NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter Ended September 30, 2019
(Unaudited, Thousands of Dollars, Except Ratio Data)

NuStar Energy L.P. utilizes financial measures, such as earnings before interest, taxes, depreciation and amortization (EBITDA), distributable cash flow (DCF) and distribution coverage ratio, which are not defined in U.S. generally accepted accounting principles (GAAP). Management believes these financial measures provide useful information to investors and other external users of our financial information because (i) they provide additional information about the operating performance of the partnership's assets and the cash the business is generating, (ii) investors and other external users of our financial statements benefit from having access to the same financial measures being utilized by management and our board of directors when making financial, operational, compensation and planning decisions and (iii) they highlight the impact of significant transactions. We also use adjusted results or results from continuing operations, which may include non-GAAP financial measures, to enhance the comparability of performance across periods.

Our board of directors and management use EBITDA and/or DCF when assessing the following: (i) the performance of our assets, (ii) the viability of potential projects, (iii) our ability to fund distributions, (iv) our ability to fund capital expenditures and (v) our ability to service debt. In addition, our board of directors uses a distribution coverage ratio, which is calculated based on DCF, as one of the factors in its compensation determinations. DCF is a widely accepted financial indicator used by the master limited partnership (MLP) investment community to compare partnership performance. DCF is used by the MLP investment community, in part, because the value of a partnership unit is partially based on its yield, and its yield is based on the cash distributions a partnership can pay its unitholders.

None of these financial measures are presented as an alternative to net income, or for any periods presented reflecting discontinued operations, income from continuing operations. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with GAAP.

1. The following is a reconciliation of income from continuing operations to EBITDA from continuing operations, DCF from continuing operations and distribution coverage ratio from continuing operations.

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
Income from continuing operations	$ 52,588	$ 43,663
Interest expense, net	46,902	44,314
Income tax expense	1,090	2,113
Depreciation and amortization expense	68,548	64,303
EBITDA from continuing operations	169,128	154,393
Interest expense, net	(46,902)	(44,314)
Reliability capital expenditures	(11,838)	(7,100)
Income tax expense	(1,090)	(2,113)
Long-term incentive equity awards (a)	3,111	2,638
Preferred unit distributions	(30,423)	(29,881)
Other items	5,856	3,098
DCF from continuing operations available to common limited partners	$ 87,842	$ 76,721
Distributions applicable to common limited partners	$ 64,660	$ 64,248
Distribution coverage ratio from continuing operations (b)	1.36x	1.19x

The following is a reconciliation of income from continuing operations to EBITDA from continuing operations.

	Year Ended December 31, 2018	Projected for the Year Ended December 31, 2019
Income from continuing operations	$ 146,375	$ 171,000 - 206,000
Interest expense, net	184,398	182,000 - 188,000
Income tax expense	10,157	2,000 - 6,000
Depreciation and amortization expense	255,892	270,000 - 275,000
EBITDA from continuing operations	$ 596,822	$ 625,000 - 675,000

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The following is a reconciliation of net income (loss) to EBITDA, DCF and distribution coverage ratio; therefore, the reconciling items include activity from continuing and discontinued operations on a combined basis.

	Projected for the Year Ended December 31,	
	2019	**2020**
Net income (loss)	$ (137,000 - 107,000)	$ 233,000 - 258,000
Interest expense, net	182,000 - 188,000	190,000 - 200,000
Income tax expense	2,000 - 6,000	2,000 - 7,000
Depreciation and amortization expense	278,000 - 283,000	290,000 - 300,000
EBITDA	325,000 - 370,000	715,000 - 765,000
Interest expense, net	(182,000 - 188,000)	(190,000 - 200,000)
Reliability capital expenditures	(65,000 - 75,000)	(40,000 - 50,000)
Income tax expense	(2,000 - 6,000)	(2,000 - 7,000)
Long-term incentive equity awards (a)	5,000 - 15,000	5,000 - 10,000
Preferred unit distributions	(120,000 - 125,000)	(120,000 - 125,000)
Insurance gain adjustment (c)	18,000	—
Impairment losses and loss on sale (d)	340,000 - 345,000	—
Other items	10,000 - 15,000	10,000 - 20,000
DCF available to common limited partners	$ 329,000 - 369,000	$ 378,000 - 413,000
Distributions applicable to common limited partners	$ 255,000 - 260,000	$ 260,000 - 265,000
Distribution coverage ratio (b)	1.3x - 1.4x	1.4x - 1.6x

The following is a reconciliation of EBITDA to adjusted EBITDA; therefore, the reconciling items include activity from continuing and discontinued operations on a combined basis.

