# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 8-K

## **CURRENT REPORT**

# Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 7, 2018

# NuStar Energy L.P.

(Exact name of registrant as specified in its charter)

001-16417

(Commission File Number)

74-2956831 (I.R.S. Employer Identification No.)

19003 IH-10 West

San Antonio, Texas 78257

(Address of principal executive offices)

(210) 918-2000

(Registrant's telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Delaware

(State or other jurisdiction of incorporation)

### Item 2.02 Results of Operations and Financial Condition.

On August 7, 2018, NuStar Energy L.P., a Delaware limited partnership, issued a press release announcing financial results for the quarter ended June 30, 2018. A copy of the press release announcing the financial results is furnished with this report as Exhibit 99.01 and is incorporated herein by reference.

Exhibit

### Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

**Exhibit Number** 

Press Release dated August 7, 2018.

Exhibit 99.01

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

## NUSTAR ENERGY L.P.

By: Riverwalk Logistics, L.P. its general partner

> By: NuStar GP, LLC its general partner

> > By:

Date: August 7, 2018

/s/ Amy L. Perry Name: Amy L. Perry Title: Senior Vice President, General Counsel-Corporate & Commercial Law and Corporate Secretary

#### NuStar Energy L.P. Announces 12% Increase in Second Quarter 2018 Net Income

#### Second Quarter 2018 Distributable Cash Flow Increases 36%

#### Permian Crude System Throughput Volumes Exit July at Over 300,000 Barrels Per Day

#### \$600 Million Equity Financing and Merger of General Partner Completed

**SAN ANTONIO, August 7, 2018** – For the second quarter of 2018, NuStar Energy L.P. (NYSE: NS) reported net income applicable to common limited partners of \$13.7 million, or \$0.15 per unit, up \$9.3 million from \$4.4 million in the second quarter 2017, while earnings before interest, taxes, depreciation and amortization (EBITDA) were \$157.1 million, up 11% from \$141.1 million for the second quarter 2017.

Distributable Cash Flow (DCF) available to common limited partners was \$82.1 million for the second quarter of 2018, up \$21.8 million or 36% compared to \$60.3 million in the second quarter of 2017. The distribution coverage ratio to the common limited partners for the second quarter of 2018 was 1.28 times, and 1.45 times for the six months ended June 30, 2018.

"Our Permian Crude System continues to grow and perform and was the primary contributor to a strong second quarter for NuStar. During the second quarter of 2018, the Permian Crude System averaged pipeline receipts of over 266,000 barrels per day (BPD) and exited July at over 300,000 BPD. Since our acquisition of the Permian Crude System in May of 2017 volumes are up 140%, significantly higher than the overall growth in the Permian basin of 46% during the same period. Based on our producers' expectations, we expect our Permian Crude System to continue to drive our partnership's growth and exit 2018 between approximately 360,000 and 380,000 BPD," said Brad Barron, President and Chief Executive Officer of NuStar Energy L.P.

#### **Completed Merger with General Partner**

"On July 20, 2018, we completed the merger with our general partner. By simplifying our corporate structure and eliminating the incentive distribution rights, we immediately lowered our cost of capital, which will allow us to build on the strength of our superior asset base with less dependence on the capital markets," said Barron. "We also created a more efficient and transparent structure, which was a key component of our comprehensive plan to position NuStar for long-term financial strength and allow us to successfully de-lever and deliver strong, sustainable distribution coverage in the future."

#### Completed \$600 million of Equity Financing

"In two separate closings, one in late June and the second in early July, we closed on the private placement of \$590 million of Series D cumulative convertible preferred units. In late June, we also closed on the issuance of \$10 million of common units to Bill Greehey, our chairman. We used the net proceeds from these transactions to pay down borrowings under our revolver, which allowed us to significantly improve our leverage metrics," said Barron.

### **Conference Call Details**

A conference call with management is scheduled for 10:00 a.m. CT today, August 7, 2018, to discuss the financial and operational results for the second quarter of 2018. The conference call may be accessed by dialing toll-free 844/889-7787, reservation passcode 6187415. International callers may access the conference call by dialing 661/378-9931, reservation passcode 6187415. The Partnership intends to have a playback available following the conference call, which may be accessed by dialing toll-free 855/859-2056, reservation passcode 6187415. International callers may access the playback by dialing 404/537-3406, reservation passcode 6187415. The playback will be available until 1:00 p.m. CT on September 6, 2018.

