INVESTING IN EXCELLENCE

FOCUSED ON THE FUTURE

VALERO ENERGY CORPORATION 2007 ANNUAL REPORT

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OUR COMMITMENT TO EXCELLENCE

AS A LEADING REFINER AND MARKETER, WE ARE COMMITTED TO FOLLOWING THESE GUIDING PRINCIPLES IN PURSUING AND ACHIEVING EXCELLENCE IN OUR BUSINESS, INDUSTRY AND RELATIONSHIPS WITH OUR EMPLOYEES AND COMMUNITIES:

SAFETY

The safety of our employees, our operations, and our communities is our highest priority.

STAKEHOLDERS

We are committed to delivering long-term value to all stakeholders – our employees, communities, investors, and customers – by pursuing profitable, value-enhancing strategies with a focus on world-class operations.

EMPLOYEES

Our employees are our No. 1 asset. We are committed to providing a challenging, enjoyable and rewarding work environment, which fosters creative thinking, teamwork, open communication, respect, and opportunity for individual professional growth and development.

ENVIRONMENT

We are committed to producing environmentally clean products, while striving to improve and enhance the environmental quality of our operations within our local communities.

COMMUNITIES

We are committed to taking a leadership role in the communities in which we live and work by providing company support and encouraging employee involvement.

OUR FINANCIAL HIGHLIGHTS

[MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS]

	2007*	2006*
OPERATING REVENUES	$ 95,327	$ 87,640
OPERATING INCOME	$ 6,918	$ 7,722
INCOME FROM CONTINUING OPERATIONS	$ 4,565	$ 5,287
NET INCOME	$ 5,234	$ 5,463
EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS – ASSUMING DILUTION	$ 7.72	$ 8.36
TOTAL ASSETS	$ 42,722	$ 37,753
STOCKHOLDERS' EQUITY	$ 18,507	$ 18,605
CAPITAL EXPENDITURES AND DEFERRED TURNAROUND AND CATALYST COSTS	$ 2,778	$ 3,756

SUMMARY ANNUAL REPORT

This summary annual report format provides condensed financial statement disclosure. The company's full financial statements are contained in its Annual Report on Form 10-K for the year ended December 31, 2007, which has been filed with the SEC and made available to all stockholders. This information is also available at www.valero.com.

*Effective July 1, 2007, Valero Energy Corporation sold its Lima, Ohio refinery. Therefore, the assets and liabilities related to the sale are presented as "assets held for sale" and "liabilities related to assets held for sale," respectively, in the consolidated balance sheet as of December 31, 2006. In addition, the results of operations of the Lima refinery are reported as discontinued operations for the years ended December 31, 2007 and 2006, and therefore are not included in any statement of income information presented in this table other than the net income amounts.

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TO OUR STOCKHOLDERS

2007 WAS A GREAT YEAR FOR VALERO. WE EARNED $7.72 PER SHARE FROM CONTINUING OPERATIONS, MAKING THIS ONE OF THE BEST YEARS IN OUR HISTORY. WE WERE VOTED FORTUNE MAGAZINE'S No. 1 BEST BIG COMPANY TO WORK FOR IN AMERICA. IT WAS ALSO A GREAT YEAR FOR OUR STOCKHOLDERS. VALERO CONTINUED TO GROW SHAREHOLDER VALUE WITH A TOTAL SHAREHOLDER RETURN OF MORE THAN 37 PERCENT – FAR BETTER THAN THE S&P 500'S 5.5 PERCENT RETURN. CASH RETURNED TO YOU, OUR STOCKHOLDERS, WAS AT AN ALL-TIME HIGH. WE RETURNED $6 BILLION IN CASH BY INCREASING OUR ANNUAL DIVIDEND 50 PERCENT TO $.48 PER SHARE, AND PURCHASING 14 PERCENT OF OUR SHARES OUTSTANDING. OVER THE LAST TWO YEARS, WE HAVE PURCHASED NEARLY 120 MILLION SHARES OR 19 PERCENT OF OUR OUTSTANDING SHARE COUNT. OUR EARNINGS POWER HAS NEVER BEEN STRONGER, AND OUR YEAR-END BALANCE SHEET WAS ONE OF THE STRONGEST WE'VE EVER HAD.

OUR VISION IS TO BECOME A WORLD-CLASS COMPETITOR IN THE GLOBAL ENERGY BUSINESS, GENERATING INDUSTRY-LEADING RETURNS ON OUR INVESTMENTS. As we strive to achieve this vision, we are committed to pursuing excellence in all aspects of our business and are making investments to achieve the best results for our stockholders. We remain employee-focused, socially conscious, community-minded, safe, reliable and environmentally responsible.

OPERATIONAL EXCELLENCE IS WHAT WILL SET US APART FROM OUR COMPETITORS AND MAKE US STRONG IN ANY BUSINESS CYCLE. Our tremendous growth over the past decade also brought certain challenges, as many of the refineries we acquired had experienced years of underinvestment and reliability issues. We have a tremendous opportunity to improve our operating reliability as we address these issues for the long term. We are aggressively investing in high-return capital projects at our most competitive refineries, restructuring business units to take advantage of efficiencies, and optimizing our asset base to capitalize on the strengths of our logistically advantaged and complex refineries. Through all of our initiatives, we remain focused on safety and reliability.

OUR COMMITMENT TO EXCELLENCE AT VALERO ALWAYS MEANS SAFETY FIRST, BOTH OCCUPATIONAL SAFETY AND PROCESS SAFETY. We are very supportive of OSHA and its Voluntary Protection Program (VPP), and have made it our goal to have each of our refineries designated as a Star Site under this program. In total, the company has 11 VPP Star Sites, of only 24 nationwide. Having VPP recognition means that these sites have achieved the highest recognition by OSHA for the personal safety of our employees. In 2007, three plants earned Star Site recertification under OSHA's even more stringent National Emphasis Program standards. Because safety is a team effort, several of our contractors have also been certified. We thank them for their support and commitment to our success.

CHIEF EXECUTIVE OFFICER'S COMMITTEE

LEFT TO RIGHT – BACK ROW

Mike Crownover, Senior Vice President – Human Resources; **Jay Browning,** Senior Vice President – Corporate Law and Secretary; **Clay Killinger,** Senior Vice President and Controller; **Gary Arthur Jr.,** Senior Vice President – Retail Marketing; **Hal Zesch,** Senior Vice President and Chief Information Officer; **Kim Bowers,** Senior Vice President and General Counsel; **Rich Marcogliese,** Executive Vice President and Chief Operating Officer; **Mike Ciskowski,** Executive Vice President and Chief Financial Officer.