	Projected for the Year Ended December 31, 2019
EBITDA	$ 325,000 - 370,000
Impairment losses and loss on sale (d)	340,000 - 345,000
Adjusted EBITDA	$ 665,000 - 715,000

(a) We intend to satisfy the vestings of these equity-based awards with the issuance of our common units. As such, the expenses related to these awards are considered non-cash and added back to DCF. Certain awards include distribution equivalent rights (DERs). Payments made in connection with DERs are deducted from DCF.

(b) Distribution coverage ratio is calculated by dividing DCF available to common limited partners by distributions applicable to common limited partners.

(c) Each quarter we add an amount to DCF to offset the amount of reliability capital expenditures incurred related to hurricane damage at the St. Eustatius terminal.

(d) Represents non-cash impairment losses associated with long-lived assets and goodwill at the St. Eustatius terminal, as well as the loss on the sale of the St. Eustatius terminal in September, 2019.

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2. The following is the reconciliation for the calculation of our Consolidated Debt Coverage Ratio, as defined in our revolving credit agreement (the Revolving Credit Agreement):

	For the Four Quarters Ended September 30,		Projected for the Year Ended December 31, 2019
	2019	2018	
Net (loss) income	$ (181,975)	$ 228,850	$ (137,000 - 107,000)
Interest expense, net	181,558	187,334	182,000 - 188,000
Income tax expense	4,599	13,117	2,000 - 6,000
Depreciation and amortization expense	285,126	294,168	278,000 - 283,000
EBITDA	289,308	723,469	325,000 - 370,000
Other income (a)	(3,674)	(81,688)	—
Equity awards (b)	12,742	8,026	10,000 - 15,000
Pro forma effect of disposition (c)	335,995	—	300,000 - 305,000
Material project adjustments and other items (d)	95,479	3,424	60,000 - 75,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 729,850	$ 653,231	$ 695,000 - 765,000
Total consolidated debt	$ 3,331,040	$ 3,399,533	$ 3,250,000 - 3,535,000
NuStar Logistics' floating rate subordinated notes	(402,500)	(402,500)	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	(41,476)	(41,476)	(41,500)
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 2,887,064	$ 2,955,557	$ 2,806,000 - 3,091,000
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	3.96x	4.52x	4.0x

(a) Other income is excluded for purposes of calculating Consolidated EBITDA, as defined in the Revolving Credit Agreement.

(b) This adjustment represents the non-cash expense related to the vestings of equity-based awards with the issuance of our common units.

(c) For the four quarters ended September 30, 2019, this adjustment represents the pro forma effects of the sales of our European and St. Eustatius operations as if we had completed the sales on October 1, 2018. For the projected year ended December 31, 2019, this adjustment represents the pro forma effect of the sale of our St. Eustatius operations as if we had completed the sale on January 1, 2019.

(d) This adjustment represents a percentage of the projected Consolidated EBITDA attributable to any Material Project and other noncash items, as defined in the Revolving Credit Agreement.

3. The following are reconciliations of operating income to EBITDA for our reported segments:

	Three Months Ended September 30, 2019		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 87,818	$ 37,906	$ 4,268
Depreciation and amortization expense	41,946	24,386	—
EBITDA	129,764	62,292	4,268

	Three Months Ended September 30, 2018		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 77,021	$ 39,271	$ 1,320
Depreciation and amortization expense	38,790	23,321	—
EBITDA	$ 115,811	$ 62,592	$ 1,320

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4. The following is a reconciliation of income from continuing operations and income (loss) from continuing operations per common unit to income from continuing operations applicable to common limited partners and adjusted income from continuing operations per common unit:

	Three Months Ended September 30,			
	2019		2018	
Income from continuing operations / income (loss) from continuing operations per common unit	$ 52,588	$ 0.15	$ 43,663	$ (3.53)
Income from continuing operations applicable to preferred limited partners and other	(35,622)		(34,385)	
Non-cash charge associated with the merger with our general partner (a)		—		3.62
Income from continuing operations applicable to common limited partners / adjusted income from continuing operations per common unit	$ 16,966	$ 0.15	$ 9,278	$ 0.09

5. The following is a reconciliation of operating income to EBITDA for the Permian Crude System:

	Three Months Ended September 30, 2019
Operating income	$ 17,280
Depreciation and amortization expense	18,114
EBITDA	$ 35,394