Investors interested in listening to the live presentation or a replay via the internet may access the presentation directly at https://edge.mediaserver.com/m6/p/rtc4vkz9 or by logging on to NuStar Energy L.P.'s website at www.nustarenergy.com.

The discussion will disclose certain non-GAAP financial measures. Reconciliations of certain of these non-GAAP financial measures to U.S. GAAP may be found in this press release, with additional reconciliations located on the Financials page of the Investors section of NuStar Energy L.P.'s website at www.nustarenergy.com.

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NuStar Energy L.P., a publicly traded master limited partnership based in San Antonio, is one of the largest independent liquids terminal and pipeline operators in the nation. NuStar currently has more than 9,700 miles of pipeline and 82 terminal and storage facilities that store and distribute crude oil, refined products and specialty liquids. The partnership's combined system has more than 97 million barrels of storage capacity, and NuStar has operations in the United States, Canada, Mexico, the Netherlands, including St. Eustatius in the Caribbean, and the United Kingdom. For more information, visit NuStar Energy L.P.'s website at www.nustarenergy.com.

This release serves as qualified notice to nominees under Treasury Regulation Sections 1.1446-4(b)(4) and (d). Please note that 100% of NuStar Energy L.P.'s distributions to foreign investors are attributable to income that is effectively connected with a United States trade or business. Accordingly, all of NuStar Energy L.P.'s distributions to foreign investors are subject to federal income tax withholding at the highest effective tax rate for individuals and corporations, as applicable. Nominees, and not NuStar Energy L.P., are treated as the withholding agents responsible for withholding on the distributions received by them on behalf of foreign investors.

#### Cautionary Statement Regarding Forward-Looking Statements

This press release includes, and the related conference call will include, forward-looking statements regarding future events, such as the partnership's future performance. All forward-looking statements are based on the partnership's beliefs as well as assumptions made by and information currently available to the partnership. These statements reflect the partnership's current views with respect to future events and are subject to various risks, uncertainties and assumptions. These risks, uncertainties and assumptions are discussed in NuStar Energy L.P.'s 2017 annual report on Form 10-K and subsequent filings with the Securities and Exchange Commission. Actual results may differ materially from those described in the forward-looking statements.

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## NuStar Energy L.P. and Subsidiaries Consolidated Financial Information (Unaudited, Thousands of Dollars, Except Unit and Per Unit Data)

	Three Months Ended June 30,			Six Months Ended June 30,				
		2018 2017		2017	2018		2017	
Statement of Income Data:								
Revenues:								
Service revenues	\$	302,131	\$	283,700	\$	593,544	\$	550,162
Product sales		184,073		151,788		368,541		372,756
Total revenues		486,204		435,488		962,085		922,918
Costs and expenses:								
Costs associated with service revenues:								
Operating expenses (excluding depreciation and amortization expense)		131,672		116,400		240,556		217,426
Depreciation and amortization expense		73,613		65,402		143,510		120,073
Total costs associated with service revenues		205,285		181,802		384,066		337,499
Cost of product sales		170,849		144,479		347,577		352,285
General and administrative expenses		27,981		33,604		47,755		58,199
Other depreciation and amortization expense		2,251		2,199		4,369		4,392
Total costs and expenses		406,366		362,084		783,767		752,375
Operating income		79,838		73,404		178,318		170,543
Interest expense, net		(48,936)		(45,612)		(96,708)		(82,026)
Other income, net		1,412		88		81,164		228
Income before income tax expense		32,314		27,880		162,774		88,745
Income tax expense		2,915		1,630		7,242		4,555
Net income	\$	29,399	\$	26,250	\$	155,532	\$	84,190
Net income applicable to common limited partners	\$	13,705	\$	4,364	\$	121,200	\$	42,816
Basic net income per common unit	\$	0.15	\$	0.05	\$	1.30	\$	0.51
Basic weighted-average common units outstanding		93,192,238		90,345,469		93,187,038		84,526,506
Other Data (Note 1):								
EBITDA	\$	157,114	\$	141,093	\$	407,361	\$	295,236
DCF available to common limited partners	\$	82,057	\$	60,267	\$	173,789	\$	149,209
			June 30,		December 31,			
				2018	,	2017		2017
				2010		-01/		-01/

