NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter and Year Ended December 31, 2018
(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 measures of net income, net income per common unit and EBITDA, which are not defined in GAAP, to remove the effect of significant non-operational items and 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. They should not be considered in isolation or as substitutes for a measure of performance prepared in accordance with GAAP. For purposes of segment reporting, we do not allocate general and administrative expenses to our reported operating segments because those expenses relate primarily to the overall management at the entity level. Therefore, EBITDA reflected in the segment reconciliations exclude any allocation of general and administrative expenses consistent with our policy for determining segmental operating income, the most directly comparable GAAP measure.

1. The following is a reconciliation of EBITDA, DCF and distribution coverage ratio:

	Three Months Ended	Year Ended	Projected for the Year Ended
	December 31, 2018		December 31, 2019
Net income	$ 2,126	$ 205,794	$ 185,000 - 210,000
Interest expense, net	44,704	186,237	195,000 - 205,000
Income tax expense	930	11,408	5,000 - 10,000
Depreciation and amortization expense	74,295	297,874	280,000 - 290,000
EBITDA	122,055	701,313	665,000 - 715,000
Interest expense, net	(44,704)	(186,237)	(195,000) - (205,000)
Reliability capital expenditures	(18,091)	(77,154)	(70,000) - (90,000)
Income tax expense	(930)	(11,408)	(5,000) - (10,000)
Mark-to-market impact of hedge transactions (a)	7	(238)	—
Long-term incentive equity awards (b)	2,892	8,650	5,000 - 10,000
Preferred unit distributions	(30,424)	(92,540)	(120,000) - (125,000)
Insurance gain adjustment (c)	5,407	(44,057)	25,000 - 35,000
Other items (d)	55,083	56,382	—
DCF	$ 91,295	$ 354,711	$ 305,000 - 330,000
Less DCF available to general partner	—	1,141	—
DCF available to common limited partners	$ 91,295	$ 353,570	$ 305,000 - 330,000
Distributions applicable to common limited partners	$ 64,336	$ 248,705	$ 255,000 - 260,000
Distribution coverage ratio (e)	1.42x	1.42x	1.2x - 1.3x

(a) DCF excludes the impact of unrealized mark-to-market gains and losses that arise from valuing certain derivative contracts, as well as the associated hedged inventory. The gain or loss associated with these contracts is realized in DCF when the contracts are settled.

(b) 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.

(c) For the year ended December 31, 2018, DCF includes an adjustment for insurance proceeds received in the first quarter related to hurricane damage at our St. Eustatius terminal. Each quarter, we add an amount to DCF to offset the amount of reliability capital expenditures incurred related to hurricane damage.

(d) Other items include a $43 million non-cash loss from the sale of our European assets in the fourth quarter of 2018.

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

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(Unaudited, Thousands of Dollars, Except Per Unit Data)

2. The following is a reconciliation of EBITDA to adjusted EBITDA:

	Three Months Ended	Year Ended
	December 31, 2018	
EBITDA	$ 122,055	$ 701,313
Gain from hurricane insurance proceeds	—	(78,756)
Loss from sale of European assets	43,366	43,366
Adjusted EBITDA	$ 165,421	$ 665,923

3. The following is a reconciliation of net income and net loss per common unit to adjusted net income applicable to common limited partners and adjusted net income per common unit:

	Three Months Ended		Year Ended	
	December 31, 2018			
Net income / net loss per common unit	$ 2,126	$ (0.31)	$ 205,794	$ (2.77)
Gain from hurricane insurance proceeds	—	—	(78,756)	(0.79)
Loss from sale of European assets	43,366	0.40	43,366	0.44
Adjusted net income	45,492		170,404	
Net income applicable to preferred limited partners and general partner	(34,588)		(101,898)	
Distribution equivalent rights to restricted units	(647)		(2,045)	
Non-cash charge associated with the merger with our general partner (a)	—	—	—	3.79
Adjusted net income applicable to common limited partners / adjusted net income per common unit	$ 10,257	$ 0.09	$ 66,461	$ 0.67

(a) For the year ended December 31, 2018, basic net loss per common unit includes a one-time, non-cash charge of $377.1 million associated with our July 2018 merger with our general partner. This charge did not affect net income, EBITDA or DCF.

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

	Three Months Ended December 31, 2018		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 74,901	$ 34,567	$ 13,326
Depreciation and amortization expense	39,907	32,158	—
EBITDA	$ 114,808	$ 66,725	$ 13,326

	Three Months Ended December 31, 2017		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 52,780	$ 50,308	$ 2,086
Depreciation and amortization expense	36,404	32,068	—
EBITDA	$ 89,184	$ 82,376	$ 2,086

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5. 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):

	Year Ended December 31, 2018	Projected for the Year Ended December 31, 2019
Net income	$ 205,794	$ 185,000 - 210,000
Interest expense, net	186,237	195,000 - 205,000
Income tax expense	11,408	5,000 - 10,000
Depreciation and amortization expense	297,874	280,000 - 290,000
EBITDA	701,313	665,000 - 715,000
Other income (a)	(39,876)	—
Equity awards (b)	10,646	5,000 - 10,000
Pro forma effect of dispositions (c)	(20,458)	—
Material project adjustments and other items (d)	14,258	50,000 - 70,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 665,883	$ 720,000 - 795,000
Total consolidated debt	$ 3,143,240	$ 3,550,000 - 3,850,000
NuStar Logistics' floating rate subordinated notes	(402,500)	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	(41,476)	(41,500)
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 2,699,264	$ 3,106,000 - 3,406,000
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.05x	4.3x

(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) This adjustment represents the pro forma effects of the sale of our European assets as if we had completed the sale on January 1, 2018.

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

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

	Three Months Ended December 31, 2018
Operating income	$ 10,878
Depreciation and amortization expense	16,589
EBITDA	$ 27,467