NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter and Year Ended December 31, 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.

The fourth quarter 2016 earnings release call includes forecasted EBITDA for assets we acquired from Martin Midstream Partners L.P. on December 21, 2016 (the Martin Terminal Acquisition). This is a non-GAAP financial measure. Forecasted EBITDA is based on the partnership's projections for the assets acquired. Forecasted EBITDA is included to help facilitate comparisons of operating performance of the partnership with other companies in our industry, as well as help facilitate an assessment of our assets' projected ability to generate sufficient cash flow to make distributions to our partners. We are unable to present a reconciliation of forecasted EBITDA to net income because certain elements of net income, including interest, depreciation and taxes, are not available. Together, these items generally result in EBITDA being significantly greater than net income.

1. The following is a reconciliation of (loss) income from continuing operations to EBITDA from continuing operations and DCF from continuing operations:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
(Loss) income from continuing operations	$ (11,056)	$ 59,480	$ 150,003	$ 305,946
Interest expense, net	34,976	33,559	138,350	131,868
Income tax expense	2,680	4,915	11,973	14,712
Depreciation and amortization expense	55,997	52,687	216,736	210,210
EBITDA from continuing operations	82,597	150,641	517,062	662,736
Interest expense, net	(34,976)	(33,559)	(138,350)	(131,868)
Reliability capital expenditures	(12,321)	(17,936)	(38,155)	(40,002)
Income tax expense	(2,680)	(4,915)	(11,973)	(14,712)
Distributions from joint venture	—	—	—	2,500
Mark-to-market impact of hedge transactions (a)	3,825	(1,120)	10,317	(5,651)
Unit-based compensation (b)	2,120	—	5,619	—
Other items (c)	62,018	9,282	71,921	(44,032)
DCF from continuing operations	$ 100,583	$ 102,393	$ 416,441	$ 428,971
Less DCF from continuing operations available to general partner	12,886	12,766	51,284	51,064
DCF from continuing operations available to common limited partners	$ 87,697	$ 89,627	$ 365,157	$ 377,907
Distributions applicable to common limited partners	$ 86,085	$ 85,285	$ 342,598	$ 341,140
Distribution coverage ratio (d)	1.02x	1.05x	1.07x	1.11x

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(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 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) Other items primarily consist of (i) adjustments for throughput deficiency payments and construction reimbursements for all periods presented, (ii) a $58.7 million non-cash impairment charge on the Axeon term loan in the fourth quarter of 2016 and (iii) a ($56.3) million non-cash gain and insurance proceeds of $7.8 million associated with the Linden terminal acquisition in 2015.

(d) Distribution coverage ratio is calculated by dividing DCF from continuing operations 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:

	Year Ended December 31, 2017
Projected net income	$ 210,000 - 240,000
Projected interest expense, net	150,000 - 155,000
Projected income tax expense	10,000 - 15,000
Projected depreciation and amortization expense	230,000 - 240,000
Projected EBITDA	$ 600,000 - 650,000

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

	Three Months Ended December 31, 2016		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 61,499	$ 48,305	$ 3,124
Depreciation and amortization expense	23,858	30,002	—
EBITDA	$ 85,357	$ 78,307	$ 3,124

	Three Months Ended December 31, 2015		
	Pipeline	Storage	Fuels Marketing
Operating income	$ 68,353	$ 56,103	$ 2,751
Depreciation and amortization expense	22,058	28,541	—
EBITDA	$ 90,411	$ 84,644	$ 2,751
Increase (decrease) in EBITDA	$ (5,054)	$ (6,337)	$ 373

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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 Year Ended December 31, 2016	Projected for the Year Ended December 31, 2017
Net income	$ 150,003	$ 210,000 - 240,000
Interest expense, net	138,350	150,000 - 155,000
Income tax expense	11,973	10,000 - 15,000
Depreciation and amortization expense	216,736	230,000 - 240,000
EBITDA	517,062	600,000 - 650,000
Other expense (a)	58,783	—
Mark-to-market impact on hedge transactions (b)	10,317	—
Pro forma effect of acquisitions (c)	10,439	—
Material project adjustments (d)	9,198	10,000 - 20,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 605,799	$ 610,000 - 670,000
Total consolidated debt	$ 3,069,332	$ 3,150,000 - 3,450,000
NuStar Logistics' 7.625% fixed-to-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	$ 2,625,356	$ 2,706,024 - 3,006,024
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.3x	4.4x - 4.5x

(a) This adjustment consists mainly of a $58.7 million non-cash impairment charge on the Axeon term loan in the fourth quarter of 2016.

(b) 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.

(c) This adjustment represents the pro forma effect of the Martin Terminal Acquisition as if we had completed the acquisition on January 1, 2016.

(d) 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.

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5. The following are the non-GAAP reconciliations for the calculation of EBITDA from our Eagle Ford pipeline and terminal assets (Eagle Ford Operations) as a percentage of total segment EBITDA:

	Year Ended December 31, 2016
Eagle Ford Operations:	
Operating income	$ 58,163
Depreciation and amortization expense	36,856
EBITDA (a)	$ 95,019
Total:	
EBITDA from continuing operations (see page 1)	$ 517,062
General and administrative expenses	98,817
Other expense, net	58,783
Segment EBITDA (b)	$ 674,662
Eagle Ford Operations EBITDA as a percentage of total segment EBITDA (a)/(b)	14.1%