	2010		2017		2017	
Balance Sheet Data:						
Total debt	\$	3,443,366	\$	3,521,939	\$	3,648,059
Partners' equity and series D preferred units	\$	2,827,188	\$	2,501,049	\$	2,480,089

## NuStar Energy L.P. and Subsidiaries Consolidated Financial Information - Continued (Unaudited, Thousands of Dollars, Except Barrel Data)

ParticleParticleParticleParticleParticleRefined potch pinelins many functional strong planes many functional strong		 Three Months Ended June 30,			Six Months Ended June 30,			
Refined products pipelines throughput (harrels/day)557,740531,529548,910522,820Crude of pipelines throughput (harrels/day)1,405,3141,609,7111,615,4701,616,4781,006,720Throughput and other revenues\$1,60,270\$1,267,40\$2,87,066\$2,47,900Operating expenses48,70640,1099,10,477,22,719,00,477,22,719,00,4755,26,66\$1,17,86Segment operating income\$6,20,79\$5,26,66\$1,27,73\$3,17,8923,26,82,737,52,465,86,317Throughput threadeday)331,9173,37,1813,37,8923,36,8233,26,82,737,52,465,86,3177,24,615,86,3177,24,615,86,3277,37,8923,26,82,737,52,465,86,32,737,52,465,86,3277,82,422,86,3737,82,423,36,9233,26,82,933,36,9233,26,82,933,26,82,933,12,774,42,813,14,733,14,733,14,733,14,6931,25,22,202,26,21 <th></th> <th> 2018</th> <th></th> <th>2017</th> <th></th> <th>2018</th> <th></th> <th>2017</th>		 2018		2017		2018		2017
Crude all pipelines throughput (barrels/day)839,574550,102815,569443,909Tota throughput (and bdr revenues)\$1.405,3141.087,7131.36,4781.006,729Operating expenses48,70640,197\$297,066\$247,900Operating expenses30,59133,67575,24656,813Segment operating income\$30,59133,75133,78232,62,37Throughput darrels/day)331,917337,518337,892326,527Throughput terminal revenues\$20,141\$22,122\$40,157\$Sorage terminal revenues137,409136,437222,62123,178305,990Operating expenses77,460158,559314,009132,922Segment operating income\$441,144\$550,609112,920Operating expenses77,50466,5165109,045\$109,089Operating expenses77,5966,516135,751237,66,20137,66,201Segment operating income\$2,904\$2,809\$36,521\$Produr sales and other revenue\$180,473\$35,61237,66,201Cost of product sales172,724147,01335,140135,762Cost of product sales1,8776,926\$4,92019,908Cost of product sales1,875\$3,621\$3,6221Cost of product sales1,875\$3,621\$3,	Pipeline:							
Total throughput (harrels/day)     1,465,314     1,069,711     1,364,478     1,006,729       Throughput and other revenues     \$     190,276     \$     126,470     \$     287,066     \$     247,980       Operating expenses     48,706     40,197     91,047     73,271       Depreciation and anontization expense     30,591     33,675     75,246     56,613       Segment operating income     \$     62,979     \$     52,868     \$     120,773     \$     117,896       Storage:     Throughput (barrels/day)     331,917     337,518     337,992     265,327       Throughput (barrels/day)     331,917     337,518     337,992     265,327       Throughput terminal revenues     \$     20,141     \$     22,122     \$     40,157     \$     42,812       Storage terminal revenues     \$     137,409     136,457     222,621     263,728       Operating expenses     78,244     70,783     144,069     132,922     29,824     35,620     59,9290     100,445     50,605     149,200     19,	Refined products pipelines throughput (barrels/day)	565,740		531,529		548,910		522,820
Throughpat and other revenues     S     150,276     S     126,740     S     287,960     S     247,980       Operating expenses     48,076     40,077     31,677     75,246     56,813       Begment operating income     S     62,6279     S     52,826     S     120,773     S     11,733       Throughput charrels/day)     331,917     337,918     337,929     26,817     S     42,812       Storage     137,309     136,437     22,621     26,3178     305,990       Operating expenses     137,409     158,559     312,778     305,990       Operating expenses     78,244     70,703     141,609     122,922       Segment operating income     S     44,144     S     56,049     S     109,455     S     109,909       Operating expenses     244,144     S     56,049     S     109,455     S     109,909       Operating expenses     244,144     S     56,050     14,920     37,620       Cost of proroburt sales     104 rott     S	Crude oil pipelines throughput (barrels/day):	839,574		558,182		815,568		483,909
Operating expenses     48,706     40,197     91,047     73,271       Depreciation and amotization expense     38,591     33,655     75,246     56,813       Segment operating income     \$     62,979     \$     \$32,665     75,246     56,813       Storage:     Throughput (barrels/day)     331,917     337,518     337,892     326,327       Throughput (barrels/day)     331,917     337,518     337,892     326,327       Storage terminal revenues     \$     20,141     \$     22,122     \$     40,157     \$     42,812       Storage terminal revenues     157,450     158,559     312,778     305,990     0perating expenses     10,0408     \$     109,080	Total throughput (barrels/day)	1,405,314		1,089,711		1,364,478		1,006,729
