VALERO AND ITS EMPLOYEES — WORLD-CLASS COMPETITORS IN A RAPIDLY CHANGING WORLD

Valero Energy Corporation
2006 Summary Annual Report

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Best Earnings in Valero's History

Our Financial Highlights

(Millions of Dollars, Except per Share Amounts)

	2006	2005
OPERATING REVENUES	$ 91,833	$ 82,162
OPERATING INCOME	$ 8,010	$ 5,459
NET INCOME	$ 5,463	$ 3,590
EARNINGS PER COMMON SHARE — ASSUMING DILUTION	$ 8.64	$ 6.10
TOTAL ASSETS	$ 37,753	$ 32,798
STOCKHOLDERS' EQUITY	$ 18,605	$ 15,050
CAPITAL EXPENDITURES AND DEFERRED TURNAROUND AND CATALYST COSTS	$ 3,756	$ 2,574

SUMMARY ANNUAL REPORT

In an effort to provide shareholders with more effective communications, Valero Energy Corporation has adopted a summary annual report format, which provides condensed financial disclosure. The company's full financial statements are contained in its Annual Report on Form 10-K for the year ended December 31, 2006, which is provided to all shareholders.

Valero's Executive Management Team

Pictured left to right: Joe Gorder, Executive Vice President – Marketing & Supply; Rich Marcogliese, Executive Vice President – Operations; Greg King, President; Bill Klesse, CEO & Chairman of the Board; Gene Edwards, Executive Vice President – Corporate Development & Strategic Planning; and Mike Ciskowski, Executive Vice President & Chief Financial Officer.

A Letter to our Shareholders

In today's rapidly changing world, companies need every advantage to compete and succeed. At Valero, we have worked hard to recruit employees, develop strategies and acquire assets that give us a competitive edge and make us a world-class competitor.

Valero has grown from a regional energy company with a single refinery to become North America's largest refiner, with a system of 18 refineries stretching from California to the Caribbean and a combined throughput capacity of 3.3 million barrels per day. Our geographic diversity and operating flexibility allow us to react quickly to shifts in the marketplace. We are also the leader in refinery conversion capacity, which allows us to upgrade low quality feedstocks into higher value clean products, giving us a competitive advantage.

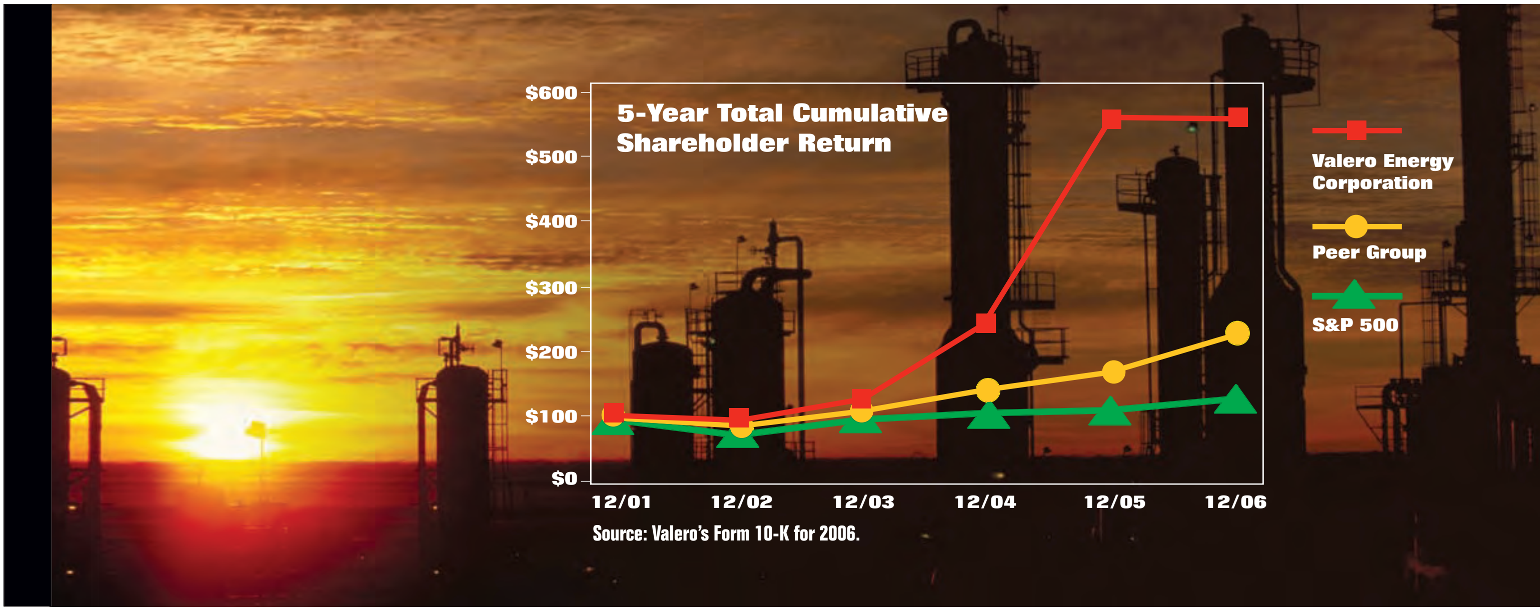
A growing economy and strong demand for clean-burning fuels, combined with the size and complexity of our refining system and the best employees in the business, allowed us to capitalize on healthy margins and strong feedstock differentials to make 2006 the best year in Valero's history. In 2006, we achieved a record $8.5 billion of operating income and after-tax earnings of $5.5 billion, or $8.64 per share.

We have shared this success with you, our shareholders. We increased our dividend twice in 2006, and in January 2007 we increased it an additional 50 percent, raising our quarterly cash dividend to $0.12 per share. We also invested $2 billion to buy back 35 million shares in 2006, and we will continue buying back our shares in 2007.

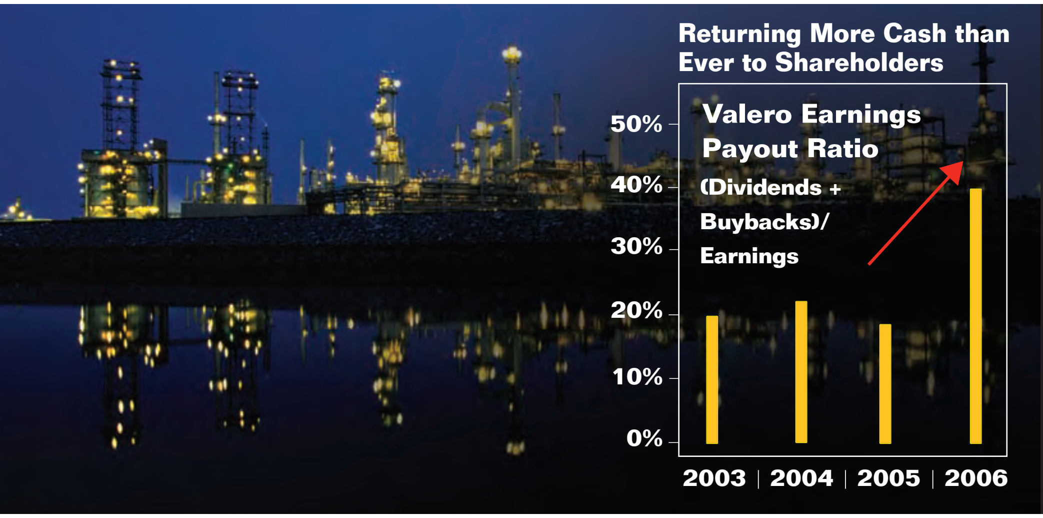
In addition, we finished 2006 with a very healthy balance sheet, having a cash balance of nearly $1.6 billion and a debt-to-capitalization ratio of just 16 percent. We boosted our cash flow by contributing our financial interest in Valero L.P. to Valero GP Holdings, LLC and completed two public offerings to sell our ownership stake in that new company. After-tax proceeds from these transactions totaled $555 million, and the separation better positioned both companies for future growth.

