NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter Ended June 30, 2016
(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 and (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.

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 the metric for determining the company-wide bonus and the vesting of performance units awarded to management as our board of directors believes DCF appropriately aligns management's interest with our unitholders' interest in increasing distributions in a prudent manner. 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 period 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. 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 income from continuing operations to EBITDA from continuing operations and DCF from continuing operations:

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Income from continuing operations	$ 52,517	$ 109,918
Interest expense, net	34,229	68,352
Income tax expense	4,270	7,140
Depreciation and amortization expense	53,651	106,793
EBITDA from continuing operations	144,667	292,203
Interest expense, net	(34,229)	(68,352)
Reliability capital expenditures	(11,305)	(17,322)
Income tax expense	(4,270)	(7,140)
Mark-to-market impact of hedge transactions (a)	5,762	10,446
Unit-based compensation (b)	1,122	2,208
Other items (c)	3,839	3,336
DCF from continuing operations	$ 105,586	$ 215,379
Less DCF from continuing operations available to general partner	12,766	25,532
DCF from continuing operations available to limited partners	$ 92,820	$ 189,847
Distributions applicable to limited partners	$ 85,285	$ 170,570
Distribution coverage ratio (d)	1.09x	1.11x

Notes on following page.

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(Unaudited, Thousands of Dollars)

Notes for table on preceding page.

(a) DCF from continuing operations 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 from continuing operations when the contracts are settled.

(b) In connection with the employee transfer from NuStar GP, LLC on March 1, 2016, we assumed obligations related to awards issued under a long-term incentive plan, and we intend to satisfy the vestings of equity-based awards with the issuance of our 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) Other items consist of (i) adjustments for throughput deficiency payments and construction reimbursements for all periods presented and (ii) in 2015, a $56.3 million non-cash gain associated with the Linden terminal acquisition on January 2, 2015.

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

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

	Year Ended December 31, 2016		
	Pipeline	Storage	Fuels Marketing
Projected operating income	$ 250,000 - 265,000	$ 195,000 - 210,000	$ 5,000 - 20,000
Projected depreciation and amortization expense	85,000 - 90,000	115,000 - 120,000	—
Projected EBITDA	$ 335,000 - 355,000	$ 310,000 - 330,000	$ 5,000 - 20,000

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

	Three Months Ended June 30, 2016		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 63,552	$ 51,063	$ 1,392
Depreciation and amortization expense	21,864	29,653	—
EBITDA	$ 85,416	$ 80,716	$ 1,392

	Three Months Ended June 30, 2015		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 64,820	$ 53,751	$ 2,650
Depreciation and amortization expense	20,756	29,887	—
EBITDA	$ 85,576	$ 83,638	$ 2,650
(Decrease) in EBITDA	$ (160)	$ (2,922)	$ (1,258)

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4. The following is the non-GAAP reconciliation for the calculation of our Consolidated Debt Coverage Ratio, as defined in our $1.5 billion five-year revolving credit agreement (the Revolving Credit Agreement):

	For the Four Quarters Ended June 30, 2016
Net income	$ 234,414
Interest expense, net	135,359
Income tax expense	16,361
Depreciation and amortization expense	211,781
EBITDA	597,915
Other income	(1,334)
Mark-to-market impact on hedge transactions (a)	4,474
Material project adjustments (b)	2,774
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 603,829
Total consolidated debt	$ 3,205,411
NuStar Logistics' 7.625% fixed-to-floating rate subordinated notes	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	(42,731)
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 2,760,180
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.6x

(a) This adjustment represents the 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 net income when the contracts are settled.

(b) This adjustment represents the percentage of the projected Consolidated EBITDA attributable to any Material Project, as defined in the Revolving Credit Agreement, based on the current completion percentage.