Depreciation and amortization expense38,59133,67575,24656,813Segment operating income\$62,2979\$52,0868\$120,773\$117,086Storage:331,917337,518337,922326,52777320,51277320,52777320,5127320,52777320,52777320,52777320,52777320,52777320,52777320,52777320,52777320,52777305,90077777305,90077305,90077305,90077305,90077305,9007305,900312,972312,972312,972312,972312,972312,972312,972315,920314,920315,920314,920315,920314,920315,921314,920315,921314,920315,921 </td <td>Throughput and other revenues</td> <td>\$ 150,276</td> <td>\$</td> <td>126,740</td> <td>\$</td> <td>287,066</td> <td>\$</td> <td>247,980</td>	Throughput and other revenues	\$ 150,276	\$	126,740	\$	287,066	\$	247,980
Segment operating income     \$     62.979     \$     52,866     \$     120,773     \$     117,896       Storage:     337,191     337,191     337,192     337,892     366,327       Throughput terminal revenues     \$     20,114     \$     22,122     \$     40,157     \$     42,812       Storage terminal revenues     137,309     136,437     227,621     263,173     305,990       Optrating exponses     78,244     70,783     144,069     132,222       Depreciation and amotrization expense     35,022     31,277     682,644     63,260       Segment operating income     \$     180,483     \$     153,918     \$     366,521     \$     109,808       Fuels Marketing:     77.99     6,605     141,409     135,7612     351,610     35,612     37,612     35,612     37,612     36,620     \$     109,808     \$     366,621     \$     37,612     35,612     \$     37,612     \$     36,612     \$     37,612     \$     36,612     \$     37,612	Operating expenses	48,706		40,197		91,047		73,271
Storage:     331,917     337,518     337,922     326,327       Throughput Iterris/day)     331,917     337,518     337,922     326,327       Throughput terrinal revenues     \$     20,141     \$     22,122     \$     40,157     \$     42,812       Storage terrinal revenues     117,309     136,437     272,621     263,178     305,990       Operating expenses     78,244     70,783     144,069     132,222       Depreciation and amontization expense     35,022     31,727     68,264     63,260       Segment operating income     \$     140,413     \$     153,918     \$     366,321     \$     37,6620       Cost of product sales     172,724     147,013     351,401     357,612     37,612       Gross margin     77,79     6,605     14,920     190,008       Operating expenses     4,855     6,616     5,696     13,579       Segment operating income     \$     2,2004     \$     2,899     \$     9,224     \$     5,429     \$       Cost of pro	Depreciation and amortization expense	 38,591		33,675		75,246	_	56,813
Throughput (barrels/day)   331,917   337,518   337,892   326,327     Throughput terminal revenues   \$   20,141   \$   22,122   \$   40,157   \$   42,812     Storage terminal revenues   137,309   136,437   272,621   263,178     Total revenues   157,680   158,559   312,778   305,990     Operating expenses   78,244   70,783   144,069   132,292     Operating income   \$   35,022   31,727   68,264   63,260     Segment operating income   \$   180,483   \$   51,3918   \$   366,321   \$   109,808     Product sales and other revenue   \$   180,483   \$   153,918   \$   366,321   \$   109,808     Operating expenses   \$   180,483   \$   153,918   \$   366,321   \$   109,808     Segment operating income   \$   180,483   \$   50,905   141,920   19,008     Operating expenses   \$   180,483   \$   28,904   \$   38,912   \$   5,229   \$   5,229	Segment operating income	\$ 62,979	\$	52,868	\$	120,773	\$	117,896
Inroughput terminal revenues\$20,141\$22,122\$40,157\$42,812Storage terminal revenues137,309136,437272,621263,178Total revenues157,450158,559312,778305,990Operating expenses78,22470,733144,069132,322Depreciation and amortization expense836,02231,72768,26463,260Segment operating income\$44,184\$56,049\$109,808Fuel Marketing:77,5969,055144,20219,008Ordout sales and other revenue\$127,274147,013351,401357,612Gross margin77,596,05514,92019,008Operating expenses4,8356,6165,06913,579Segment operating income\$2,904\$2,828\$9,224Revenues\$(2,055)\$(3,729)\$(4,080)\$(7,672)Cost of product sales(1,877)(2,534)(3,824)(5,327)(2,346)\$(2,346)Total836,021\$11,640(240,556\$(2,346)\$(2,346)Cost of product sales(1,875)116,400\$(2,454)\$(2,346)\$(2,346)Total8486,204\$435,248\$962,085\$922,918(2,346)\$(2,346)\$(2,346)\$(2,346)Operating expenses131,672	Storage:							
