NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter Ended September 30, 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 (loss) income from continuing operations to EBITDA from continuing operations, DCF from continuing operations and distribution coverage ratio from continuing operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
(Loss) income from continuing operations	$ (96,640)	$ 52,588	$ (214,515)	$ 128,426
Interest expense, net	64,165	46,902	171,158	136,886
Income tax (benefit) expense	(1,783)	1,090	626	3,568
Depreciation and amortization expense	72,585	68,548	214,217	202,295
EBITDA from continuing operations	38,327	169,128	171,486	471,175
Interest expense, net	(64,165)	(46,902)	(171,158)	(136,886)
Reliability capital expenditures	(7,279)	(11,838)	(18,330)	(20,385)
Income tax benefit (expense)	1,783	(1,090)	(626)	(3,568)
Long-term incentive equity awards (a)	2,416	3,111	6,402	7,646
Preferred unit distributions	(31,888)	(30,423)	(92,995)	(91,269)
Goodwill impairment loss (b)	—	—	225,000	—
Other items	6,856	5,856	11,081	11,446
DCF from continuing operations	$ (53,950)	$ 87,842	$ 130,860	$ 238,159
Distributions applicable to common limited partners	$ 43,678	$ 64,660	$ 131,086	$ 194,008
Distribution coverage ratio from continuing operations (c)	n/a	1.36x	1.00x	1.23x

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

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2. The following are reconciliations of operating income (loss) to EBITDA for our reported segments.

	Three Months Ended September 30, 2020		
	Pipeline	Storage	Fuels Marketing
Operating income (loss)	$ 83,821	$ 48,816	$ (31)
Depreciation and amortization expense	45,268	25,212	—
EBITDA	$ 129,089	$ 74,028	$ (31)

	Three Months Ended September 30, 2019		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 87,818	$ 37,906	$ 4,268
Depreciation and amortization expense	41,946	24,386	—
EBITDA	$ 129,764	$ 62,292	$ 4,268

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

	For the Four Quarters Ended September 30,	
	2020	2019
Net loss	$ (136,107)	$ (181,975)
Interest expense, net	217,342	181,558
Income tax expense	1,812	4,599
Depreciation and amortization expense	284,846	285,126
EBITDA	367,893	289,308
Impairment loss (a)	225,000	—
Loss on extinguishment of debt (b)	141,746	—
Other expense (income) (c)	3,949	(3,674)
Equity awards (d)	12,424	12,742
Pro forma effect of disposition (e)	—	335,995
Material project adjustments and other items (f)	12,727	95,479
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 763,739	$ 729,850
Total consolidated debt	$ 3,585,140	$ 3,331,040
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	(30,494)	—
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 3,152,146	$ 2,887,064
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.13x	3.96x

(a) For the four quarters ended September 30, 2020, this adjustment represents a non-cash goodwill impairment charge related to our crude oil pipelines reporting unit.

(b) 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.

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

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

(e) For the four quarters ended September 30, 2019, this adjustment represents the pro forma effects of the sale of our European and St. Eustatius operations as if we had completed the sales on October 1, 2018.

(f) 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	Nine Months Ended
	September 30, 2020	
EBITDA	$ 38,327	$ 171,486
Goodwill impairment loss (a)	—	225,000
Loss on extinguishment of debt (b)	137,904	141,746
Other	3,963	3,963
Adjusted EBITDA	$ 180,194	$ 542,195

5. The following is a reconciliation of net loss to EBITDA to adjusted EBITDA.

	Projected for the Year Ended December 31, 2020
Net loss	$ (179,000 - 162,000)
Interest expense, net	220,000 - 230,000
Income tax expense	2,000 - 5,000
Depreciation and amortization expense	280,000 - 290,000
EBITDA	323,000 - 363,000
Goodwill impairment loss (a)	225,000
Loss on extinguishment of debt (b)	142,000
Adjusted EBITDA	$ 690,000 - 730,000

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

(b) 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.