NuStar Energy L.P.
Reconciliation of Non-GAAP Financial Information Related to the Quarter Ended September 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	$ 48,136	$ 38,592	$ 203,668	$ 122,782
Interest expense, net	44,825	45,256	141,533	127,282
Income tax expense	3,236	2,743	10,478	7,298
Depreciation and amortization expense	75,700	69,178	223,579	193,643
EBITDA	171,897	155,769	579,258	451,005
Interest expense, net	(44,825)	(45,256)	(141,533)	(127,282)
Reliability capital expenditures	(17,268)	(14,798)	(59,063)	(30,200)
Income tax expense	(3,236)	(2,743)	(10,478)	(7,298)
Mark-to-market impact of hedge transactions (a)	(14)	497	(245)	(2,652)
Long-term incentive equity awards (b)	2,638	1,622	5,758	5,328
Preferred unit distributions	(29,881)	(12,153)	(62,116)	(26,916)
Insurance gain adjustment (c)	6,289	—	(49,464)	—
Other items	2,886	(2,750)	1,299	(4,119)
DCF	$ 88,486	$ 80,188	$ 263,416	$ 257,866
Less DCF available to general partner	—	13,214	1,141	41,683
DCF available to common limited partners	$ 88,486	$ 66,974	$ 262,275	$ 216,183
Distributions applicable to common limited partners	$ 64,248	$ 101,870	$ 184,369	$ 305,652
Distribution coverage ratio (d)	1.38x	0.66x	1.42x	0.71x

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	Projected for the Years Ended December 31,	
	2018	**2019**
Net income	$ 180,000 - 215,000	$ 185,000 - 210,000
Interest expense, net	185,000 - 190,000	195,000 - 205,000
Income tax expense	10,000 - 15,000	5,000 - 10,000
Depreciation and amortization expense	295,000 - 300,000	280,000 - 290,000
EBITDA	670,000 - 720,000	665,000 - 715,000
Interest expense, net	(185,000) - (190,000)	(195,000) - (205,000)
Reliability capital expenditures	(80,000) - (90,000)	(70,000) - (90,000)
Income tax expense	(10,000) - (15,000)	(5,000) - (10,000)
Long-term incentive equity awards (b)	5,000 - 10,000	5,000 - 10,000
Preferred unit distributions	(95,000) - (100,000)	(120,000) - (125,000)
Insurance gain adjustment (c)	(44,000)	25,000 - 35,000
Loss from expected sale of European assets	45,000	—
Other items	10,000 - 20,000	—
DCF available to common limited partners	$ 316,000 - 356,000	$ 305,000 - 330,000
Less DCF available to general partner	(1,000)	—
DCF available to common limited partners	$ 315,000 - 355,000	$ 305,000 - 330,000
Distributions applicable to common limited partners	$ 245,000 - 250,000	$ 255,000 - 260,000
Distribution coverage ratio (d)	1.3x - 1.4x	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 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.

(c) For the periods in 2018, DCF includes an adjustment for insurance proceeds received in the first quarter related to hurricane damage at our St. Eustatius terminal. Each quarter, we add an amount to DCF to offset the amount of reliability capital expenditures incurred related to hurricane damage.

(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 adjusted EBITDA:

	Projected for the Year Ended December 31, 2018
Net income	$ 180,000 - 215,000
Interest expense, net	185,000 - 190,000
Income tax expense	10,000 - 15,000
Depreciation and amortization expense	295,000 - 300,000
EBITDA	670,000 - 720,000
Gain from insurance proceeds	(80,000)
Loss from expected sale of European assets	45,000
Adjusted EBITDA	$ 635,000 - 685,000

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

	Three Months Ended September 30, 2018	
	Pipeline	Storage
Operating income	$ 77,021	$ 46,459
Depreciation and amortization expense	38,790	34,634
EBITDA	$ 115,811	$ 81,093

	Three Months Ended September 30, 2017	
	Pipeline	Storage
Operating income	$ 61,119	$ 59,323
Depreciation and amortization expense	34,844	32,145
EBITDA	$ 95,963	$ 91,468

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):

	For the Four Quarters Ended	Projected for the Years Ended December 31,	
	September 30, 2018	2018	2019
Net income	$ 228,850	$ 180,000 - 215,000	$ 185,000 - 210,000
Interest expense, net	187,334	185,000 - 190,000	195,000 - 205,000
Income tax expense	13,117	10,000 - 15,000	5,000 - 10,000
Depreciation and amortization expense	294,168	295,000 - 300,000	280,000 - 290,000
EBITDA	723,469	670,000 - 720,000	665,000 - 715,000
Other income (a)	(81,688)	(30,000) - (40,000)	—
Equity awards (b)	8,026	5,000 - 10,000	5,000 - 10,000
Pro forma effect of dispositions (c)	—	(20,000) - (25,000)	—
Material project adjustments and other items (d)	3,424	10,000 - 20,000	50,000 - 70,000
Consolidated EBITDA, as defined in the Revolving Credit Agreement	$ 653,231	$ 635,000 - 685,000	$ 720,000 - 795,000
Total consolidated debt	$ 3,399,533	$ 3,100,000 - 3,300,000	$ 3,550,000 - 3,850,000
NuStar Logistics' floating rate subordinated notes	(402,500)	(402,500)	(402,500)
Proceeds held in escrow associated with the Gulf Opportunity Zone Revenue Bonds	(41,476)	(41,500)	(41,500)
Consolidated Debt, as defined in the Revolving Credit Agreement	$ 2,955,557	$ 2,656,000 - 2,856,000	$ 3,106,000 - 3,406,000
Consolidated Debt Coverage Ratio (Consolidated Debt to Consolidated EBITDA)	4.5x	4.2x	4.3x

(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 the expected sale of our European assets as if we had completed the sale on January 1, 2018.

(d) 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.

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5. For the three and nine months ended September 30, 2018, basic net loss per common unit includes a one-time, non-cash charge of $377.1 million associated with our July 2018 merger with our general partner. This charge does not affect net income, EBITDA or DCF. The following table details our calculation of basic and adjusted basic net (loss) income per common unit:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Net income	$ 48,136	$ 203,668
Less: net income applicable to preferred limited partners and general partner	33,912	67,310
Less: non-cash charge associated with the merger with our general partner	377,079	377,079
Less: other	473	1,398
Net loss applicable to common limited partners	$ (363,328)	$ (242,119)
Basic weighted-average common units outstanding	104,264,796	96,920,202
Basic net loss per common unit	$ (3.49)	$ (2.50)
Plus: non-cash charge associated with the merger with our general partner	3.62	3.89
Adjusted basic net income per common unit	$ 0.13	$ 1.39

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

	Three Months Ended September 30, 2018
Operating income	$ 11,546
Depreciation and amortization expense	15,235
EBITDA	$ 26,781