As we have demonstrated, we are taking a very balanced approach with our cash flow. Besides returning cash to you, our shareholders, our capital expenditures in 2006 were $3.75 billion. For 2007, our capital expenditures are expected to continue in the $3.5 billion range. We will pay down high interest rate debt and continue looking into potential acquisitions. But, any acquisitions must come at the right price and fit our acquisition criteria. The credit market has recognized Valero's financial strength, with two upgrades this year in our credit rating to BBB/stable outlook, which reduces our costs. Our goal is to improve our returns on investment and equity to provide industry-leading value to you over the long run.

One of the ways we will improve returns is through the significant opportunities we have to generate earnings internally from improved performance. We have acquired many refineries that did not receive



Source: Valero's Form 10-K for 2006.



adequate capital investment prior to our ownership. As we increase their complexity, improve energy efficiency, enhance reliability and apply best practices throughout our system, we believe we can improve annual operating income by over $1 billion within the next five years. We will also increase our capacity utilization by reducing both planned and unplanned downtime. Realizing this improved performance goal will be a key to our future success.

Of course, personal safety continues to be our top priority for all of our operations. As I always tell our employees, "I want you to go home from work every day the same way you came, just tired." In 2006, our refining network reached a record-best total recordable injury rate of 0.92, which is 25 percent better than the three-year industry average of 1.22 reported by the National Petrochemical & Refiners Association. We achieved this record while integrating the former Premcor refineries, acquired in September 2005, into our system.

In 2006, we also had four refineries become certified or re-certified as Star Sites in the Occupational Safety and Health Administration's Voluntary Protection Program (VPP). These included our Benicia, St. Charles, Krotz Springs and Three Rivers refineries. VPP Star Site status is the highest level of safety certification that OSHA offers, and today Valero has 11 of the 23 U.S. refineries that have achieved Star Site status. As we are continuing these VPP efforts, we are increasing awareness and commitment to our process safety management program.

One of the ways we will improve returns is through the significant opportunities we have to generate earnings internally from improved performance.

We have also made great strides in reducing emissions at our refineries. Flue gas scrubbers are state-of-the-art pollution prevention systems that reduce emissions of sulfur dioxide and particulate matter, thereby enhancing air quality. In 2006, we added three new flue gas scrubbers, raising our total to 10 – more than any other refining company in North America.

What's more, we are investing in the latest technology to improve energy efficiency at our refineries. In doing so, we can reduce fuel consumption and reduce carbon dioxide emissions by approximately 2 million tons per year over the next several years. Though we are uncertain about the science, we are concerned about climate change issues and will continue to work to reduce our carbon dioxide emissions from existing equipment. It should be noted that when new regulations are implemented that change the specifications of fuels, like removing sulfur, it requires a refinery to increase heat and power consumption for the new process units, which increases carbon dioxide emissions. Clearly, these are complex issues facing us all and a collaborative approach must be taken to find appropriate solutions.

Transportation fuels produced from crude oil are the most economic for the consumer. Our industry is extremely efficient in refining crude oil into products that improve our customers' lives. Many programs being considered to substitute alternative fuels for crude oil derived refined products require subsidies to be competitive with crude oil based transportation fuels. We believe that free markets should be allowed to determine the fuels we use and the prices we pay for them.

Another ongoing initiative is the growth of the Valero brand. Valero now has approximately 5,800 retail and branded wholesale sites following our expansion into the Great Lakes and Pacific Northwest regions last year. We continue to brand outlets within our marketing area, and we announced an agreement with Susser Petroleum of Corpus Christi, Texas in August 2006 to put the Valero brand on over 300 of their locations in Texas and Oklahoma. The deal made Valero the No. 1 wholesale rack fuel marketer in Texas, with 1,900 branded wholesale and company-owned locations and significant unbranded sales volumes around the state.

Our retail operations, which represent the company-operated stores, had their best year ever in earnings per store in 2006, and Valero was named Chain of the Year by Convenience Store Decisions magazine. Even with these successes, we are continuing to implement aggressive profit improvement initiatives for our retail organization.

Of course, none of these successes would have been possible without the dedication and hard work of our employees, who were responsible for Valero once again being named to Fortune magazine's list of the 100 Best Companies to Work For. With this year's ranking at No. 22, Valero has been in the top 25 for the last three consecutive years, and we have been named to the list in each of the past six years that we have been eligible.

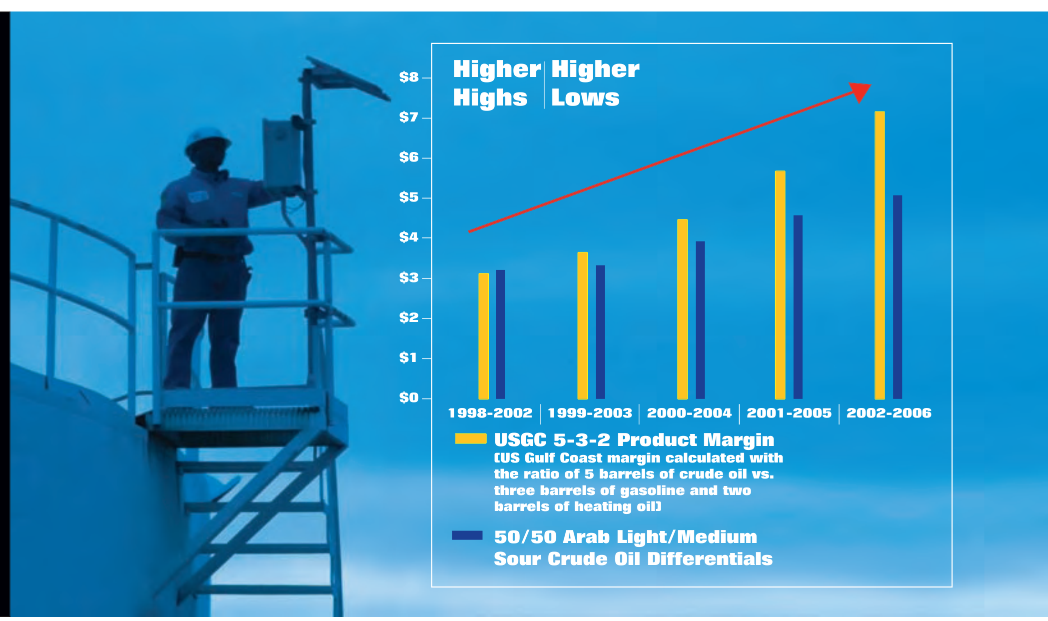
We have a very strong caring and sharing commitment to the communities in which we live and work. With the company match, our employees raised a record $13 million for Valero's United Way campaign and set a volunteer record with nearly 275,000 hours donated to worthy causes. Our employees also made it possible for the 2006 Valero Texas Open and Benefit for Children Golf Classic to raise a record $7 million for charity, the largest contribution in PGA TOUR history. We thank our customers, contractors and suppliers for their generosity and support of this event.