Storage terminal revenues     137,309     136,437     272,621     263,178       Total revenues     157,450     158,559     312,778     305,990       Operating expenses     76,244     70,783     144,069     132,922       Depreciation and amoritization expense     35,022     31,727     68,264     63,260       Segment operating income     S     44,848     5     50,045     5     49,004     5     306,920       Product sales and other revenue     S     180,483     S     153,918     S     366,321     S     376,620       Gross margin     77,759     6,005     14,920     19,008       Operating expenses     4,855     56,616     5,696     13,579       Segment operating income     S     2,904     S     9,224     S     5,429       Cost of product sales     (1,875)     (2,534)     (3,824)     (5,537)     (2,546)       Total     S     2,004     S     435,488     S     96,2085     S     92,214     (5,247)       Opera	Throughput (barrels/day)	331,917		337,518		337,892		326,327
Total revenues     157,450     158,559     312,778     305,990       Operating expenses     78,244     70,783     144,069     132,922       Depreciation and amortization expense     35,022     31,727     68,264     63,260       Segment operating income     \$     44,184     \$     56,049     \$     100,445     \$     109,0455       Puels Marketing:     Product sales and other revenue     \$     180,483     \$     153,918     \$     366,321     \$     376,620       Cost of product sales     172,724     147,013     351,401     357,612     19,008       Operating expenses     4,855     6,616     5,696     13,579     19,008       Operating expenses     4,855     6,616     5,696     13,579       Segment operating income     \$     2,904     \$     36,224     \$     5,429       Consolidation and Intersegment Eliminations:     Revenues     \$     (2,050)     \$     (3,729)     \$     (4,080)     \$     (5,277)       Cost of product sales     (1,1875)     <	Throughput terminal revenues	\$ 20,141	\$	22,122	\$	40,157	\$	42,812
Operating expenses     Number of the second	Storage terminal revenues	137,309		136,437		272,621		263,178
Depreciation and amortization expense     35,022     31,727     68,264     63,260       Segment operating income     \$     44,184     \$     56,049     \$     100,445     \$     109,808       Fuels Marketing:	Total revenues	157,450		158,559		312,778		305,990
Segment operating income     \$     44,184     \$     56,049     \$     100,445     \$     109,808       Fuels Marketing:	Operating expenses	78,244		70,783		144,069		132,922
Fuels Marketing:     Image: Fuels Marketin	Depreciation and amortization expense	35,022		31,727		68,264		63,260
Product sales and other revenue     \$     180,483     \$     153,918     \$     366,321     \$     376,620       Cost of product sales     172,724     147,013     351,401     357,612       Gross margin     7,759     6,905     14,920     19,008       Operating expenses     4,855     6,616     5,696     13,579       Segment operating income     \$     2,904     \$     289     9,224     \$     5,429       Consolidation and Intersegment Eliminations:      (1,875)     (2,534)     (4,080)     \$     (7,672)       Cost of product sales     (1,875)     (2,534)     (3,824)     (5,327)       Operating expenses     (1,37)     (2,534)     (3,824)     (5,327)       Operating expenses     (1,37)     (2,534)     (3,824)     (5,327)       Total     \$     3     1     \$     -     16,300       Revenues     \$     486,204     \$     435,488     \$     962,085     \$     922,918       Cost associated with service revenues:	Segment operating income	\$ 44,184	\$	56,049	\$	100,445	\$	109,808
Cost of product sales     172,724     147,013     351,401     357,612       Gross margin     7,759     6,905     14,920     19,008       Operating expenses     4,855     6,616     5,696     13,579       Segment operating income     \$ 2,904     \$ 289     \$ 9,224     \$ 5,429       Consolidation and Intersegment Eliminations:      (1,875)     (2,534)     (3,824)     (5,327)       Cost of product sales     (1,875)     (2,534)     (3,824)     (5,327)       Operating expenses     (1,33)     (1,196)     (256)     (2,346)       Total     \$ 3<	Fuels Marketing:							
Gross margin     7,759     6,905     14,920     19,008       Operating expenses     4,855     6,616     5,696     13,579       Segment operating income     \$     2,904     \$     289     \$     9,224     \$     5,429       Consolidation and Intersegment Eliminations:       5     (2,005)     \$     (3,729)     \$     (4,080)     \$     (7,672)       Cost of product sales     (1,875)     (2,534)     (3,824)     (5,327)     Operating expenses     (133)     (1,196)     (256)     (2,346)       Total     \$     3     \$     1     \$     -     \$     1       Revenues     \$     486,204     \$     435,488     \$     962,085     \$     922,918       Costs associated with service revenues:      116,400     240,556     217,426       Depreciation and amortization expense     73,613     65,402     143,510     120,073       Total costs associated with service revenues     205,285     181,802     384,066     337,499 <t< td=""><td>Product sales and other revenue</td><td>\$ 180,483</td><td>\$</td><td>153,918</td><td>\$</td><td>366,321</td><td>\$</td><td>376,620</td></t<>	Product sales and other revenue	\$ 180,483	\$	153,918	\$	366,321	\$	376,620
