has the flexibility and resources to more aggressively pursue growth strategies and opportunities. With more than 300 locations – including the re-integrated Koch Cellulose mills – Georgia-Pacific is a world leader in the manufacture and marketing of tissue, packaging, paper, building products, related chemicals, and fluff, filter and market pulp.

PRODUCTS FOR EVERYDAY USE

Georgia-Pacific's familiar consumer tissue brands in North America include Quilted Northern®, Angel Soft®, Brawny®, Sparkle® and Vanity Fair®, as well as the Dixie® brand of disposable cups, plates and cutlery. Internationally, those brands include Lotus®,



ABOVE: Georgia-Pacific employees have primary responsibility for environmental compliance and stewardship and safety. The company has 75 sites in the U.S. Occupational Safety and Health Administration's Voluntary Protection Program, with 70 sites designated as VPP Star sites.



Koch Cellulose acquired certain pulp assets from Georgia-Pacific.

Colhogar®, Delica®, Tenderly®, and the Vania® brand of personal care products. Its away-from-home products include Preference® and Acclaim™ towels and bath tissue; Compact™ and Cormatic™ dispensing systems and Easy Nap™ napkins in North America; and Lotus Professional® products and JustOne® napkins in the rest of the world. The company's enMotion® touchless towel dispenser is used in North America and internationally.

The company's fluff, filter and market pulps are used in a variety of consumer products. Golden Isles[®] Fluff Pulps provide superior absorbency in disposable hygiene products, meat packaging, airlaid wipes and other

The Double Septime Congress Profit Congress Pr

ABOVE: Georgia-Pacific's products include lumber, gypsum wallboard, plywood, oriented strand board and industrial panels.

LEFT: Founded in 1927 as a wholesaler of hardwood lumber, Georgia-Pacific is a world leader in the manufacture and marketing of a number of consumer products, as well as packaging, paper, building products, related chemicals, and fluff, filter and market pulp.

specialty applications. Its market pulps, including Leaf River 90[®], are used worldwide in the manufacture of printing, writing and specialty papers.

Georgia-Pacific's **packaging** business is the fourth largest supplier of corrugated containers in the U.S. Containerboard mills produce linerboard and medium in roll form that is shipped to converting facilities. GP's Color-Box $^{\text{M}}$ subsidiary produces litho-laminated containers with high-quality color graphics.

The **paper** business provides uncoated freesheet for office copy machines and printers, home printers, commercial printing, business forms, stationery, tablets and books, among others. Georgia-Pacific also produces **bleached board** for folding cartons and disposable foodservice items, as well as kraft paper, primarily used for converting into multiwall paper bags.

The company's building products manufacturing business has long been among the nation's leading suppliers to lumber and building materials dealers and large do-it-yourself warehouse retailers. The business also includes the chemicals group, which is a leading producer of resins and chemicals used in manufacturing forest products and in several specialty applications ranging from re-enforced plastics to fertilizers to the food industry.

Koch Industries acquired Georgia-Pacific for \$21 billion.

2005

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BUSINESS DEVELOPMENT

o help drive creative destruction, Koch Industries constantly searches for new ways to improve profitability and capture opportunities to create extraordinary value. Koch companies not only want to buy assets and businesses at the right price, but also substantially increase their value and potential.

INVESTMENT PHILOSOPHY AND APPROACH

Koch's overall investment philosophy is to purchase assets and businesses at a value that is beneficial not only to Koch but also to its counterparties. Koch companies must also see the potential to substantially increase the acquired company's value and potential.

CONTINUOUS EVALUATION

A key element of creative destruction is to regularly evaluate all businesses and assets, determining the value they bring to Koch and weighing that against their market value. Over the years, Koch companies have determined that certain assets or entire businesses were more highly valued by others, and as a result, sold or reduced those investments. For example, most of Koch's crude oil gathering business, which had grown from modest beginnings in the 1940s to become the largest system in North America, was sold in 1998. The company has also exited the animal feed production, natural gas liquids processing and several transportation businesses.

FUTURE GROWTH

Koch Industries has historically reinvested as much as 90 percent of its earnings, setting the expectation for continued growth. Koch companies will continue to apply a disciplined approach to identify and capture opportunities and create real, long-term value for customers and the marketplace. This includes searching for prospects to leverage core capabilities in new platforms while seeking to build new capabilities.



ABOVE: Koch Industries' business development team, including Steve Feilmeier, executive vice president and chief financial officer, and Ron Vaupel, vice president of business development, seeks to maximize company profitability.

1995

Formed a venture capital firm, which invested \$150 million in startups.