LEFT TO RIGHT – SEATED

Donna Titzman, Vice President and Treasurer; **Eric Fisher,** Vice President – Investor and Corporate Communications; **Joe Gorder,** Executive Vice President – Marketing and Supply; **Gene Edwards,** Executive Vice President – Corporate Development and Strategic Planning; **Bill Klesse,** Chief Executive Officer, President and Chairman of the Board.

However, VPP Star Site certification is not enough. We are also focused on process safety. Our Process Safety Management (PSM) initiative is focused on identifying and implementing best-in-class processes in our facilities to not only keep our people safe, but keep our equipment performing properly and reliably. We are on track to make our PSM program rank among the best in our industry. Improved reliability is central to our success and the safety of our employees.

VALERO'S CAPITAL PROJECTS ARE KEY TO IMPROVED AND MORE PROFITABLE OPERATIONS – AND WE ARE MAKING STRIDES. As part of a 2007 capital expenditure program totaling $2.8 billion, we successfully commissioned major upgrade projects at our St. Charles, Houston, Corpus Christi, Ardmore, Port Arthur and Benicia refineries. We also have announced plans to construct two state-of-the-art hydrocrackers, one at St. Charles and the other at Port Arthur, as well as a new coker at Port Arthur. These projects are the largest ever initiated by Valero and are expected to be a $3.8 billion investment. When completed over the next three years, these projects will position our St. Charles and Port Arthur refineries among the leaders in the U.S. refining industry.

VALERO IS SEIZING THE OPPORTUNITY TO UPGRADE AND OPTIMIZE ITS PORTFOLIO OF ASSETS. For our stockholders, generating the highest returns possible is critical. As we exercise discipline in allocating capital across our portfolio of assets, we recognize that it does not make sense to invest strategically in every plant, particularly our smaller or less-complex facilities. Hard decisions must be made. Some of our plants may be more valuable to another owner with a different set of opportunities than Valero. As an example, the Lima, Ohio refinery, which we sold in 2007, was a good fit for the acquirer, Husky Energy. Lima refinery employees and the community now have better opportunities. Today, we are looking at strategic alternatives for four other refineries: Aruba, Memphis, Krotz Springs and Ardmore. At the end of this process, we believe that Valero will be a stronger, more competitive business for all of our stakeholders: our employees, our investors, our communities and our customers.

WE ARE COMMITTED TO EVALUATING ALL ASPECTS OF OUR BUSINESS FOR MORE EFFICIENCIES. In 2007, we restructured our retail business to make it more competitive by reducing its administrative costs. This contributed to our retail division's most profitable year ever. We also restructured our refinery accounting

and procurement business units and are centralizing more of our procurement activities to achieve better standardization and cost savings.

WE ARE COMMITTED TO INVESTING IN OUR ENVIRONMENT. We made significant investments in environmental initiatives, not only to comply with increasingly stringent local, state and federal environmental regulations, but also to participate in voluntary environmental programs. While our industry is constantly challenged by new environmental regulations, Valero continues to demonstrate that with technology and ingenuity, it is possible to produce clean-burning fuels and be a good environmental steward.

OUR EMPLOYEES DRIVE ALL OF OUR INITIATIVES, THE SUCCESS OF OUR COMPANY, AND IMPROVED SHAREHOLDER RETURNS. Throughout this 2007 Annual Report, you will be reading about successes, milestones, accomplishments, projects and commitments. Behind every achievement in this report are hard-working, dedicated, smart people who drive our business and care for our communities. We are proud of our people and are committed to providing them with a challenging, enjoyable and rewarding work environment with opportunities for professional growth and development. Our goal is to continue to foster their growth so that, together, we can realize our vision and the earnings potential of our assets.

VALERO IS POSITIONING ITSELF TO MEET THE CHALLENGES FACING OUR INDUSTRY. As we enter 2008, we have very high prices for crude oil, and gasoline margins have fallen from last year's very high levels. In a political climate of mixed messages, Congress has enacted new CAFE targets, maintained limited

access to the offshore Continental Shelf for exploration and production of oil, and is considering more intense greenhouse gas legislation that we believe will further increase the cost to consumers for refined products and weaken our global competitiveness. Valero continues to work to reduce emissions, but new product specifications continue to require refineries to install more heaters, furnaces and boilers, which increase greenhouse gas emissions. Ethanol can be a viable component of the fuel supply, but it also has greenhouse gas implications. We are concerned that the renewable fuels industry's effect of increasing grain prices may have a far worse impact on the world than climate change. We believe that a balanced, well-thought-out energy policy, based on good science, will yield sound economic decisions.

For these reasons, 2008 could be a challenging year for Valero. However, there is no doubt in my mind that oil and natural gas will continue to be the low-cost and more efficient energy source for the world. As we invest in projects at our refineries that enhance our ability to turn low-cost feedstocks into high-quality refined products, we further position our company to continue to be an efficient producer of the fuels that keep America on the move.

OUR PRODUCTS IMPROVE PEOPLE'S LIVES. Things have changed in our industry over the decades, but one thing remains constant: our products add value to people's lives. Our products power the world economy, and our industry has remained extremely reliable at supplying the market. Gasoline, diesel, heating oil, jet fuel, lubricants, chemicals – all of these products greatly enhance quality of life. In everything from plastics to clothing to medical supplies to computers, what we do adds real value. If you think about how our industry does it – the complexity of our processes compared with the low prices at which we deliver these products to the market – it is amazing. Our industry is truly a model of efficiency, and I am very proud to be a part of it.

Thank you to all of our employees, customers, partners and stockholders. We appreciate your support. We are focused on our vision and committed to pursuing excellence. We look forward to making our operations better than ever and strengthening our position as a world-class competitor.

Bill Klesse

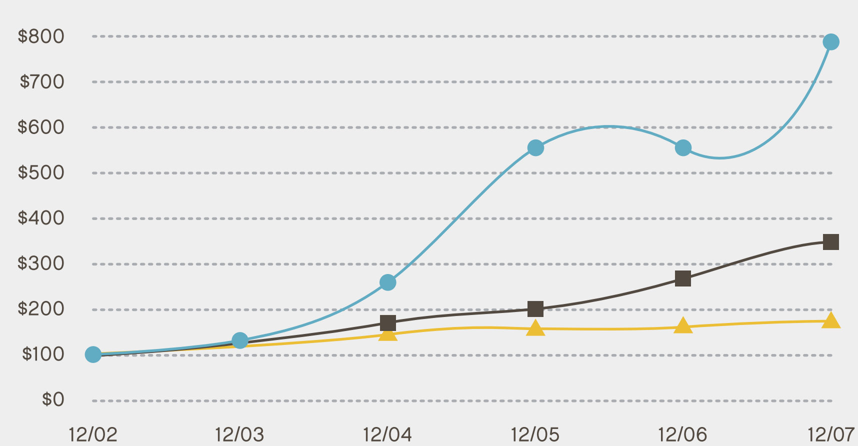
CEO, President & Chairman of the Board

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

VALERO ENERGY CORPORATION

PEER GROUP

S&P 500



The peer group consists of: Chevron Corp., Conoco Phillips, Exxon Mobil Corp., Frontier Oil Corp., Hess Corp., Marathon Oil Corp., Murphy Oil Corp., Occidental Petroleum Corp., Sunoco, Inc. and Tesoro Corp.

