NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter and Year Ended December 31, 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 may also adjust these measures 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 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 December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Income from continuing operations	$ 78,408	$ 42,570	$ 206,834	$ 146,375
Interest expense, net	46,184	44,307	183,070	184,398
Income tax expense	1,186	1,460	4,754	10,157
Depreciation and amortization expense	70,629	65,791	272,924	255,892
EBITDA from continuing operations	196,407	154,128	667,582	596,822
Interest expense, net	(46,184)	(44,307)	(183,070)	(184,398)
Reliability capital expenditures	(23,213)	(8,954)	(43,598)	(26,986)
Income tax expense	(1,186)	(1,460)	(4,754)	(10,157)
Long-term incentive equity awards (a)	3,743	2,892	11,389	8,650
Preferred unit distributions	(30,424)	(30,424)	(121,693)	(92,540)
Other items	7,976	11,927	19,422	13,425
DCF from continuing operations	$ 107,119	$ 83,802	$ 345,278	$ 304,816
Less DCF from continuing operations available to general partner	—	—	—	1,141
DCF from continuing operations available to common limited partners	$ 107,119	$ 83,802	$ 345,278	$ 303,675
Distributions applicable to common limited partners	$ 65,128	$ 64,336	$ 259,136	$ 248,705
Distribution coverage ratio from continuing operations (b)	1.64x	1.30x	1.33x	1.22x

(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.

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2. The following is a reconciliation of net income to EBITDA, DCF and distribution coverage ratio.

	Projected for the Year Ended December 31, 2020
Net income	$ 233,000 - 258,000
Interest expense, net	190,000 - 200,000
Income tax expense	2,000 - 7,000
Depreciation and amortization expense	290,000 - 300,000
EBITDA	715,000 - 765,000
Interest expense, net	(190,000 - 200,000)
Reliability capital expenditures	(40,000 - 50,000)
Income tax expense	(2,000 - 7,000)
Long-term incentive equity awards (a)	5,000 - 10,000
Preferred unit distributions	(120,000 - 125,000)
Other items	10,000 - 20,000
DCF available to common limited partners	$ 378,000 - 413,000
Distributions applicable to common limited partners	$ 260,000 - 265,000
Distribution coverage ratio (b)	1.4x - 1.6x

(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 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.

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

	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

	Three Months Ended December 31, 2018		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 74,901	$ 34,569	$ 8,312
Depreciation and amortization expense	39,907	23,669	—
EBITDA	$ 114,808	$ 58,238	$ 8,312

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4. 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). The reconciliation of net (loss) income to EBITDA includes reconciling items from continuing and discontinued operations on a combined basis.

	Year Ended December 31,	
	2019	2018
Net (loss) income	$ (105,693)	$ 205,794
Interest expense, net	183,038	186,237
Income tax expense	4,855	11,408
Depreciation and amortization expense	281,460	297,874
EBITDA	363,660	701,313
Other income (a)	(3,742)	(39,876)
Equity awards (b)	13,753	10,646
Pro forma effect of dispositions (c)	303,922	(20,458)
Material project adjustments and other items (d)	74,681	14,258
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 752,274	$ 665,883
Total consolidated debt	$ 3,360,640	$ 3,143,240
NuStar Logistics' floating rate subordinated notes	(402,500)	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	(41,476)	(41,476)
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 2,916,664	$ 2,699,264
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	3.88x	4.05x

(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 dispositions, as if we had completed the sale of the St. Eustatius operations on January 1, 2019 and the sale of the European operations on January 1, 2018.

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

	January 2019 Projection for the Year Ended December 31, 2019 (d)
Net income	$ 185,000 - 210,000
Interest expense, net	195,000 - 205,000
Income tax expense	5,000 - 10,000
Depreciation and amortization expense	280,000 - 290,000
EBITDA	665,000 - 715,000
Interest expense, net	(195,000 - 205,000)
Reliability capital expenditures	(70,000 - 90,000)
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)	25,000 - 35,000
DCF available to common limited partners	$ 305,000 - 330,000
Distributions applicable to common limited partners	$ 255,000 - 260,000
Distribution coverage ratio (c)	1.2x - 1.3x

(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 DERs. Payments made in connection with DERs are deducted from DCF.

(b) Prior to the sale of the St. Eustatius terminal in September 2019, we added an amount to DCF to offset the amount of reliability capital expenditures incurred related to hurricane damage at the terminal.

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

(d) Guidance was provided in January 2019 prior to noncash losses associated with the sale of the St. Eustatius terminal.

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

	November 2019 Projection for the Year Ended December 31, 2019
Income from continuing operations	$ 171,000 - 206,000
Interest expense, net	182,000 - 188,000
Income tax expense	2,000 - 6,000
Depreciation and amortization expense	270,000 - 275,000
EBITDA from continuing operations	$ 625,000 - 675,000

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7. The following is the reconciliation for the calculation of our Consolidated Debt Coverage Ratio, as defined in the Revolving Credit Agreement. The reconciliation of net income to EBITDA includes reconciling items from continuing and discontinued operations on a combined basis.

		January 2019 Projection for the Year Ended December 31, 2019 (c)
Net income	$	185,000 - 210,000
Interest expense, net		195,000 - 205,000
Income tax expense		5,000 - 10,000
Depreciation and amortization expense		280,000 - 290,000
EBITDA		665,000 - 715,000
Equity awards (a)		5,000 - 10,000
Material project adjustments and other items (b)		50,000 - 70,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$	720,000 - 795,000
Total consolidated debt	$	3,550,000 - 3,850,000
NuStar Logistics' floating rate subordinated notes		(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds		(41,500)
Consolidated Debt, as defined in the Revolving Credit Agreement	$	3,106,000 - 3,406,000
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)		4.3x

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

(b) 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.

(c) Guidance was provided in January 2019 prior to noncash losses associated with the sale of the St. Eustatius terminal.