NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter and Year Ended December 31, 2020
(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 may also adjust these measures and/or calculate them based on continuing operations, to enhance the comparability of our 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 EBITDA, DCF and a distribution coverage ratio, which is calculated based on DCF, as some of the factors in its compensation determinations. DCF is a 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 (loss) from continuing operations to EBITDA from continuing operations, DCF from continuing operations and distribution coverage ratio from continuing operations.

	Three Months Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Income (loss) from continuing operations	$ 15,532	$ 78,408	$ (198,983)	$ 206,834
Interest expense, net	57,896	46,184	229,054	183,070
Income tax expense	2,037	1,186	2,663	4,754
Depreciation and amortization expense	70,884	70,629	285,101	272,924
EBITDA from continuing operations	146,349	196,407	317,835	667,582
Interest expense, net	(57,896)	(46,184)	(229,054)	(183,070)
Reliability capital expenditures	(20,242)	(23,213)	(38,572)	(43,598)
Income tax expense	(2,037)	(1,186)	(2,663)	(4,754)
Long-term incentive equity awards (a)	2,893	3,743	9,295	11,389
Preferred unit distributions	(31,887)	(30,424)	(124,882)	(121,693)
Goodwill impairment loss (b)	—	—	225,000	—
Other items (c)	25,886	7,976	36,967	19,422
DCF from continuing operations	$ 63,066	$ 107,119	$ 193,926	$ 345,278
Distributions applicable to common limited partners	$ 43,787	$ 65,128	$ 174,873	$ 259,136
Distribution coverage ratio from continuing operations (d)	1.44x	1.64x	1.11x	1.33x

(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) Represents a non-cash goodwill impairment charge related to our crude oil pipelines reporting unit.

(c) For the three months and year ended December 31, 2020, other items include a $34.7 million non-cash loss from the sale of our Texas City terminals in December 2020.

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

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2. The following are reconciliations of operating income to EBITDA and adjusted EBITDA for our reported segments.

	Three Months Ended December 31, 2020		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 85,551	$ 49,144	$ 2,472
Depreciation and amortization expense	44,729	23,992	—
EBITDA	$ 130,280	$ 73,136	$ 2,472

	Three Months Ended December 31, 2019		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 98,646	$ 45,883	$ 11,225
Depreciation and amortization expense	43,345	25,078	—
EBITDA	$ 141,991	$ 70,961	$ 11,225

	Year Ended December 31, 2020		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 118,429	$ 189,781	$ 12,233
Depreciation and amortization expense	177,384	99,092	—
EBITDA	295,813	288,873	12,233
Goodwill impairments loss (a)	225,000	—	—
Adjusted EBITDA	$ 520,813	$ 288,873	$ 12,233

	Year Ended December 31, 2019		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 332,480	$ 154,105	$ 20,578
Depreciation and amortization expense	166,991	97,573	—
EBITDA	$ 499,471	$ 251,678	$ 20,578

(a) This adjustment represents a non-cash goodwill impairment charge related to our crude oil pipelines reporting unit.

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3. 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,	
	2020	2019
Operating income	$ 209,102	$ 390,916
Depreciation and amortization expense	285,101	272,924
Goodwill impairment loss (a)	225,000	—
Equity awards (b)	11,477	13,753
Pro forma effect of disposition (c)	(9,102)	—
Material project adjustments and other items (d)	(2,496)	74,681
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 719,082	$ 752,274
Total consolidated debt	$ 3,581,640	$ 3,360,640
NuStar Logistics' floating rate subordinated notes	(402,500)	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	—	(41,476)
Available Cash Netting Amount, as defined in the Revolving Credit Agreement	(128,625)	—
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 3,050,515	$ 2,916,664
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.24x	3.88x

(a) For the year ended December 31, 2020, this adjustment represents a non-cash goodwill impairment charge related to our crude oil pipelines reporting unit.

(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 year ended December 31, 2020, this adjustment represents the pro forma effect of the disposition of the Texas City terminals, as if we had completed the sale on January 1, 2020.

(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.

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4. The following is a reconciliation of EBITDA to adjusted EBITDA.

	Three Months Ended December 31, 2020	Year Ended December 31, 2020
EBITDA	$ 146,349	$ 317,835
Goodwill impairment loss (a)	—	225,000
Loss on sale (b)	34,697	34,697
Loss on extinguishment of debt (c)	—	141,746
Other	—	3,963
Adjusted EBITDA	$ 181,046	$ 723,241

The following is a reconciliation of DCF to adjusted DCF and adjusted distribution coverage ratio.

	Year Ended December 31, 2020
DCF	$ 193,926
Loss on extinguishment of debt (c)	141,746
Adjusted DCF	$ 335,672
Distributions applicable to common limited partners	$ 174,873
Adjusted distribution coverage ratio (d)	1.92x

(a) This adjustment represents a non-cash goodwill impairment charge related to our crude oil pipelines reporting unit.

(b) This adjustment represents the loss on the sale of the Texas City terminals in December 2020.

(c) This adjustment mainly represents a loss associated with the repayment of $500.0 million outstanding on our unsecured term loan credit agreement in the third quarter of 2020.

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