2006 was a record year in every way for Valero because everyone from our board members and executives to our employees made countless contributions to our success. I thank everyone for their support, hard work, dedication and commitment to safety and excellence. We also thank our customers for their business and thank our suppliers and contractors who make tremendous efforts toward our goal of improved operations.

We also thank Bill Greehey who stepped down as Chairman of the Board of Directors in January 2007 following his retirement as Chief Executive Officer at the end of 2005. All of us at Valero thank Bill for his leadership and commitment to our success over the years.

Thanks to the outstanding members of our team, we are ready for the future and are in a great position to execute our strategies. I thank you, our shareholders, for your investment in our company and your confidence in us. We are looking forward to making our operations even better and strengthening our position as a world-class competitor in the years to come.

CEO & Chairman of the Board



A Look at our Company

from Coast to Coast

In 1980, Valero was a regional energy company with total assets just shy of $650 million, operations solely in Texas, and less than 1,600 employees on its payroll.

Today, Valero has assets of $38 billion, including 18 refineries and approximately 5,800 retail and branded wholesale locations across North America.

As the map on the opposite page clearly illustrates, it's a sea of Valero teal and gold from coast to coast.

In fact, Valero is the 15th largest company on the Fortune 500, with nearly $92 billion in annual revenues and almost 22,000 employees. It has been ranked No. 1 among the world's refining and marketing companies for the past two years at the Platts Top 250 Global Energy Company Awards.

With a combined throughput capacity of approximately 3.3 million barrels per day (BPD), Valero is the largest refiner in North America and the most geographically diverse among all U.S. refiners. With a sizeable presence in the four key U.S. refining regions, Valero is able to capitalize on the upswings in regional margins since they don't always move together.

Beyond its size, Valero also benefits from its ability to process more low-quality, low-cost feedstocks than its peers. Because it has one of the world's most complex refining systems, the company has been able to turn great feedstock differentials into great earnings.

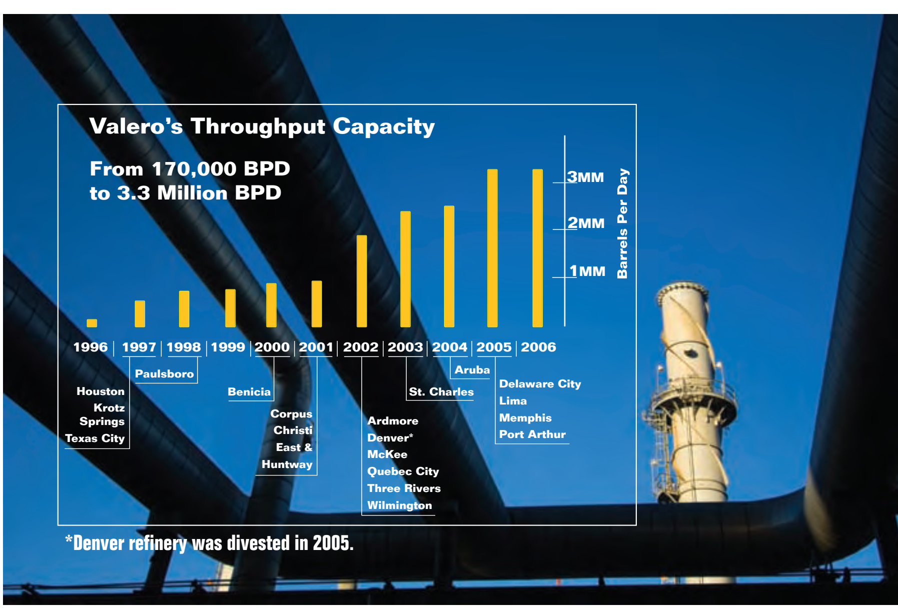
Valero has achieved these results by acquiring refineries for a fraction of their replacement value and then investing in them to make them significantly more profitable. Now the company is building on this success by focusing on reliability initiatives, better cost control and energy efficiency.

On the marketing side, Valero is putting the same emphasis on improving profitability in its retail and wholesale operations. Valero's brand is going up at a breakneck pace at distributor sites across the country, taking product out of the spot market and selling it into the branded wholesale channel for a higher margin. At the same time, the retail division is implementing profit improvement initiatives that will reduce its costs and grow in-store sales.

Exploring opportunities to improve returns on capital and overall performance throughout its operations is making Valero a better investment for the long term.

Just as importantly, the company continues to make safety a top priority and remains focused on environmental excellence. Valero's employees also remain committed to their communities – volunteering in record numbers and giving record donations to charity.

For all of these reasons, Valero has been recognized as a world-class competitor in operational excellence, refining complexity, retail and wholesale marketing, safety performance, environmental stewardship and community service. So it's easy to see why Valero truly is a world-class company.



Legend

Retail & Branded Wholesale Presence

Wholesale Marketing Presence

Valero Refineries

Cameron Highway Oil Pipeline Project

Third-Party Off Shore Platforms

Valero Headquarters

Valero got its start ***in refining*** *with the Corpus Christi refinery (pictured), which remains one* ***of*** *the* ***most*** *technologically advanced plants in the world. Over the years,* ***the*** *company has assembled the best* ***workforce, acquired great*** *assets, upgraded* ***and*** *expanded those plants and developed* ***best practices,*** *providing lots of opportunities for the company* ***to improve returns*** *and remain competitive in the coming years.*

Making Valero

A Global Force in Refining

Realizing that the time was right to enter the refining business, Valero in 1997 began buying undervalued refineries and investing to expand and improve them. A decade later, Valero has assembled an 18-refinery system that's the largest in North America in terms of throughput capacity.

Valero bought its plants at a fraction of their replacement cost as other companies were abandoning the refining business at a cyclical low. As the years went by, Valero's strategy of acquiring plants at value prices was proven correct as margins surged and analysts declared a "Golden Age of Refining." And now, with its size and geographic diversity, Valero is a vibrant competitor on an international scale.

By investing in and upgrading its refineries since 1980, Valero has added 573,000 barrels per day (BPD) in refining capacity – an amount nearly twice the capacity of Valero's Port Arthur refinery, one of the largest in its system.