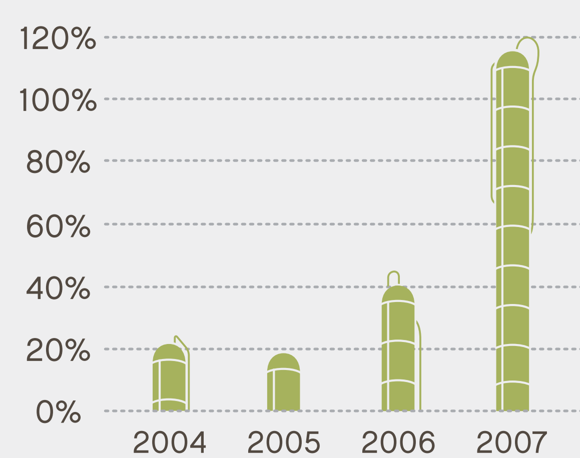
Calculation of cumulative total return based on $100 investment on December 31, 2002.

INVESTING IN SHAREHOLDER VALUE

FOR OVER A DECADE, VALERO HAS FOCUSED ON THE FUTURE, AND IT HAS PAID OFF. TODAY, WHILE THE COMPANY'S STRATEGY HAS SHIFTED FROM RAPID GROWTH THROUGH ACQUISITIONS TO ACHIEVING HIGHER RETURNS FROM ITS ASSETS, VALERO REMAINS COMMITTED TO ENHANCING SHAREHOLDER VALUE IN ALL THAT IT DOES.

- Valero has grown from a regional energy company with a single refinery to North America's largest refiner and one of the nation's largest retailers, with 17 refineries stretching from California to Canada to the Caribbean. With this network of refineries, Valero has a combined throughput capacity of 3.1 million barrels per day.
- Valero is the 16th largest company on the Fortune 500, with more than $95 billion in annual revenues and nearly 22,000 employees.
- Geographic diversity and operating flexibility are the cornerstones of Valero's operations. With a presence in four different markets, Valero is able to capitalize on the differences in regional margins that often move independently. Its refineries' operating flexibilities and high conversion capacities allow the company to process low-quality feedstocks into high-quality fuels and benefit from the use of feedstocks that price below light sweet crude oil.
- In the past five years, the company increased its number of branded wholesale locations by 114 percent, from 1,800 to 3,850, which moved 126,000 barrels per day of products from the spot market to the higher-margin branded wholesale channel.
- A newly structured retail organization is growing in-store sales of Valero's products at a record pace.
- Valero's financial performance in 2007 demonstrates a strong commitment to stockholders. The company increased its annual dividend by 50 percent to $0.48 per share and delivered $271 million in dividend payments to its stockholders in 2007. Today, its common stock dividend yield is competitive with its peers and the S&P 500 average.
- Valero remains committed to taking a balanced approach to allocating free cash flow. Delivering on that commitment through a stock buyback program, Valero returned approximately $5.8 billion to stockholders in 2007 by purchasing over 84 million shares of its common stock, or approximately 14 percent of its outstanding shares at the beginning of the year. Since the beginning of 2006, the company has purchased nearly 120 million shares of its stock, which represents 19 percent of its outstanding shares at the end of 2005.
- After a decade of rapid growth through acquisitions, Valero is focused on achieving higher returns from its existing asset base. The company is strengthening itself through optimizing its assets and focusing on value-enhancing strategic projects. Major hydrocracker projects at its St. Charles and Port Arthur refineries will position these refineries among the leaders in the U.S. refining industry and make them even more competitive globally. These projects signal major investments in Valero's internal growth strategy, which, coupled with the stock buyback program, complement Valero's continued effort to maximize shareholder value by taking a balanced approach to allocating cash flow. Through disciplined investments in projects at Valero's logistically advantaged and more complex refineries, we believe we are building a better, stronger, more valuable Valero.

RETURNING MORE CASH
THAN EVER TO STOCKHOLDERS



Valero Earnings Payout Ratio: (Dividends + Buybacks)/Earnings

INVESTING IN OUR ASSETS

IN 1997, A SPIN-OFF OF THE REFINERY BUSINESS LEFT VALERO WITH CASH AND ONE REFINERY IN CORPUS CHRISTI, TEXAS. WITH REFINERIES FOR SALE AT CENTS ON THE REPLACEMENT DOLLAR, IT WAS A TREMENDOUS TIME TO ACQUIRE ASSETS AT LOW PRICES AND GROW THE BUSINESS. OVER THE NEXT NINE YEARS, VALERO ACQUIRED REFINERIES AT VERY LOW PRICES RELATIVE TO REPLACEMENT COST, AND EVEN BOUGHT ONE OUT OF BANKRUPTCY. VALERO IS TRULY A PHENOMENAL GROWTH STORY – IN THE RIGHT PLACE AT THE RIGHT TIME.

With Valero's tremendous growth came challenges that it continues to face today. Many of the plants Valero acquired had suffered years of underinvestment under previous ownership. Because of this, Valero continues to have tremendous opportunity to improve operations and Valero's earnings power. As part of the company's strategic assessment of its refinery portfolio, the most valuable opportunities lay in its logistically advantaged and complex refineries, which can upgrade low-cost feedstocks into high-value, clean products. By investing in these assets, the company firmly believes that it can achieve operational excellence and even higher returns for Valero's stockholders.

Reflecting the significant projected growth in U.S. and global demand for diesel, as well as the move towards cleaner-burning fuels, Valero marked 2007 with the completion of major projects focused on increasing production of ultra-low-sulfur diesel (ULSD). Investing $1.2 billion, the company completed major installations of ULSD-producing units at its Houston, St. Charles, Benicia and Corpus Christi refineries. The investments were timely, as the

company continues to capitalize on a great margin environment for diesel, which it expects to continue.

In addition to these strategic projects, Valero invested more than $1 billion in 2007 for initiatives focused primarily on improving the reliability, safety and operational integrity of its refineries. Valero will continue with these investments as our commitment to reliability initiatives remains at the forefront in 2008.