Operating expenses $4.855$ $6.616$ $5.696$ $13.579$ Segment operating income\$ $2.904$ \$ $2.89$ \$ $9.224$ \$ $5.429$ Consolidation and Intersegment Eliminations:Revenues\$ $(2.005)$ \$ $(3.729)$ \$ $(4.080)$ \$ $(7.672)$ Cost of product sales $(1.875)$ $(2.534)$ $(3.824)$ $(5.327)$ Operating expenses $(1.33)$ $(1.196)$ $(256)$ $(2.346)$ Total\$3\$1\$-\$Consolidated Information:\$3\$1\$-\$1Revenues\$ $486.204$ \$ $435.488$ \$ $962.085$ \$ $922.918$ Costs associated with service revenues:131.672116.400 $240.556$ $217.426$ Depreciation and amortization expense $205.285$ $181.802$ $384.066$ $337.499$ Cost of product sales110.070109.207 $230.442$ $233.134$ General and administrative expenses $27.981$ $33.604$ $47.755$ $58.199$ Other depreciation and amortization expense $27.981$ $33.604$ $47.755$ $58.199$	Cost of product sales	172,724		147,013		351,401		357,612
Segment operating income     \$     2,904     \$     289     \$     9,224     \$     5,429       Consolidation and Intersegment Eliminations:          5,429       Revenues     \$     (2,005)     \$     (3,729)     \$     (4,080)     \$     (7,672)       Cost of product sales     (1,875)     (2,534)     (3,824)     (5,327)       Operating expenses     (133)     (1,196)     (256)     (2,346)       Total     \$     3     \$     1     \$     -     \$     1       Revenues     \$     486,204     \$     435,488     \$     962,085     \$     922,918       Costs associated with service revenues:        116,400     240,556     217,426       Depreciation and amortization expense     73,613     65,402     143,510     120,073       Total costs associated with service revenues     205,285     181,802     384,066     337,499       Cost of product sales     170,849     144,479     347,577 <td>Gross margin</td> <td>7,759</td> <td></td> <td>6,905</td> <td></td> <td>14,920</td> <td></td> <td>19,008</td>	Gross margin	7,759		6,905		14,920		19,008
Consolidation and Intersegment Eliminations:     Image: Consolidation and Intersegment Eliminations:     Image: Consolidation and Intersegment Eliminations:       Revenues     \$     (2,005)     \$     (3,729)     \$     (4,080)     \$     (7,672)       Cost of product sales     (1,875)     (2,534)     (3,824)     (5,327)       Operating expenses     (133)     (1,196)     (256)     (2,346)       Total     \$     3     \$     1     \$	Operating expenses	4,855		6,616		5,696		13,579
Revenues\$(2,005)\$(3,729)\$(4,080)\$(7,672)Cost of product sales(1,875)(2,534)(3,824)(5,327)Operating expenses(133)(1,196)(256)(2,346)Total\$3\$1\$-\$1Consolidated Information:****1**1Revenues\$486,204\$435,488\$962,085\$922,918Costs associated with service revenues:**116,400240,556217,426Operating expenses131,672116,400240,556217,426Depreciation and amortization expense73,61365,402143,510120,073Total costs associated with service revenues205,285181,802384,066337,499Cost of product sales110,070109,207230,442233,134General and administrative expenses27,98133,60447,75558,199Other depreciation and amortization expense2,2512,1994,3694,369	Segment operating income	\$ 2,904	\$	289	\$	9,224	\$	5,429
Cost of product sales   (1,875)   (2,534)   (3,824)   (5,327)     Operating expenses   (133)   (1,196)   (256)   (2,346)     Total   \$ 3   \$ 1   \$   \$ 1     Consolidated Information:   *    \$ 1     Revenues   \$ 486,204   \$ 435,488   \$ 962,085   \$ 922,918     Costs associated with service revenues:   *   *   *   *   *     Operating expenses   131,672   116,400   240,556   217,426     Depreciation and amortization expense   73,613   65,402   143,510   120,073     Total costs associated with service revenues   205,285   181,802   384,066   337,499     Cost of product sales   170,849   144,479   347,577   352,285     Segment operating income   110,070   109,207   230,442   233,134     General and administrative expenses   27,981   33,604   47,755   58,199     Other depreciation and amortization expense   2,251   2,199   4,369   4,332	Consolidation and Intersegment Eliminations:							
