NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter Ended June 30, 2018
(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.

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 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

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	Projected for the Year Ended December 31, 2018
Net income	$ 210,000 - 235,000
Interest expense, net	190,000 - 200,000
Income tax expense	10,000 - 15,000
Depreciation and amortization expense	290,000 - 300,000
EBITDA	700,000 - 750,000
Interest expense, net	(190,000) - (200,000)
Reliability capital expenditures	(80,000) - (100,000)
Income tax expense	(10,000) - (15,000)
Unit-based compensation (b)	5,000 - 10,000
Preferred unit distributions	(95,000) - (100, 000)
Insurance gain adjustment (c)	(44,000)
Other items	5,000 - 20,000
DCF available to common limited partners	$ 291,000 - 321,000
Distributions applicable to common limited partners	$ 245,000 - 250,000
Distribution coverage ratio (d)	1.2x - 1.3x

(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 non-cash and added back to DCF. Certain awards include distribution equivalent rights (DERs). Payments made in connection with DERs are deducted from DCF.

(c) DCF excludes a portion of the insurance gain, which is added to DCF to offset reliability capital expenditures as they are incurred for hurricane repairs 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 projected net income to projected EBITDA:

	Projected for the Year Ended December 31, 2018
Projected net income	$ 210,000 - 235,000
Projected interest expense, net	190,000 - 200,000
Projected income tax expense	10,000 - 15,000
Projected depreciation and amortization expense	290,000 - 300,000
Projected EBITDA	$ 700,000 - 750,000
Less gain from insurance proceeds	80,000
Adjusted EBITDA	$ 620,000 - 670,000

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3. The following are reconciliations of operating income to EBITDA for our pipeline and storage segments:

	Three Months Ended June 30, 2018	
	Pipeline	Storage
Operating income	$ 62,979	$ 44,184
Depreciation and amortization expense	38,591	35,022
EBITDA	$ 101,570	$ 79,206

	Three Months Ended June 30, 2017	
	Pipeline	Storage
Operating income	$ 52,868	$ 56,049
Depreciation and amortization expense	33,675	31,727
EBITDA	$ 86,543	$ 87,776

4. The following is the non-GAAP 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, 2018	Projected for the Year Ended December 31, 2018
Net income	$ 219,306	$ 210,000 - 235,000
Interest expense, net	187,765	190,000 - 200,000
Income tax expense	12,624	10,000 - 15,000
Depreciation and amortization expense	287,646	290,000 - 300,000
EBITDA	707,341	700,000 - 750,000
Other income (a)	(75,642)	(80,000) - (85,000)
Equity awards (b)	7,292	10,000 - 15,000
Material project adjustments and other items (c)	(1,637)	5,000 - 15,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 637,354	$ 635,000 - 695,000
Total consolidated debt	$ 3,454,998	$ 3,400,000 - 3,650,000
NuStar Logistics' floating rate subordinated notes	(402,500)	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	(41,476)	(41,500)
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 3,011,022	$ 2,956,000 - 3,206,000
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.7x	4.6x - 4.7x

(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 percentage of the projected Consolidated EBITDA attributable to any Material Project and other noncash items, as defined in the Revolving Credit Agreement.

5. The following is a reconciliation of operating income to EBITDA for the Permian Crude System:

	Three Months Ended June 30, 2018
Operating income	$ 3,605
Depreciation and amortization expense	15,059
EBITDA	$ 18,664