Focusing on the future, Valero recently announced the two largest capital projects in the company's history – a $1.4 billion gas oil hydrocracker at its St. Charles refinery and a $2.4 billion hydrocracker/coker at Port Arthur. These major investments are expected to boost these refineries' production of ULSD by 49,000 barrels per day and 54,000 barrels per day, respectively. The completed projects will position these refineries among the leaders in the U.S. refining industry, adding more capacity to produce ULSD and process heavy, sour feedstocks that trade at discounts to light sweet crude oil. The projects are expected to be complete by 2011.

Valero's 2007 projects, together with its planned future investments, are examples of the company's strategy to convert low-cost feedstocks into premium, cleaner-burning fuels, particularly ULSD. Sour crude and residual fuel oils, which cost less than light sweet crude oil, make up more than 60 percent of Valero's raw materials input, which provides significant cost advantages. With a focus on investments that enhance Valero's conversion capacity at its core refineries, and a goal of operational excellence, the company believes that its vision to become a world-class competitor, generating industry-leading returns on investments, is in clear sight.

FOCUS ON THE FUTURE

ST. CHARLES

- 50,000 bpd hydrocracker
- Crude expansion from 190,000 to 235,000 bpd
- Coker expansion from 70,000 to 80,000 bpd
- Expected increase in ULSD production of 49,000 bpd
- Expected increase in gasoline production of 11,000 bpd

PORT ARTHUR

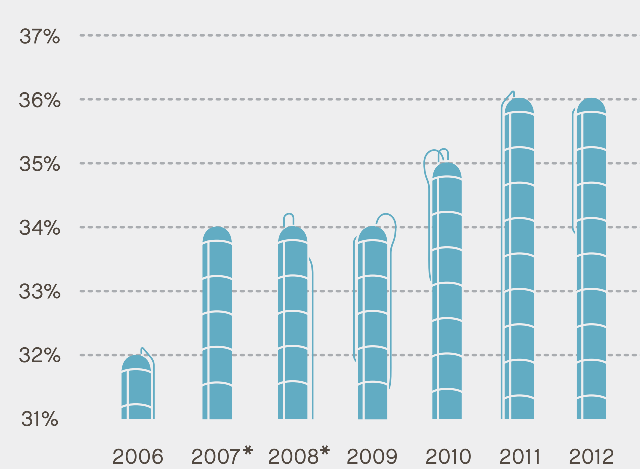
- 50,000 bpd hydrocracker
- 45,000 bpd coker
- Expected increase in ULSD production of 54,000 bpd
- Expected increase in gasoline production of 7,000 bpd

RELIABILITY AND ENERGY INITIATIVES

- Replace coke drums at Port Arthur and St. Charles with state-of-the-art technology
- Major FCCU revamp at St. Charles
- FCCU power recovery at St. Charles and Texas City
- Enhanced power systems at Benicia

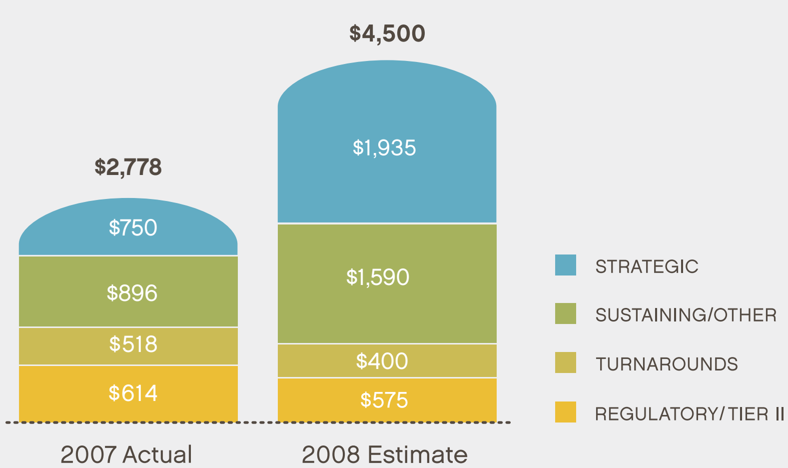
In 2007 Valero completed a ULSD-producing unit at its Benicia refinery.

EXPECTED INCREASE IN DIESEL % YIELD



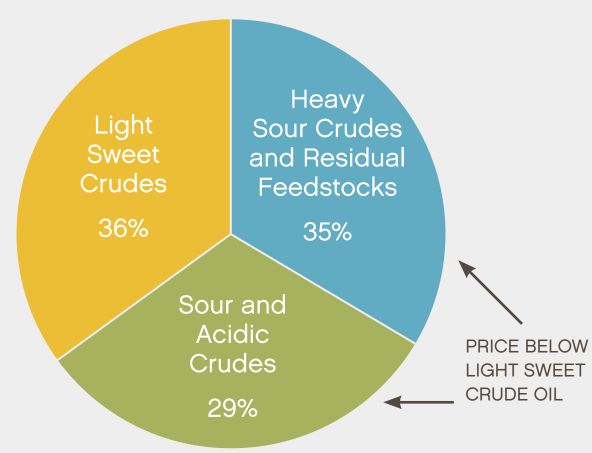
* Includes disposition of Lima refinery in 2007. Assumes exclusion of Aruba, Memphis, Krotz Springs and Ardmore refineries at end of 2008.

2007 AND 2008 CAPITAL EXPENDITURES



Figures shown are in millions of dollars.