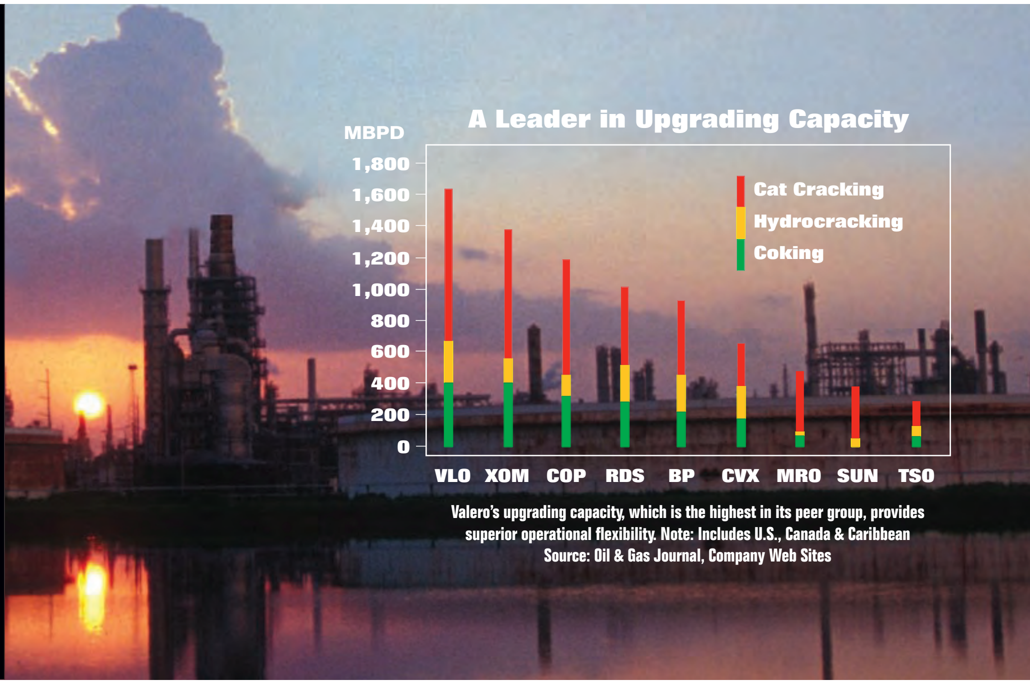
When other refiners scrambled to add capacity to take advantage of this "Golden Age," Valero was uniquely positioned to carefully choose which projects best fit its strategy and provided the highest returns. In 2006, as construction costs skyrocketed across the global refining industry, Valero was able to implement its most ambitious capital budget ever, while still keeping costs at approximately $3.75 billion.

The company has acquired the best employees and developed the best practices in the industry, providing significant opportunities to improve annual operating income.

Another advantage of Valero's strategy is the expertise it has gained along with the refineries. By applying this expertise in conjunction with upgrades, expansions, energy efficiency and reliability enhancements, Valero is targeting $1 billion of operating income improvements in the next five years.

Valero's strategy continues to pay off. Current capital improvement projects are expected to add another $250 million in operating income in 2007. This includes the recently completed expansion at the Port Arthur refinery and mild hydrocracker units in the works at the Houston and St. Charles refineries. In addition, grassroots ultra-low-sulfur diesel units are planned for the Benicia and Corpus Christi refineries.

A successful strategy plus world-class size, complexity, strength and geographic diversity – combined with Valero's dedicated and hard-working employees – give Valero the best refining system in the business. It's a system that is positioned for long-term success.



Valero's upgrading capacity, which is the highest in its peer group, provides superior operational flexibility. Note: Includes U.S., Canada & Caribbean
Source: Oil & Gas Journal, Company Web Sites

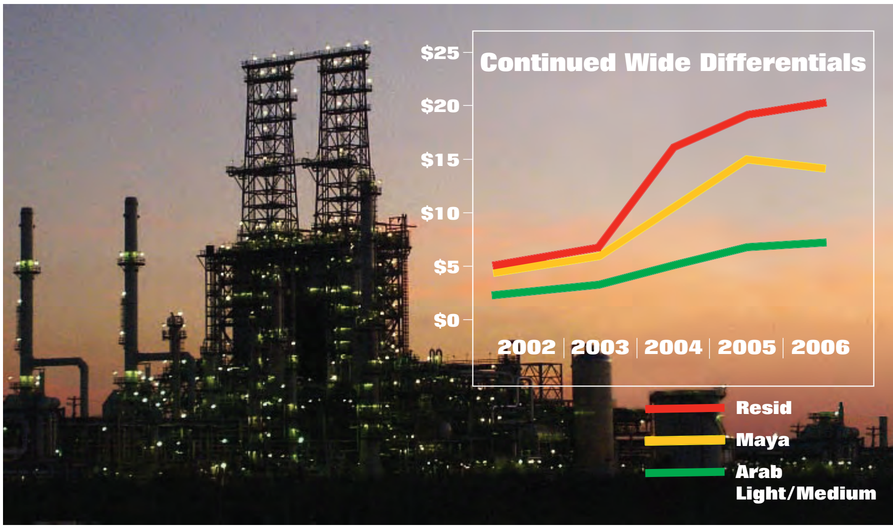
Flexibility and Diversity Key to Valero's Feedstock Strategy

Number of Heavy, Sour Crudes & Resids Used by Valero

The number of different heavy, sour and resid feedstocks that Valero processes has grown from 27 to 40 in just five years.

Source of Valero's 2006 Feedstock Consumption

Oil tankers, like this one shown at the Port Arthur refinery's dock, deliver crude oil from around the world to the company's plants. Because of the complexity and flexibility of its system, Valero is able to choose from a wide selection of feedstocks, giving it an earnings advantage over many of its peers.



Developing One of the World's

Most Complex Refining Systems

Valero's refining system isn't just the biggest in North America, it's also one of the most complex. This is a result of Valero's strategy – which stretches back to the beginning of the company – to plan for a future that would belong to companies with the ability to process lower-cost heavy, sour feedstocks into premium, clean-burning fuels. That strategy has paid off for Valero ever since 1984, when it entered the refining business by commissioning its Corpus Christi refinery.

To keep its competitive advantage over other refiners, Valero has acquired facilities and upgraded them to meet this strategy. For example, the Port Arthur refinery – part of the Premcor acquisition in 2005 – became Valero's most profitable plant in 2006, and including expansions through the first quarter of 2007, it has added 325,000 barrels per day (BPD) of medium and heavy sour feedstocks to Valero's capacity.

Today, Valero has more catalytic cracking capacity than some refining companies' total conversion capacity. The same is true of Valero's coking capacity. Sour crude oil and residual fuels make up approximately 60 percent of Valero's raw materials input, which provides tremendous cost advantages. As the world moves toward cleaner fuel standards, the demand for easy-to-process light, sweet crude is growing. Meanwhile, the long-term trend for most new oil being produced to meet rising worldwide demand typically has been heavier and more sour, and not all refiners are as well-positioned as Valero to process those grades of crude oil. As those trends continue, the difference in price between heavy or sour crude oil and more costly light, sweet crude oil should remain favorable.

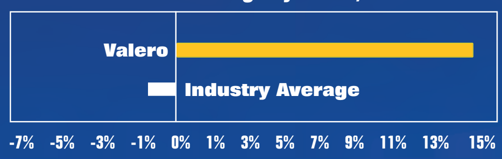
Valero's ability to process a wide variety of feedstocks allows it to quickly take advantage of price differentials in the marketplace and mitigate supply disruptions.

As a result of the company's focus on increasing feedstock flexibility, the number of different heavy, sour and resid feedstocks that Valero processes has grown from 27 in 2002 to 40 in 2006. Because Valero is able to choose from a wide selection of feedstocks, the company can ensure that it's getting the best prices the marketplace is offering.