Operating expenses(133)(1,196)(256)(2,346)Total\$31\$ $$ \$1Consolidated Information:Revenues\$486,204\$435,488\$962,085\$922,918Costs associated with service revenues:\$131,672116,400240,556217,426Operating expenses131,672116,400240,556217,426Depreciation and amortization expense73,61365,402143,510120,073Total costs associated with service revenues205,285181,802384,066337,499Cost of product sales170,849144,479347,577352,285Segment operating income110,070109,207230,442233,134General and administrative expenses27,98133,60447,75558,199Other depreciation and amortization expense2,2512,1994,3694,369	Revenues	\$ (2,005)	\$	(3,729)	\$	(4,080)	\$	(7,672)
Total     \$     3     \$     1     \$      \$     1       Consolidated Information:       Revenues     \$     486,204     \$     435,488     \$     962,085     \$     922,918       Costs associated with service revenues:       116,400     240,556     217,426       Depreciation and amortization expense     73,613     65,402     143,510     120,073       Total costs associated with service revenues     205,285     181,802     384,066     337,499       Cost of product sales     170,849     144,479     347,577     352,285       Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Cost of product sales	(1,875)		(2,534)		(3,824)		(5,327)
Consolidated Information:     Revenues     \$     486,204     \$     435,488     \$     962,085     \$     922,918       Costs associated with service revenues:      131,672     116,400     240,556     217,426       Depreciation and amortization expense     73,613     65,402     143,510     120,073       Total costs associated with service revenues     205,285     181,802     384,066     337,499       Cost of product sales     170,849     144,479     347,577     352,285       Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Operating expenses	(133)		(1,196)		(256)		(2,346)
Revenues\$486,204\$435,488\$962,085\$922,918Costs associated with service revenues:Operating expensesDepreciation and amortization expense73,61365,402143,510120,073Total costs associated with service revenues205,285181,802384,066337,499Cost of product sales170,849144,479347,577352,285Segment operating income110,070109,207230,442233,134General and administrative expenses27,98133,60447,75558,199Other depreciation and amortization expense2,2512,1994,3694,392	Total	\$ 3	\$	1	\$	—	\$	1
Costs associated with service revenues:   131,672   116,400   240,556   217,426     Depreciation and amortization expense   73,613   65,402   143,510   120,073     Total costs associated with service revenues   205,285   181,802   384,066   337,499     Cost of product sales   170,849   144,479   347,577   352,285     Segment operating income   110,070   109,207   230,442   233,134     General and administrative expenses   27,981   33,604   47,755   58,199     Other depreciation and amortization expense   2,251   2,199   4,369   4,392	Consolidated Information:							
Operating expenses     131,672     116,400     240,556     217,426       Depreciation and amortization expense     73,613     65,402     143,510     120,073       Total costs associated with service revenues     205,285     181,802     384,066     337,499       Cost of product sales     170,849     144,479     347,577     352,285       Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Revenues	\$ 486,204	\$	435,488	\$	962,085	\$	922,918
Depreciation and amortization expense     73,613     65,402     143,510     120,073       Total costs associated with service revenues     205,285     181,802     384,066     337,499       Cost of product sales     170,849     144,479     347,577     352,285       Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Costs associated with service revenues:							
Total costs associated with service revenues     205,285     181,802     384,066     337,499       Cost of product sales     170,849     144,479     347,577     352,285       Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Operating expenses	131,672		116,400		240,556		217,426
Cost of product sales     170,849     144,479     347,577     352,285       Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Depreciation and amortization expense	73,613		65,402		143,510		120,073
Segment operating income     110,070     109,207     230,442     233,134       General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Total costs associated with service revenues	205,285		181,802	1	384,066		337,499
General and administrative expenses     27,981     33,604     47,755     58,199       Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Cost of product sales	170,849		144,479		347,577		352,285
Other depreciation and amortization expense     2,251     2,199     4,369     4,392	Segment operating income	110,070		109,207		230,442	-	233,134
	General and administrative expenses	27,981		33,604		47,755		58,199
Consolidated operating income     \$     79,838     \$     73,404     \$     178,318     \$     170,543	Other depreciation and amortization expense	2,251		2,199		4,369		4,392
	Consolidated operating income	\$ 79,838	\$	73,404	\$	178,318	\$	170,543