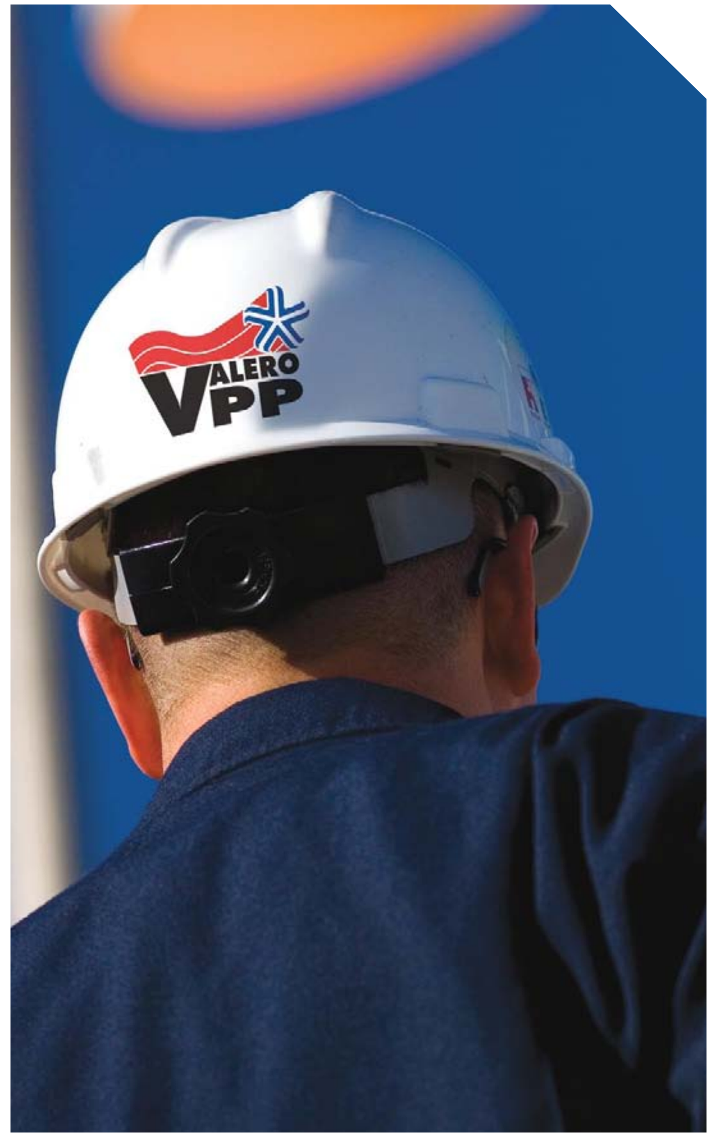
VALERO'S 2007 FEEDSTOCK SLATE



Flexibility in Valero's system enables the use of a wide variety of feedstocks. Almost 2/3 of Valero's feedstocks price below light sweet crude oil.

INVESTING IN SAFETY

AT VALERO, THE SAFETY OF ITS EMPLOYEES, OPERATIONS AND COMMUNITIES IS ITS HIGHEST PRIORITY. SAFETY IS INTEGRATED INTO EVERY FACET OF THE COMPANY AND SERVES AS THE GUIDING PRINCIPLE FOR ITS OPERATIONS. SO, IT SHOULD BE NO SURPRISE THAT NEARLY HALF OF THE COMPANY'S CAPITAL EXPENDITURES IS INVESTED IN MAINTENANCE AND PROCESS IMPROVEMENTS THAT ENHANCE THE COMPANY'S SAFETY AND RELIABILITY.



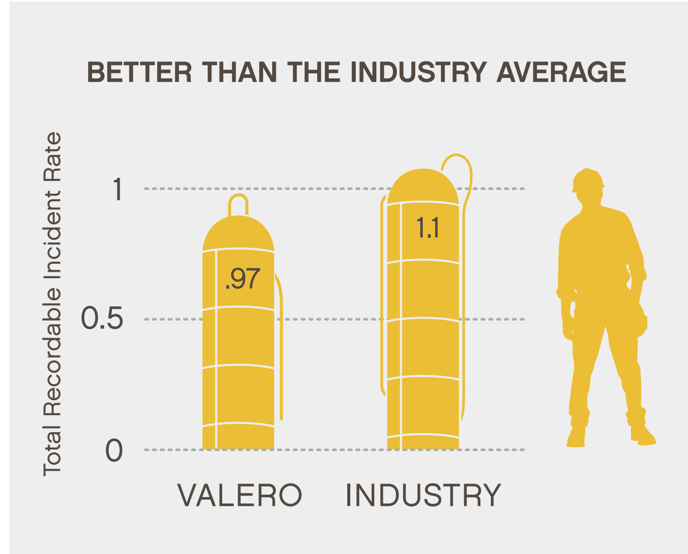
Valero's commitment to occupational safety is reflected in the company's recordable incident rate, which has consistently been among the best in the industry. In 2007, its refining system achieved a total recordable incident rate (TRIR) that was 12 percent better than the three-year industry average reported by the National Petrochemical & Refiners Association (NPRA). Valero's lost time incident rate improved by 27 percent over the previous year. Valero also works closely with its contract workforce to ensure high safety standards and, as a result, the contractor TRIR for 2007 was 26 percent better than the previous year.

Valero's health and safety program is successful because it is developed, supported and carried out by all employees, from executive management to the newest hire. As a result, Valero has received consistent recognition and awards from national safety organizations and from industry peers, including the NPRA.

Valero's investment in safety runs so deep that the company has committed all of its refineries to achieving certification through OSHA's Voluntary Protection Program (VPP). Earning certification is a rigorous and complex process designed to ensure that only the best safety programs qualify – and Valero's safety program does, time and time again.

Eleven of Valero's refineries have achieved VPP Star Site certification, which is significant considering that only 24 out of 149 refineries in the U.S. have earned this prestigious designation. The company's remaining refineries are on track to earn the certification in the coming years.

Occupational safety, however, is not enough. In 2007, Valero invested in the development of a strong Process Safety Management (PSM) initiative, focused on identifying and



implementing best-in-class processes at its facilities to keep people safe and equipment performing reliably. Most notably, three Valero refineries were VPP recertified in 2007 using OSHA's more stringent National Emphasis Program (NEP) standards, which focus exclusively on process safety. Refineries in Ardmore, Paulsboro and Houston underwent rigorous reviews under the NEP standards and were recertified, with accolades, by OSHA. Valero is on track to be a pacesetter in PSM.

Valero will continue to be on the forefront of safety initiatives to place the company in the best position for success. It remains committed to investing financial and human resources to ensure safe and reliable operations throughout its system.

The Quebec City, Three Rivers and St. Charles refineries' superior performance earned the Chairman's Awards for Reliability, Environmental Excellence and Safety.

INVESTING IN OUR ENVIRONMENT

VALERO IS COMMITTED TO INVESTING IN THE ENVIRONMENT. THROUGHOUT THE COMPANY, THE HIGHEST ENVIRONMENTAL STANDARDS ARE SET TO ENSURE THE COMPANY'S ACTIONS TODAY WILL NOT ONLY PROVIDE FUEL TO MEET GROWING GLOBAL DEMAND, BUT WILL ALSO SECURE A STABLE ENVIRONMENT FOR TOMORROW.

Valero's state-of-the-art scrubber units like this one at the Delaware City refinery reduce sulfur dioxide emissions by over 95 percent.

Valero invests in equipment, people, policies and procedures to minimize the environmental impact of its operations and improve surrounding communities. The company proactively seeks to improve efficiency and reduce emissions at each of its facilities.

With more than $600 million of environmental capital spending in 2007 alone and a $1.9 billion projected investment over the next three years, Valero is committed to protecting the environment. From state-of-the-art scrubbers, to infrared imaging technology, to flare-gas recovery systems, Valero endeavors to apply the best available technology to reduce emissions and protect our world.

Its ULSD program significantly reduces sulfur emissions from on-road and off-road diesel vehicles. Similarly, the company's low-sulfur gasoline program works to reduce sulfur in gasoline and enable new automobile technologies to reduce emissions of nitrogen oxide – a major component of smog.