And with Valero's large throughput capacity, changes in price differentials rapidly add up. Every $1 difference between sweet and sour crude oils impacts Valero by about $500 million per year in operating income.

Internal projects to add conversion capacity have given Valero even more of a competitive advantage. A new hydrocracker reactor at the Ardmore refinery in 2006 should contribute an additional $10 million to $12 million to the refinery's 2007 operating income, and in 2007 new mild hydrocracking units at the Houston and St. Charles refineries should boost the company's conversion capacity even higher.

Valero's strategy was forward-thinking when it was adopted in the early 1980s. Today, because of its tremendous complexity and flexibility, the company's refining system is considered to be one of the very best in the world.



For being a superior retailer and innovator, Valero's retail network was named the 2006 Chain of the Year by Convenience Store Decisions magazine. And, as a result of the branded wholesale network's dramatic growth, Valero was named America's "fastest-growing" gasoline marketer by Lundberg.


Turning Retail and Wholesale

into World-Class Competitors

For many years, the "Three F's" – *Fast, Friendly, and Fanatically Clean* – have been the mantra of Valero's retail operations. In 2006, the Retail Division put added emphasis on another "F" – *Fiercely Competitive*.

Optimization, Upgrades and Profitability for Retail Sites

Valero's retail organization continued to focus on converting its Corner Store network to the Valero fuel brand, upgrading its stores, offering quality products and strong in-store programs, and realizing cost efficiencies – all with the goal of making the network more competitive.

This plan continues to reap rewards. Because the fuel brand and Corner Store offerings have been well-received by customers, the Retail Division achieved its highest per-store earnings in history, growing per-store inside sales by 7 percent and gross profit by approximately 10 percent. Even though there were 41 fewer stores in its network in 2006 due to the divestiture of underperforming sites, the U.S. Retail Division still had a nearly 40 percent increase in operating income over 2005 and had its third-best earnings ever.

In recognition of Valero's dramatic growth and success in the retail industry in a very short period (the company had no branded retail operations in early 2000), Valero's Corner Store network was named the 2006 Convenience Store Chain of the Year by Convenience Store Decisions magazine. This award annually honors a petroleum convenience store chain that has established itself as a superior retailer and innovator in its markets of operation.

"Valero is a model of consistency with an outstanding retail offering and the refining capacity to deliver consumers a good value on fuel with no dropoff in quality," said the magazine's Editor-in-Chief John Lofstock. "Valero has managed to create some excitement in the market with new stores, strong in-store programs and a popular credit card network. With its commitment to retail excellence, Valero was an easy choice for Chain of the Year."

Record Growth for Branded Wholesale Business

With the continued, aggressive growth of its branded wholesale locations as well as its unbranded wholesale volumes, Valero also was labeled America's "fastest growing" gasoline marketer by the Lundberg Group, a well-respected source for information on the U.S. automotive fuel market.

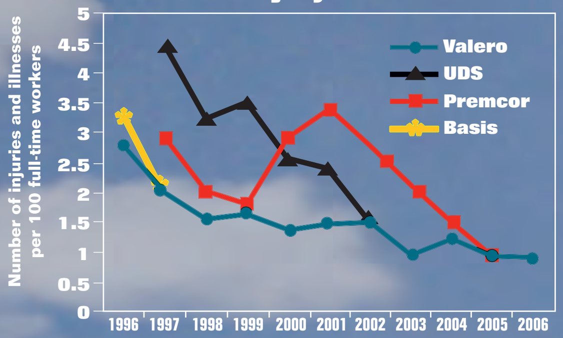
Valero earned this distinction for its track record of growth in 2006, according to a study released in January 2007 by Lundberg. According to the study, Valero achieved nearly 15 percent growth in gasoline sales over 2005, while the rest of the industry had an average *decline* of about 1 percent.

Thanks to Valero's ability to provide reliable supply, competitive pricing, and a wide range of brand support programs, distributors have been signing on with the company in record numbers. In fact, Valero contracted over 1,100 additional sites in 2006 alone, representing an additional 1.4 billion gallons in fuel sales per year. Today, the branded wholesale network consists of nearly 3,900 branded wholesale sites in the U.S., and the company's goal is to have 7,000 U.S. sites by 2011.

Retail and Wholesale Strive to be Fiercely Competitive

Despite the success that the retail and wholesale organizations achieved in 2006, they are continually working to make their operations even more successful. In fact, they are currently implementing aggressive plans to further improve their profitability and achieve their ultimate goal of becoming *Fiercely Competitive*.

Refining Employee Injury Rates



UDS, Premcor & Basis are companies acquired by Valero.

Valero has invested nearly $700 million to construct state-of-the-art scrubber units like this one shown at the Delaware City refinery, one of two scrubber units that went on line at the refinery in 2006. Valero has scrubber units, which reduce sulfur dioxide emissions by over 93 percent, at 10 of its refineries.

Strong Safety, Reliability

& Environmental Initiatives Make a World of Difference

In its annual listing of the "100 Best Companies to Work For," Fortune magazine singled out Valero's safety efforts as one of the main reasons the company once again ranked in the top 25 among the nation's best employers. This was not surprising because company officials have always believed that safety is the most fundamental way of caring for its employees, contract workers, and the communities where it operates.

In 2006, Valero's international refining network achieved a record-best total recordable injury rate (TRIR) of 0.92, which is 25 percent better than the three-year industry average of 1.22 reported by the National Petrochemical & Refiners Association. This record is the result of significant safety improvements at all of the refineries that Valero has acquired in recent years. In fact, five Valero refineries finished the year without an employee lost-time injury.

Valero also works closely with its contract workforce to ensure that they maintain high safety standards, and as a result, the company reached a record contractor TRIR of 1.03 in 2006 – a 26 percent improvement over the previous year.

Since 2001, Valero employees and contractors have assumed even higher safety standards through participation in the OSHA Voluntary Protection Program (VPP), and today Valero has 11 VPP Star Site refineries – more than any other refiner. Out of 149 U.S. refineries, only 23 have met the rigorous qualifications to earn this distinction, and Valero owns nearly half of those sites. And, the company's remaining refineries are on track to earn this prestigious certification in the coming years.

Another important benefit of VPP is the program's strict adherence to OSHA's rigorous Process Safety Management (PSM) regulations. Valero's focus on PSM and its PSM-related programs are critical to the company's efforts to maintain operational integrity and reliability at all of its sites.

Safe and reliable operations are also essential to strong environmental performance, another area where Valero has seen steady improvement in recent years. Between 2001 and 2005, Valero reduced criteria emissions by 19,130 tons per year, or nearly 26 percent, while increasing charge capacity by almost 240,000 barrels per year, or almost 14 percent.

Much of Valero's emission reductions are a result of major investments in state-of-the-art emission reduction technology. And, these investments are in addition to the billions of dollars that Valero has invested to produce the clean fuels that adhere to new clean fuels standards and meet the growing demand of U.S. consumers.

Valero will continue to be on the forefront of safety initiatives and environmental technology, and remain committed to sharing best practices from within its operations and throughout the industry. After all, safe operations are a safe investment.

