NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter Ended June 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 measures of net income, net income per common unit and EBITDA, which are not defined in GAAP, 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 are reconciliations 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	$ 45,951	$ 29,399	$ (231,912)	$ 155,532
Interest expense, net	45,684	48,936	89,952	96,708
Income tax expense	1,296	2,915	2,579	7,242
Depreciation and amortization expense	67,877	75,864	142,283	147,879
EBITDA	160,808	157,114	2,902	407,361
Interest expense, net	(45,684)	(48,936)	(89,952)	(96,708)
Reliability capital expenditures	(17,632)	(21,913)	(27,176)	(41,795)
Income tax expense	(1,296)	(2,915)	(2,579)	(7,242)
Long-term incentive equity awards (a)	2,168	1,783	4,535	3,120
Preferred unit distributions	(30,423)	(16,245)	(60,846)	(32,235)
Insurance gain adjustment (b)	10,379	10,609	15,512	(55,753)
Impairment losses (c)	8,398	—	336,838	—
Other items	3,037	2,560	5,572	(1,818)
DCF	$ 89,755	$ 82,057	$ 184,806	$ 174,930
Less DCF available to general partner	—	—	—	1,141
DCF available to common limited partners	$ 89,755	$ 82,057	$ 184,806	$ 173,789
Distributions applicable to common limited partners	$ 64,658	$ 64,205	$ 129,348	$ 120,121
Distribution coverage ratio (d)	1.39x	1.28x	1.43x	1.45x

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	Projected for the Year Ended December 31, 2019
Net loss	$ (127,000 - 102,000)
Interest expense, net	180,000 - 190,000
Income tax expense	5,000 - 10,000
Depreciation and amortization expense	270,000 - 280,000
EBITDA	328,000 - 378,000
Interest expense, net	(180,000) - (190,000)
Reliability capital expenditures	(60,000) - (80,000)
Income tax expense	(5,000) - (10,000)
Long-term incentive equity awards (a)	5,000 - 10,000
Preferred unit distributions	(120,000) - (125,000)
Insurance gain adjustment (b)	15,000 - 20,000
Impairment losses (c)	337,000
Other items	5,000 - 15,000
DCF available to common limited partners	$ 325,000 - 355,000
Distributions applicable to common limited partners	$ 255,000 - 260,000
Distribution coverage ratio (d)	1.3x - 1.4x

(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) For the six months ended June 30, 2018, DCF includes an adjustment for insurance proceeds received 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.

(c) Represents non-cash impairment losses associated with long-lived assets and goodwill at our St. Eustatius terminal.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,		Projected for the Year Ended December 31, 2019
	2019	2018	2019	2018	
EBITDA	$ 160,808	$ 157,114	$ 2,902	$ 407,361	$ 328,000 - 378,000
Impairment losses	8,398	—	336,838	—	337,000
Gain from hurricane insurance proceeds	—	—	—	(78,756)	—
Adjusted EBITDA	$ 169,206	$ 157,114	$ 339,740	$ 328,605	$ 665,000 - 715,000

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

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

	Three Months Ended June 30,			
	2019		2018	
Net income / net income per common unit	$ 45,951	$ 0.10	$ 29,399	$ 0.15
Impairment loss	8,398	0.08	—	—
Adjusted net income	54,349		29,399	
Net income applicable to preferred limited partners, general partner and other	(35,511)		(15,694)	
Adjusted net income applicable to common limited partners / adjusted net income per common unit	$ 18,838	$ 0.18	$ 13,705	$ 0.15

	Six Months Ended June 30,			
	2019		2018	
Net (loss) income / net (loss) income per common unit	$ (231,912)	$ (2.81)	$ 155,532	$ 1.30
Impairment losses	336,838	3.13	—	—
Gain from hurricane insurance proceeds	—	—	(78,756)	(0.82)
Adjusted net income	104,926		76,776	
Net income applicable to preferred limited partners, general partner and other	(70,879)		(32,748)	
Adjusted net income applicable to common limited partners / adjusted net income per common unit	$ 34,047	$ 0.32	$ 44,028	$ 0.48

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

	Three Months Ended June 30, 2019		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 78,712	$ 38,098	$ 3,160
Depreciation and amortization expense	40,851	24,140	—
EBITDA	119,563	62,238	3,160

	Three Months Ended June 30, 2018		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 62,979	$ 38,781	$ 3,536
Depreciation and amortization expense	38,591	23,186	—
EBITDA	$ 101,570	$ 61,967	$ 3,536

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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):

	For the Four Quarters Ended June 30, 2019	For the Four Quarters Ended June 30, 2018	Projected for the Year Ended December 31, 2019
Net (loss) income	$ (181,650)	$ 219,306	$ (127,000 - 102,000)
Interest expense, net	179,481	187,765	180,000 - 190,000
Income tax expense	6,745	12,624	5,000 - 10,000
Depreciation and amortization expense	292,278	287,646	270,000 - 280,000
EBITDA	296,854	707,341	328,000 - 378,000
Impairment losses (a)	336,838	—	—
Other expense (income) (b)	38,709	(75,642)	—
Equity awards (c)	12,140	7,292	5,000 - 10,000
Pro forma effect of disposition (d)	(7,638)	—	295,000 - 305,000
Material project adjustments and other items (e)	79,901	(1,637)	50,000 - 70,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 756,804	$ 637,354	$ 678,000 - 763,000
Total consolidated debt	$ 3,429,740	$ 3,454,998	$ 3,250,000 - 3,550,000
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	$ 2,985,764	$ 3,011,022	$ 2,806,000 - 3,106,000
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	3.95x	4.72x	4.1x

(a) Represents non-cash impairment losses associated with long-lived assets and goodwill at our St. Eustatius terminal.

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

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

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

(e) 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.