In addition to following strict environmental regulations, Valero proudly works with local communities to meet their specific

environmental needs. In Port Arthur, Texas, for example, Valero's refinery team has volunteered to work with local environmental groups to restore and preserve a local wetland habitat. In other regions, Valero worked closely with environmental organizations to support improvement projects, educate the community and enhance the quality of life for its neighbors. A partnership with the Coastal Conservation Association (CCA), started in September 2007, will mean more conservation education for children in the Gulf Coast region through teacher lesson plans, an expanded CCA web site and a newsletter filled with tips on how to protect the nation's coastline and coastal waterways.

Acknowledging that Valero employees are stewards for its environmental commitment, the company strives to ensure that its employees – and business partners – are informed of the company's policies and aware of their environmental responsibility. In addition, Valero invests significant resources in environmental training for its employees in the areas of hazardous-waste minimization, spill prevention and response training, from the refineries to the retail level.

INVESTING IN MARKETING

WITH ITS CONTINUED COMMITMENT TO MARKETING EXCELLENCE, VALERO'S RETAIL AND BRANDED WHOLESALE NETWORK HAS GROWN TO OVER 5,800 OUTLETS IN THE UNITED STATES, CANADA AND THE CARIBBEAN, MAINTAINING VALERO'S STRONG POSITION AS ONE OF THE NATION'S LARGEST MARKETERS.

RETAIL. Valero's Retail Division is in the business of delivering products that improve people's lives by providing quality fuel and services that allow people to enjoy the fun and freedom of the open road – *freedom to go where you want, when you want.*

The Retail Division takes this business very seriously. 2007 marked its most profitable year ever! It achieved its highest per-store earnings in history, growing per-store inside sales by 9.6 percent and gross profit by 10.2 percent. The U.S. Retail Division logged a 36 percent increase in operating income over 2006, contributing $154 million to the company's operating income.

In 2007, Valero strategically positioned the Retail Division by restructuring its workforce, continuing to divest its marginal sites and investing in top-performing stores. And Valero continues to grow its Corner Store brand. In 2007, Valero remodeled 91 sites, rebranded five sites and built six new-to-industry stores.

Valero's retail team continues to expand its food offerings, develop private label products and offer exciting in-store programs – all with the goal of making the network more competitive.

WHOLESALE. With a new, upbeat "Life is a Highway" commercial – set to the hit song by Rascal Flatts – airing nationwide, Valero Wholesale hit a high note in 2007. The exciting national ad campaign heightens brand awareness and reminds viewers of the freedom Valero's fuels provide.

In 2007, Valero's branded wholesale network continued to grow. This growth was fueled by our commitment to providing branded wholesale customers with a dependable supply of high-quality products, an attractive image package, competitive pricing and unparalleled service. In 2007, Valero added 574 new branded wholesale sites to its network, representing an increase of nearly 1 billion gallons in fuel sales per year. This continued growth brings Valero's branded network to approximately 3,850 sites.

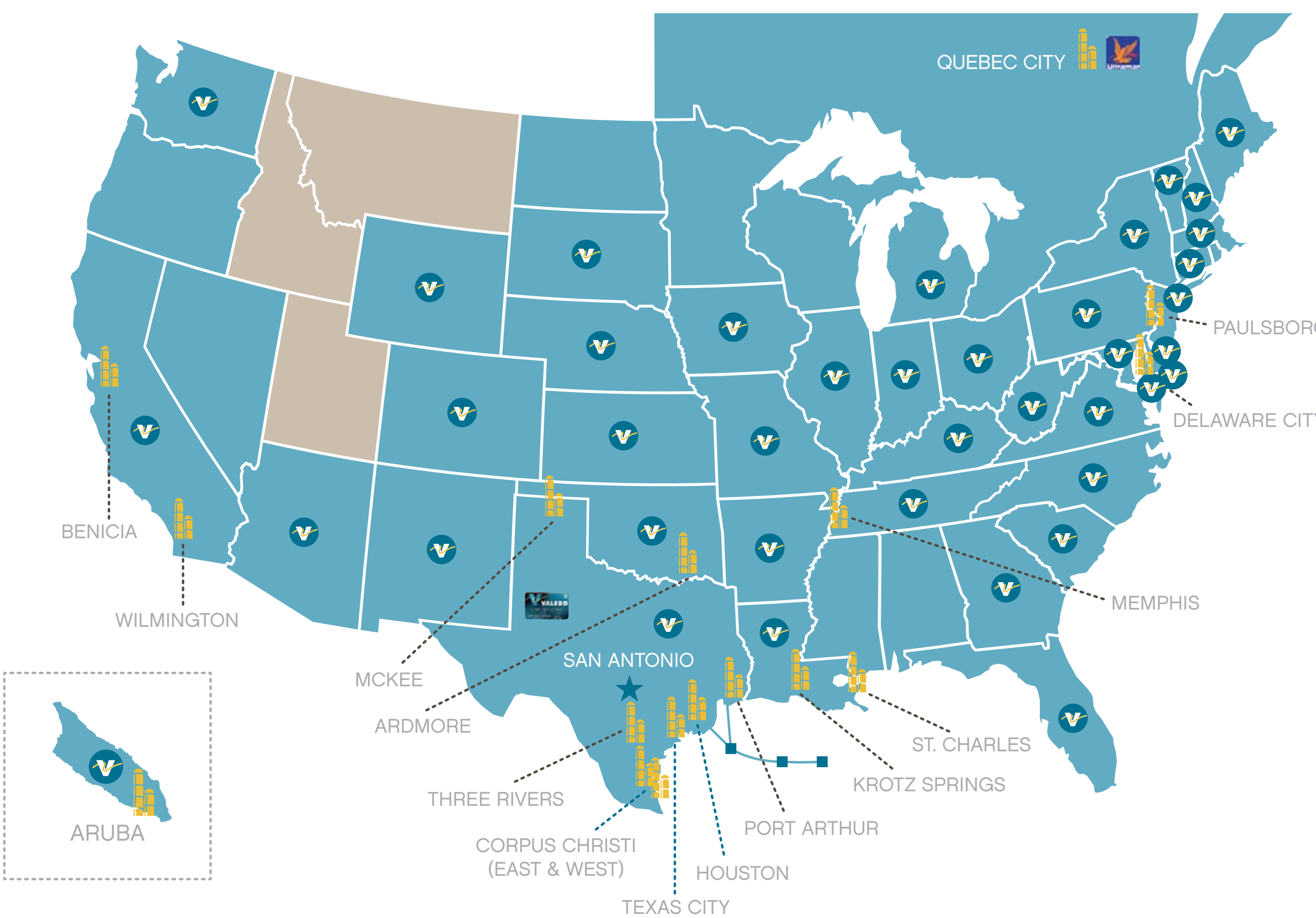
On the unbranded side of the business, 2007 saw the creation of an unbranded National Accounts department to provide an even higher level of sales and service to Valero's largest customers. This line of business now represents 136,000 barrels per day of fuel sales.