Valero's Commitment to GHG Emission Reductions

As Valero continues working to meet our nation's growing demand for clean fuels, the company is also committed to reducing greenhouse gas (GHG) emissions. Valero is investing in the latest technology to improve combustion and energy efficiency at its refineries, which will reduce fuel consumption and carbon dioxide emissions over the next several years.

Valero also supports market-based mechanisms and incentives to ensure the most economic sources of GHG emission reductions are realized.

Valero will continue to closely follow regulatory developments, and participate in professional and public policy forums that address climate change and its potential impacts.

Through careful scientific, economic, and technical analysis, the company will work with all stakeholders to develop long-term measures that protect the environment.

Valero employee Kayla Moore and her son, Isaac, benefited greatly from the services of Seton Home, a San Antonio charity that receives United Way contributions and Valero Texas Open proceeds. Today, Kayla is giving back to her community by contributing her time and money to worthy causes.

Making our World a Better Place

Valero Employees Give Back to their Communities

Charity has come full circle for Valero employee Kayla Moore.

Once a vulnerable 17-year-old in foster care, Kayla learned about the importance of giving back when she benefited from the contributions that Valero made to a local charity that helped her out when she needed it most.

With the support of Seton Home – a beneficiary of Valero's United Way contributions and Valero Texas Open proceeds – Kayla was able to provide a nice life for herself and her little boy, Isaac. Seton Home provided them with shelter and meals, taught Kayla how to care for her son, and enabled her to resume her education. Best of all, this agency helped her get a job at a company she loves – Valero!

Kayla says that without Seton Home and Valero, she has no idea where she and Isaac would have ended up. Today, she is one of the people that makes Valero such a success. And, this story of giving back has come full circle because Kayla has embraced the company's philosophy of helping those in need.

For 27 years, Valero employees like Kayla have been making a difference in the company's communities. In 2006 alone, Valero employees volunteered nearly 275,000 hours – doing everything from mentoring children and building Habitat for Humanity homes to delivering hot meals to homebound seniors. The company and its employees also contributed nearly $47 million to charities stretching from Canada to the Caribbean in 2006.

There are countless examples of Valero employees' generosity. They gave a record $13 million to United Way with company match, and helped raise an unprecedented $1.5 million for the MS Society through the Valero MS150. And, the company's retail employees generated $1.1 million for Children's Miracle Network and $1.3 million for the Muscular Dystrophy Association.

But there's no better example of Valero's commitment to community service than the Valero Texas Open. Before the company signed on as title sponsor, the most that the tournament had ever raised for charity was $500,000. In 2006, the tournament netted a record $7 million for charity, which was the largest contribution in the PGA TOUR's history. So in the span of just five years, Valero helped take the tournament from the bottom of the TOUR's charity rankings to the very top.

What's more, the Texas Open has brought in $25.6 million for charity over its entire 84-year history, and $21 million of that amount has been raised since Valero became title sponsor just five years ago.

Through their good works in the community, Valero employees have provided shelter for the homeless, meals for the hungry, healthcare for the disabled, companionship for the elderly, and much more. They have offered hope, healed hearts, and saved lives.

Through their many contributions, they have made the world a much better place.

Financial Information

Condensed & Consolidated

The financial information presented on pages 19-23 of this summary annual report should be read in conjunction with Valero Energy Corporation's complete Consolidated Financial Statements (including the notes) and Management's Discussion and Analysis of Financial Condition and Results of Operations. This and other information about the company is contained in Valero's Proxy Statement for the 2007 Annual Meeting of Stockholders and Valero's Form 10-K for the year ended December 31, 2006. These documents are provided to all shareholders of record as of March 1, 2007. In addition, anyone may request, without charge, a Form 10-K by writing or calling Valero's Investor Relations Department. Address and contact information can be found on the inside back cover of this report. Valero's 2006 Annual Report on Form 10-K and the Proxy Statement also may be accessed via the company's Web site at: www.valero.com.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Valero Energy Corporation and Subsidiaries:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Valero Energy Corporation and subsidiaries (the Company) as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2006 appearing in the Company's 2006 Annual Report on Form 10-K (not presented herein). In our report dated February 23, 2007, also appearing in that Annual Report, we expressed an unqualified opinion on those consolidated financial statements. Our report on the consolidated financial statements refers to changes in the method of accounting for purchases and sales of inventory with the same counterparty and stock compensation in 2006.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2006 and 2005, and the related condensed consolidated statements of income and cash flows for each of the years in the three-year period ended December 31, 2006, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG LLP
San Antonio, Texas
February 23, 2007

CONDENSED CONSOLIDATED BALANCE SHEETS

(millions of dollars)

DECEMBER 31,	2006	2005
ASSETS		
Current Assets	**$ 10,760**	$ 8,346
Property, Plant and Equipment, Net	**21,098**	17,856
Goodwill	**4,211**	4,926
Intangible Assets, Deferred Charges and Other Assets, Net	**1,684**	1,670
TOTAL ASSETS	**$ 37,753**	$ 32,798
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	**$ 8,822**	$ 7,375
Long-Term Debt and Capital Lease Obligations, Less Current Portions	**4,657**	5,156
Deferred Income Taxes	**4,047**	3,615
Other Long-Term Liabilities	**1,622**	1,602
Stockholders' Equity	**18,605**	15,050
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 37,753**	$ 32,798

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(millions of dollars, except per share amounts)

YEAR ENDED DECEMBER 31,	2006	2005	2004
OPERATING REVENUES	**$ 91,833**	$ 82,162	$ 54,619
COSTS AND EXPENSES:			
Cost of Sales	**77,482**	71,673	47,797
Refining Operating Expenses	**3,785**	2,874	2,100
Retail Selling Expenses	**803**	758	696
General and Administrative Expenses	**598**	558	442
Depreciation and Amortization Expense	**1,155**	840	605
TOTAL COSTS AND EXPENSES	**83,823**	76,703	51,640
OPERATING INCOME	**8,010**	5,459	2,979
EQUITY IN EARNINGS OF VALERO L.P.	**45**	41	39
OTHER INCOME (EXPENSE), NET	**351**	53	(48)
INTEREST AND DEBT EXPENSE, NET	**(210)**	(266)	(260)
MINORITY INTEREST IN NET INCOME OF VALERO GP HOLDINGS, LLC	**(7)**	—	—
INCOME BEFORE INCOME TAX EXPENSE	**8,189**	5,287	2,710
INCOME TAX EXPENSE	**2,726**	1,697	906
NET INCOME	**5,463**	3,590	1,804
PREFERRED STOCK DIVIDENDS	**2**	13	13
NET INCOME APPLICABLE TO COMMON STOCK	**$ 5,461**	$ 3,577	$ 1,791
EARNINGS PER COMMON SHARE	**$ 8.94**	$ 6.51	$ 3.51
Weighted Average Common Shares Outstanding (in millions)	**611**	549	510
EARNINGS PER COMMON SHARE — ASSUMING DILUTION	**$ 8.64**	$ 6.10	$ 3.27
Weighted Average Common Equivalent Shares Outstanding (in millions)	**632**	588	552
DIVIDENDS PER COMMON SHARE	**$ 0.30**	$ 0.19	$ 0.145