KOCH GENESIS COMPANY

Koch Genesis Company, LLC is focused on early-stage investments in disruptive technologies, innovations and companies. It sponsors entrepreneurs with vision, integrity, humility and passion, as well as a track record in building businesses with sustainable competitive advantages. Koch Genesis seeks to be a catalyst for creating successful businesses and looks for disruptive innovations across business areas such as refining and chemicals, fibers and

polymers, forest and consumer products, chemical processes and specialty materials in which Koch companies have existing capabilities. Koch Genesis targets firms that can add significant value to existing Koch companies. It also seeks opportunities where Koch companies can add significant value to innovative firms. Koch Genesis also works with Koch companies to identify their internal innovations or technologies that may be better commercialized through a company outside Koch.



Koch Industries' Wichita, Kan., headquarters. From here Koch's business development and investment teams evaluate acquisitions and investments.

Koch companies sold interests in asphalt and natural gas liquids businesses.

2005

RIGHT: In Wichita, Kan., Koch Industries, Inc. donated \$6 million to refurbish the Charles G. Koch arena on the Wichita State University campus, which reopened in 2003. BELOW: Twenty-three days were spent beautifying the Potomac and Anacostia rivers in Washington, D.C. during Capital River Relief 2005. Koch Industries sponsored the event as hundreds of volunteers collected 258 tons of debris. The collected items were hauled away on this 140-foot barge and either disposed of or recycled.





Koch companies commitment to adding value in society includes efforts by employees to enhance the communities where they live and financial support by these companies for programs that help educate and enrich children, preserve natural resources, or offer assistance to those in need. In addition, Koch and its affiliates find ways to help schools, community groups, emergency response agencies, and charitable organizations near their facilities with in-kind contributions of equipment, furniture or needed supplies.

First Fred C. and Mary R. Koch Foundation college scholarships offered to dependents of Koch company employees.

1973

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Koch Refining Company (now Flint Hills Resources) became lead sponsor of golf tournament benefiting HALO-Flight, South Texas' only nonprofit air ambulance service.

Adding Value - Community

Besides providing customers with products and services that enhance their daily lives, Koch companies believe that being good citizens and neighbors is the right thing to do. Koch companies engage in many charitable activities, giving their time, talent and financial support to add value to their communities and help others help themselves. Koch's commitment to its local communities also includes the many investments Koch companies make to operate their facilities safely and cleanly, as

well as the communications that connect these companies to their neighbors. Because Koch company employees live in the communities where their businesses operate, they have a strong desire to protect and enhance them. Koch companies support a wide variety of nonprofit organizations that share their values and market-based philosophy.

and market-based philosophy.

Areas of Focus:

Education
Human Services
Environmental Stewardship

\$1 million donation from Koch Industries to Salvation Army for Koch Center.

1992

Pine Bend Scholarship Program begun for local graduates in Minnesota (\$400,000 contributed through 2005). 1996

1998,,,

Koch Industries was key supporter of PBS Tallgrass Prairie documentary.

EDUCATION

Koch companies have long supported programs dedicated to educating tomorrow's leaders. In many communities where they operate, Koch companies donate funds and equipment and are also a source of volunteers for local schools, colleges and other educational organizations. Koch companies look for programs that help people apply economic and scientific principles to problem solving.

Supporting Communities

In Minnesota, Flint Hills Resources helps senior citizens help kids by funding DARTS (Dakota Area Resources and Transportation for Seniors), which brings senior tutors to elementary schools. In south Texas, children receive vital medical services, thanks in part to Flint Hills Resources' longstanding commitment to Driscoll Children's Hospital.

Youth Entrepreneurs of Kansas (YEK)

Since its start in 1991, YEK has helped more than 6,500 high school students learn business skills and understand what it really takes to own and operate a business. More importantly, graduates of YEK leave the program with an understanding of the values required for success, and the knowledge that they can be in control of their own destiny.

Big Brothers Big Sisters

Big Brothers Big Sisters, a national organization which mentors boys and girls by connecting them with adult men and women, is supported by Koch companies in multiple locations. Koch's most visible support is through sponsorship of the Bowl for Kids' Sake program, a major fundraising event for which Koch helps underwrite expenses.

Making a Difference for Kids

Koch companies reach children in need in many ways. For example, through Boys and Girls Clubs in Texas and Kansas, they help provide a safe environment for at-risk youth to

receive mentoring.
And various Koch
companies annually provide higher
education scholarships worth several
thousand dollars
to students throughout the United States.



Alongside the Koch family's foundations, Koch companies contribute to Youth Entrepreneurs of Kansas, which teaches students the fundamentals of business ownership.