OTHER PRODUCTS. In addition to gasoline and distillates, Valero's refineries safely produce other products to help improve consumers' lives: asphalt to support the roofing and paving industries; lube base oils to support manufacturing; petroleum coke for power generation and cement manufacturing; sulfur for the agricultural sector; and aromatic solvents and propylene to the chemical industry for processing into such products as paints, plastics, and adhesives. Valero has the second-largest asphalt production capacity in the U.S., with six refineries producing the material, and markets in 20 states. The company also produces packaged roofing products at three manufacturing facilities and modified paving asphalts at nine polymer modifying plants. Valero's asphalt division achieved record operating income of $34.2 million in 2007.

MAP OF OPERATIONS

VALERO IS A LEADER IN THE REFINING INDUSTRY AND ONE OF THE NATION'S LARGEST RETAIL OPERATORS. THE COMPANY'S LARGE, GEOGRAPHICALLY DIVERSE NETWORK OF COMPLEX REFINERIES STRETCHES FROM CANADA TO THE U.S. GULF AND WEST COASTS.

- RETAIL AND BRANDED WHOLESALE PRESENCE
- WHOLESALE MARKETING PRESENCE
- VALERO REFINERIES
- CAMERON HIGHWAY OIL PIPELINE PROJECT (JOINT VENTURE)
- THIRD-PARTY OFFSHORE PLATFORMS
- VALERO HEADQUARTERS
- ULTRAMAR - CANADIAN OPERATIONS
- CREDIT CARD CENTER



INVESTING IN OUR EMPLOYEES

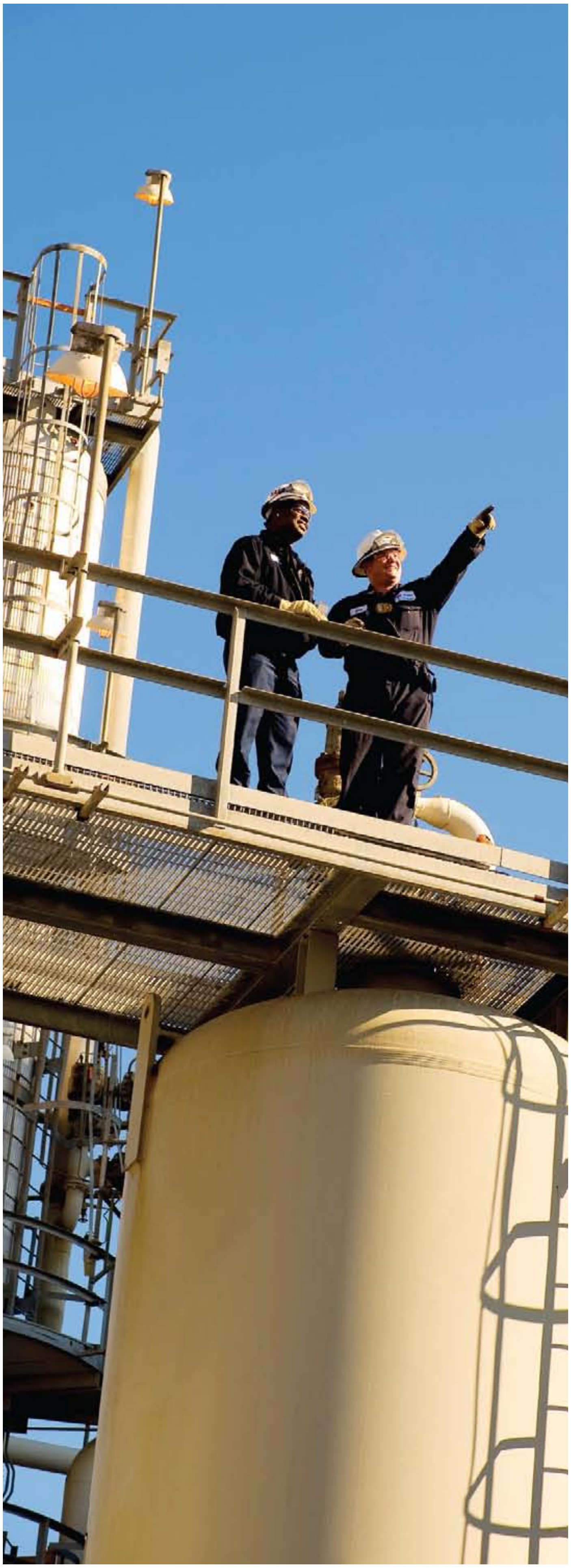
FROM TOP MANAGEMENT TO PART-TIMERS, VALERO'S WORK FORCE IS THE HEART OF ITS SUCCESS. VALERO IS COMMITTED TO PROVIDING EMPLOYEES WITH A CHALLENGING, ENJOYABLE AND REWARDING WORK ENVIRONMENT. FOR ITS No. 1 ASSET, THE COMPANY STRIVES TO FOSTER CREATIVE THINKING, TEAMWORK, OPEN COMMUNICATION AND AN OPPORTUNITY FOR INDIVIDUAL PROFESSIONAL GROWTH AND DEVELOPMENT.

Valero believes that an investment in its employees – from competitive pay and benefits to a caring company culture – is an investment in the future of Valero. Resources that fuel growth and job satisfaction are critical. Core competencies, communicated through a systemwide learning and development program, help employees understand the expectations of the company and realize the breadth of opportunity that exists in their career track.

Valero is thankful to have the support of nearly 22,000 employees, who year after year earn the company special industry and community recognition. In 2007, Valero was named one of Fortune magazine's 100 Best Companies to Work For in America – for the eighth straight year. The company also was named Downstream Business of the Year at the 2007 Platts Global Energy Awards, where Valero's "operational discipline, brilliant market understanding, strategic flexibility and excellence in relationship management" was cited.

Additionally, Valero was honored to be named one of the 2007 "10 Best Corporate Citizens" in the energy industry by Corporate Responsibility Officer magazine, and it remains a top-ranked company on Forbes' annual Global 2000 list. Valero also stands out among top employers in Canada, and continues to earn respect for its focus on diversity in the work force.

At a time in history when job turnover is high nationwide and job satisfaction is low, Valero is proud to employ hard-working individuals with incredible dedication. Thank you to Valero's global family of employees, whose investments of time and talent in 2007 brought such positive returns for stockholders.