#### NuStar Energy L.P. and Subsidiaries Consolidated Financial Information - Continued (Unaudited, Thousands of Dollars, Except Ratio Data)

**Note 1:** 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.

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

	 Three Months Ended June 30,			Six Months Ended June 30,			
	 2018		2017		2018		2017
Net income	\$ 29,399	\$	26,250	\$	155,532	\$	84,190
Interest expense, net	48,936		45,612		96,708		82,026
Income tax expense	2,915		1,630		7,242		4,555
Depreciation and amortization expense	75,864		67,601		147,879		124,465
EBITDA	157,114		141,093		407,361		295,236
Interest expense, net	(48,936)		(45,612)		(96,708)		(82,026)
Reliability capital expenditures	(21,913)		(10,380)		(41,795)		(15,402)
Income tax expense	(2,915)		(1,630)		(7,242)		(4,555)
Mark-to-market impact of hedge transactions (a)	(437)		(563)		(231)		(3,149)
Unit-based compensation (b)	1,783		1,618		3,120		3,706
Preferred unit distributions	(16,245)		(9,950)		(32,235)		(14,763)
Insurance gain adjustment (c)	10,609		_		(55,753)		—
Other items	2,997		(1,095)		(1,587)		(1,369)
DCF	\$ 82,057	\$	73,481	\$	174,930	\$	177,678
Less DCF available to general partner	_		13,214		1,141		28,469
DCF available to common limited partners	\$ 82,057	\$	60,267	\$	173,789	\$	149,209
Distributions applicable to common limited partners	\$ 64,205	\$	101,869	\$	120,121	\$	203,782
Distribution coverage ratio (d)	1.28x		0.59x		1.45x		0.73x

(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 equity-based awards with the issuance of our common units. As such, the expenses related to these awards are considered noncash 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 second quarter of 2018, DCF includes an adjustment for reliability capital expenditures incurred for hurricane repairs at our St. Eustatius terminal that were offset by insurance proceeds received in the first quarter.

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