Koch Aquatic Center at South Wichita YMCA opened; similar center at North YMCA opened in 2002.

» 2001



Koch Petroleum Group sponsored first annual International Children's Festival at Ordway Center in Minnesota (continued by Flint Hills Resources).



Flint Hills Resources donated \$250,000 for educational center at Texas State Aquarium in Corpus Christi.

ENHANCING THE QUALITY OF LIFE

Koch companies believe that treating others with dignity and respect enables them to reach greater personal achievement. So, Koch companies focus contributions and employee energy on projects that give people a hand up, and propel them toward success. This means supporting groups such as the Salvation Army, YMCA and Urban League, among others. Koch companies have also supported performing arts and arts education that further enhances the diversity and quality of life in communities.

Community impact

Because of support from companies such as Koch, the Wichita Symphony Orchestra continues to bring great music to Kansas. The state's largest, and most active performing arts organization, this orchestra is nationally



Koch Industries, Inc., Flint Hills Resources, INVISTA and a Koch Cellulose, LLC subsidiary combined to support the building and landscaping of a new Habitat for Humanity home in Wichita, Kan., in 2005.

recognized for its artistic level and its community support. Koch also has been an ardent supporter of Music Theatre of Wichita and the Wichita River Festival.

ENVIRONMENTAL STEWARDSHIP

Koch companies take a hands-on approach to philanthropy that furthers environmental preservation in areas where they operate. Much of their support is awarded to public/private partnerships and other programs that help reduce waste, conserve resources, and promote sound science and environmental education. For example, Koch companies have worked with The Nature Conservancy to sponsor environmental preservation projects in Alaska, Kansas, Oklahoma and Minnesota. In recognition of its environmental stewardship and community projects, Koch Industries, Inc. was recognized by Keep America Beautiful, a national conservation organization, with the 2005 Vision for America award. Previous recipients include McDonald's, DuPont and Ford Motor Company.

Entrepreneurship

Chad Pregracke is an environmental entrepreneur. His unique conservation model – building teams of diverse participants for voluntary projects that accomplish tremendous good – is a great fit with Koch companies' environmental commitment and business philosophy.

Koch Industries brought Chad Pregracke's Living Lands & Waters crew to Washington, D.C., as the lead sponsor for Capital River Relief – Team Up to Clean Up – which has removed more than 300 tons of debris from the Potomac and Anacostia rivers since 2004.

Koch Industries founded Capital River Relief project, which removed 100,000 pounds of trash from Anacostia and Potomac rivers in Washington, D.C. area.

.004

2005

Koch companies and their employees contributed more than \$3.3 million for hurricane relief in the Gulf Coast.

Keep America Beautiful recognized Koch Industries, Inc. as its Vision for America honoree.

2005

Koch company employees strive to live by a set of values and principles that include integrity, humility, entrepreneurship and respect. Whether a plant worker or an engineer, employees are dedicated to discovering what people value and delivering superior customer service.



As this publication has described, Koch Industries is perhaps best viewed as a collection of capabilities continually searching for new ways to create value in society. Koch companies' ability to apply those capabilities – Market Based Management® and operations, trading, transaction, and public sector excellence – determines their success in providing superior value to customers and adding real value in society.

Koch companies are focused on long-term value creation in a myriad of industries worldwide. Their employees bring a disciplined, strategic approach to these industries, and strive for continuous improvement in compliance and performance. Underlying the management philosophy and its day-to-day execution is the expectation that each Koch company employee will be both entrepreneur and responsible citizen.

The success achieved in the past – and any future success – is a direct result of Koch companies' commitment to live by a set of values that includes integrity, humility, intellectual honesty and respect for others, as well as a commitment to principled entrepreneurship $^{\text{TM}}$.

Koch companies are privately owned. They are deeply connected to communities, customers and employees. These innovative employees practice principled entrepreneurship, which has been Koch's foundation for more than 60 years. This is the framework on which Koch companies will continue to build their future.

Koch Industries, Inc. and its sister company, Koch Holdings, LLC, consists of companies with a global presence. These companies are involved in core industries such as refining and chemicals; chemical technology equipment; trading; minerals; fertilizers; fibers and polymers; forest and consumer products; ranching; securities and finance; as well as in other ventures and investments.

For more information about specific companies, please see the following Web sites:

www.kochind.com
www.fhr.com
www.kochpipeline.com
www.matadorranch.com
www.kochchemtech.com
www.kochcarbon.com
www.kochcarbon.com
www.reissviking.com
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LIVE BY CORE VALUES

CREATE VALUE IN THE MARKETPLACE

ADD VALUE IN COMMUNITIES