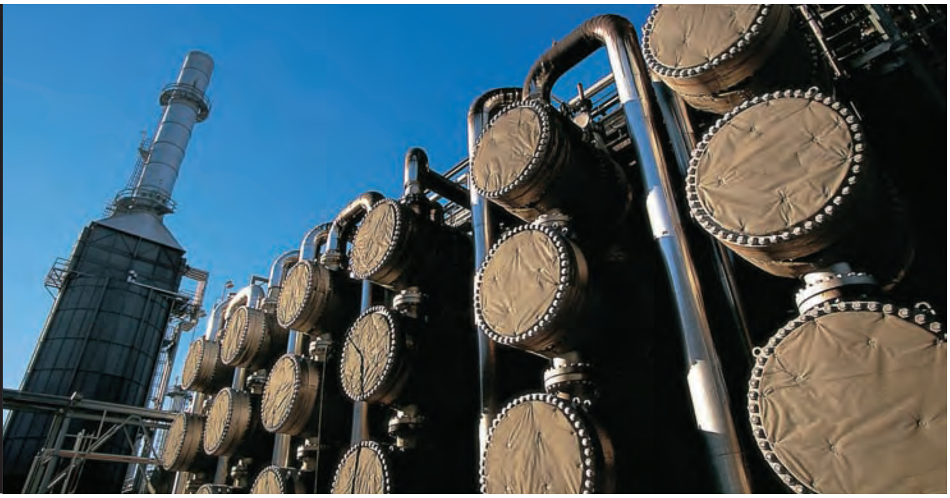
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31,	2006	2005	2004
		(millions of dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	**$ 5,463**	$ 3,590	$ 1,804
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	**1,155**	840	605
Deferred Income Tax Expense	**290**	255	345
Changes in Current Assets, Current Liabilities and Other, Net	**(596)**	1,165	226
Net Cash Provided by Operating Activities	**6,312**	5,850	2,980
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures and Deferred Turnaround and Catalyst Costs	**(3,756)**	(2,574)	(1,596)
Proceeds from Sale of Valero GP Holdings, LLC	**880**	—	—
Proceeds from Sales of Assets	**64**	153	108
Major Acquisitions	**—**	(2,343)	(541)
Contingent Payments in Connection with Acquisitions	**(101)**	(85)	(53)
Buyout of Assets Under Structured Lease Arrangements	**—**	—	(567)
Other, Net	**(58)**	(51)	(36)
Net Cash Used in Investing Activities	**(2,971)**	(4,900)	(2,685)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt Borrowings (Repayments), Net	**(249)**	(874)	71
Termination of Interest Rate Swaps	**(54)**	—	—
Proceeds from Common Stock Offerings, Net	**—**	—	406
Benefit from Tax Deduction in Excess of Recognized Stock-based Compensation Cost	**206**	—	—
Common and Preferred Stock Dividends	**(184)**	(106)	(79)
Issuance (Repurchase) of Common Stock, Net	**(1,898)**	(389)	(205)
Other	**(9)**	(13)	(8)
Net Cash Provided by (Used in) Financing Activities	**(2,188)**	(1,382)	185
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	**1**	4	15
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	**1,154**	(428)	495
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	**436**	864	369
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	**$ 1,590**	$ 436	$ 864

CONDENSED CONSOLIDATED 5-YR FINANCIAL & STATISTICAL REVIEW

(millions of dollars, except per share and per barrel amounts)

	2006	2005(a)	2004(b)	2003(c)	2002
OPERATING RESULTS FOR YEAR ENDED DECEMBER 31:					
Operating Revenues	**$ 91,833**	$ 82,162	$ 54,619	$ 37,969	$29,048
Operating Income	**$ 8,010**	$ 5,459	$ 2,979	$ 1,222	$ 471
Net Income	**$ 5,463**	$ 3,590	$ 1,804	$ 622	$ 92
Earnings per Common Share	**$ 8.94**	$ 6.51	$ 3.51	$ 1.34	$ 0.22
Earnings per Common Share— Assuming Dilution	**$ 8.64**	$ 6.10	$ 3.27	$ 1.27	$ 0.21
FINANCIAL POSITION AS OF DECEMBER 31:					
Current Assets	**$ 10,760**	$ 8,346	$ 5,264	$ 3,817	$ 3,536
Property, Plant and Equipment, Net	**21,098**	17,856	10,317	8,195	7,412
Goodwill	**4,211**	4,926	2,401	2,402	2,580
Intangible Assets, Deferred Charges and Other Assets, Net	**1,684**	1,670	1,410	1,250	937
Total Assets	**$ 37,753**	$ 32,798	$ 19,392	$ 15,664	$ 14,465
Current Liabilities	**$ 8,822**	$ 7,375	$ 4,534	$ 3,064	$ 3,006
Long-Term Debt and Capital Lease Obligations, Less Current Portions	**4,657**	5,156	3,901	4,245	4,494
Deferred Income Taxes	**4,047**	3,615	2,011	1,605	1,241
Other Long-Term Liabilities	**1,622**	1,602	1,148	1,015	927
Company-Obligated Preferred Securities of Subsidiary Trusts	**—**	—	—	—	373
Minority Interest in Valero L.P.	**—**	—	—	—	116
Stockholders' Equity	**18,605**	15,050	7,798	5,735	4,308
Total Liabilities and Stockholders' Equity	**$ 37,753**	$ 32,798	$ 19,392	$ 15,664	$14,465



YEAR ENDED DECEMBER 31,	**2006**	**2005**(a)	**2004**(b)	**2003**(c)	**2002**
COMMON STOCK DATA:					
Dividends per Common Share	**$ 0.30**	$ 0.19	$ 0.145	$ 0.105	$ 0.10
Number of Shares Outstanding, End of Year (in millions)	**604**	617	511	481	429
Number of Registered Shareholders, End of Year	**8,507**	7,233	6,554	6,564	7,174
Market Price:					
High	**$ 70.75**	$ 58.63	$ 23.91	$ 11.77	$ 12.49
Low	**$ 46.84**	$ 21.01	$ 11.43	$ 8.05	$ 5.79
OTHER DATA:					
Capital Expenditures and Deferred Turnaround and Catalyst Costs	**$ 3,756**	$ 2,574	$ 1,596	$ 1,112	$ 780
Number of Employees, End of Year	**21,855**	21,923	19,879	19,741	19,878
OPERATING STATISTICS:					
Throughput Volumes (mbbls per day)	**2,960**	2,488	2,162	1,835	1,595
Throughput Margin per Barrel	**$ 12.29**	$ 11.14	$ 7.44	$ 5.13	$ 4.02
Operating Costs per Barrel:					
Refining Operating Expenses	**$ 3.50**	$ 3.16	$ 2.65	$ 2.43	$ 2.26
Depreciation and Amortization	**0.95**	0.80	0.66	0.62	0.66
Total Operating Costs per Barrel	**$ 4.45**	$ 3.96	$ 3.31	$ 3.05	$ 2.92

(a) Includes the operations related to the Premcor Acquisition beginning September 1, 2005.

(b) Includes the operations related to the Aruba Acquisition beginning March 5, 2004.

(c) Includes the operations of the St. Charles Refinery beginning July 1, 2003.

Our Board of Directors

Left to Right

Senator Don Nickles retired in 2005 as U.S. Senator from Oklahoma after 24 years. As a U.S. Senator, he served as Assistant Republican Leader, Chairman of the Republican Senatorial Committee, Chairman of the Republican Policy Committee and Chairman of the Budget Committee. He also served on the Finance and Energy and Natural Resources committees. Upon his retirement, he formed and became Chairman and Chief Executive Officer of The Nickles Group. He also serves on the Board of Chesapeake Energy Corporation and Fortress America Acquisition Corporation.

Bob Profusek is a partner in the Jones Day law firm and heads their Mergers and Acquisitions department. Mr. Profusek also serves as a director of CTS Corporation. Previously, he served as Executive Vice President of Omnicom Group Inc. and as a director of the managing general partner of Valero L.P.

Dr. Susan Kaufman Purcell is the Director of the Center for Hemispheric Policy at the University of Miami. This center examines the relationship between the U.S. and Latin America with respect to economic development, trade, healthcare and politics. Previously, Dr. Purcell served as Vice President of the Americas Society and Vice President of the Council of the Americas.

Jerry Choate is retired from Allstate Corporation, where he served as Chairman of the Board and Chief Executive Officer from 1995 through the end of 1998. Currently, Mr. Choate serves as a director of Amgen, Inc., H&R Block and Van Kampen Mutual Funds.

Bill Klesse is CEO and Chairman of the Board of Valero Energy Corporation. He was elected Chairman of the Board in January 2007, and was named CEO and Vice Chairman of the Board at the end of 2005. Previously, Mr. Klesse served as Valero's Executive Vice President and Chief Operating Officer, and held other leadership positions with Valero, Ultramar Diamond Shamrock and Diamond Shamrock Corporation since 1969.

Dr. Ron Calgaard serves as Chairman of the Ray Ellison Grandchildren Trust, and as a director of The Trust Company, N.A. Previously, he served as Chairman and Chief Executive Officer of Austin, Calvert & Flavin, Inc. in San Antonio. Prior to that, he was President of Trinity University in San Antonio from 1979 until his retirement in 1999, at which time he was appointed President Emeritus of the University.

Bill Bradford is the retired Chairman of the Board of Halliburton Company. Prior to the Halliburton-Dresser merger, he was Chairman of the Board and Chief Executive Officer of Dresser Industries, Inc., and he held various positions in production and management during his tenure there.

Bob Marbut is Chairman of the Board and Chief Executive Officer of Argyle Communications, Inc. and Chairman of SecTecGLOBAL, Inc. He also serves as Executive Chairman of Electronics Line 3000 Ltd., and as Chairman and Co-Chief Executive Officer of Argyle Security Acquisition Corporation. He is a director of Tupperware Brands Corporation and Hearst-Argyle Television, Inc. Previously, Mr. Marbut led Hearst-Argyle Television, Inc.; Argyle Television, Inc.; Argyle Television Holding, Inc.; and Harte-Hanks Communications, Inc.

Irl Engelhardt is Chairman of the Board of Peabody Energy Corporation. He served as Peabody's Chairman and Chief Executive Officer from 1993 through 2005 when he retired as Chief Executive Officer. Prior to that, he served as Chief Executive Officer of a predecessor of the company. Mr. Engelhardt is also a director of The Williams Companies, Inc., and is Chairman of The Federal Reserve Bank of St. Louis.

Ruben Escobedo, a Certified Public Accountant, has had his own certified public accounting firm, Ruben Escobedo & Company, CPAs, in San Antonio since its formation in 1977. He also serves as a director of Cullen/Frost Bankers, Inc.

Shareholder Information

Principal Officers
Bill Klesse, CEO & Chairman of the Board
Greg King, President
Mike Ciskowski, Executive Vice President & Chief Financial Officer
Gene Edwards, Executive Vice President – Corporate Development & Strategic Planning
Joe Gorder, Executive Vice President – Marketing & Supply
Rich Marcogliese, Executive Vice President – Operations
Gary Arthur Jr., Senior Vice President – Retail Marketing
Kim Bowers, Senior Vice President & General Counsel
Mary Rose Brown, Senior Vice President – Corporate Communications
Jay Browning, Senior Vice President – Corporate Law & Secretary
Mike Crownover, Vice President – Human Resources
Clay Killinger, Vice President & Controller
Norm Renfro, Vice President – Health, Safety & Environmental
Hal Zesch, Vice President & Chief Information Officer
Donna Titzman, Treasurer
Steve Gilbert, Assistant Secretary & Disclosure & Compliance Officer

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(210) 345-2000

Web Site
www.valero.com

Valero Energy Corporation Common Stock
Valero's common stock is listed for trading on the New York Stock Exchange under the ticker symbol "VLO."

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Investor Relations
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San Antonio, TX 78269-6000
(800) 531-7911 or (210) 345-2000
(210) 345-2103 (fax)
investorrelations@valero.com

Media Inquiries
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P.O. Box 696000
San Antonio, TX 78269-6000
(800) 531-7911 or (210) 345-2000
(210) 345-2327 (fax)
corporatecommunications@valero.com

Annual Meeting
Valero's annual meeting of stockholders will be held at 10 a.m., Thursday, April 26, 2007, at Valero's corporate headquarters located at One Valero Way (near the southwest corner of the intersection of I.H. 10 and Loop 1604 West) in San Antonio, Texas.

Transfer Agent and Registrar
Computershare Investor Services has been appointed transfer agent, registrar and dividend disbursing agent for Valero's common stock. Inquiries with respect to stock accounts and dividends and all requests to transfer certificates should be addressed to:

Computershare Investor Services LLC
250 Royall Street, Mail Stop 1A
Canton, MA 02021
(888) 470-2938
(312) 360-5261
www.computershare.com/contactus

Dividend Withholding
Under federal income tax law, you are subject to certain penalties, as well as withholding with respect to your dividend payments, if you have not provided Valero with your correct social security number or other taxpayer identification number. For this reason, any security holder who has not provided a taxpayer identification number should obtain a Form W-9 (Payer's Request for Taxpayer Identification Number). To request a Form W-9, please contact Valero's transfer agent and registrar at the address shown above.

Forward-Looking Statements
Much of the information provided in this report includes or is based upon estimates, predictions, projections and other "forward-looking statements" (as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934) that involve various risks and uncertainties. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect Valero's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Certain risks and uncertainties that may affect Valero are detailed from time to time in its SEC reports, including Valero's most recent Annual Report on Form 10-K. The financial and other information provided in this summary annual report should be read in conjunction with Valero Energy Corporation's complete Consolidated Financial Statements (including the notes) and Management's Discussion and Analysis of Financial Condition and Results of Operations. This and other information about Valero is contained in Valero's Notice of the 2007 Annual Meeting of Stockholders Proxy Statement and Form 10-K for the year ended December 31, 2006. This document is provided to all stockholders of record as of March 1, 2007. In addition, persons may request, without charge, a Form 10-K by writing or calling Valero's Investor Relations Department. Valero's 2006 Annual Report on Form 10-K and the Proxy Statement also may be accessed via our Web site at: **www.valero.com**.

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Valero Energy Corporation

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