INVESTING IN OUR COMMUNITIES

IT BLOSSOMED LONG BEFORE THE REFINERIES CAME – AN IDEA TO BUILD THE COMPANY'S COMMUNITY SPIRIT BEFORE A SINGLE PLANT WAS PURCHASED. EMPLOYEES WOULD GIVE OF THEMSELVES IN EXCHANGE FOR NOTHING, EXCEPT PERHAPS THE PRIDE IN KNOWING SOMEONE'S LIFE HAD BEEN TOUCHED FOR THE BETTER BECAUSE OF A COMPANY'S COMMITMENT TO KINDNESS.

More than 25 years (and 17 refineries) later, Valero is still anchored by a giving spirit. At refineries, terminals and retail outlets across the U.S., Canada and the Caribbean, employees donated a staggering 190,000 volunteer hours in 2007 toward improving lives in their communities. Battered women's shelters received makeovers. Homebound senior citizens were befriended and fed a warm meal. Children – particularly through the Valero Texas Open Benefit for Children Golf Classic – received funds to continue benefiting from after-school programs, group homes, shelters and special-needs agencies.

The company also served as a mentor in 2007, offering guidance in volunteerism to cities and local groups interested in growing their own commitments to the community. The effort sparked new corporate partnerships and is expected to produce even bigger results in 2008.

As part of its commitment to excellence, Valero continues to foster the company's community spirit. From taking leadership roles in the community, to financial support, to employee involvement at all levels, Valero employees are contributing to the betterment of our world.

From building homes to building relationships, in 2007 Valero Volunteers gave 190,000 service hours to improve communities where Valero operates.

Through the leadership and participation of Valero employees at all levels, the Valero MS 150 Bike to the Beach charity ride has become a major fundraising resource to fight multiple sclerosis.

The 2007 Valero Texas Open crowned Justin Leonard as champion, but the true winners were hundreds of charities nationwide that shared in a record $8 million fundraising effort.

IN 2007, VALERO EMPLOYEES:

- Donated 190,000 volunteer hours for hundreds of community projects, including mentorships, feeding the hungry, organizing fundraisers, clean-up events, youth center assistance and more.
- Pledged $12.5 million to the United Way.
- Helped raise a record-breaking $8 million for charities nationwide, through the PGA TOUR - sponsored Valero Texas Open and Benefit for Children Golf Classic. The contribution stands as the largest charity gift of any tournament in PGA TOUR history.
- Raised more than $1.3 million for the Muscular Dystrophy Association.
- Raised $1.1 million for 30 Children's Miracle Network hospitals located in communities where Valero has operations.
- Helped raise nearly $2 million for the National Multiple Sclerosis Society through Velo Valero, the company's official cycling team. Velo Valero has been one of the largest fundraising teams for the MS 150 for two years.

VALERO ENERGY FOUNDATION — EXCELLENCE IN PHILANTHROPY. Through the Valero Energy Foundation — the nonprofit, philanthropic arm of Valero Energy Corporation — additional lives were touched through major financial contributions totaling $11.2 million. Among them: A $5 million gift to The University of Texas Health Science Center at San Antonio for its transplant research and education program. The contribution stands as one of the largest private gifts in the medical center's history. The donation was granted on behalf of all Valero employees and the stockholders they support. The Foundation also proudly began a multi-year financial commitment to the Coastal Conservation Association to improve its educational tools for children, including an interactive Web page and lesson plans for teachers that promote protection of the nation's coastline and coastal waterways.

CONDENSED FINANCIAL INFORMATION

THE FINANCIAL INFORMATION PRESENTED ON PAGES 23-27 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 FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2007 AND VALERO'S PROXY STATEMENT FOR THE 2008 ANNUAL MEETING OF STOCKHOLDERS. THESE DOCUMENTS WERE MADE AVAILABLE TO ALL STOCKHOLDERS OF RECORD AS OF MARCH 3, 2008. IN ADDITION, YOU 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 PAGE 30 OF THIS REPORT. VALERO'S 2007 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, 2007 and 2006, 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, 2007 appearing in the Company's 2007 Annual Report on Form 10-K (not presented herein). In our report dated February 27, 2008, 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, 2007 and 2006, and the related condensed consolidated statements of income and cash flows for each of the years in the three-year period ended December 31, 2007, 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 27, 2008

CONDENSED CONSOLIDATED BALANCE SHEETS

[MILLIONS OF DOLLARS]

DECEMBER 31,	2007	2006
ASSETS		
Current Assets	$ 14,792	$ 11,831
Property, Plant and Equipment, Net	21,709	20,180
Goodwill	4,061	4,103
Intangible Assets, Deferred Charges and Other Assets, Net	2,160	1,639
TOTAL ASSETS	**$ 42,722**	**$ 37,753**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	$ 11,914	$ 8,860
Long-Term Debt and Capital Lease Obligations, Less Current Portion	6,470	4,619
Deferred Income Taxes	4,021	4,047
Other Long-Term Liabilities	1,810	1,622
Stockholders' Equity	18,507	18,605
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 42,722**	**$ 37,753**

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

[MILLIONS OF DOLLARS, EXCEPT PER SHARE AMOUNTS]

YEAR ENDED DECEMBER 31,	2007	2006	2005
OPERATING REVENUES	$ 95,327	$ 87,640	$ 80,616
COSTS AND EXPENSES:			
Cost of Sales	81,645	73,863	70,438
Refining Operating Expenses	4,016	3,622	2,816
Retail Selling Expenses	750	719	700
General and Administrative Expenses	638	598	558
Depreciation and Amortization Expense	1,360	1,116	836
TOTAL COSTS AND EXPENSES	88,409	79,918	75,348
OPERATING INCOME	6,918	7,722	5,268
EQUITY IN EARNINGS OF NUSTAR ENERGY L.P.	—	45	41
OTHER INCOME, NET	167	350	53
INTEREST AND DEBT EXPENSE, NET	(359)	(212)	(268)
MINORITY INTEREST IN NET INCOME OF NUSTAR GP HOLDINGS, LLC	—	(7)	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	6,726	7,898	5,094
INCOME TAX EXPENSE	2,161	2,611	1,621
INCOME FROM CONTINUING OPERATIONS	4,565	5,287	3,473
INCOME FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX EXPENSE	669	176	117
NET INCOME	5,234	5,463	3,590
PREFERRED STOCK DIVIDENDS	—	2	13
NET INCOME APPLICABLE TO COMMON STOCK	$ 5,234	$ 5,461	$ 3,577
EARNINGS PER COMMON SHARE:			
Continuing Operations	$ 8.08	$ 8.65	$ 6.30
Discontinued Operations	1.19	0.29	0.21
Total	$ 9.27	$ 8.94	$ 6.51
Weighted-Average Common Shares Outstanding (in millions)	565	611	549
EARNINGS PER COMMON SHARE — ASSUMING DILUTION:			
Continuing Operations	$ 7.72	$ 8.36	$ 5.90
Discontinued Operations	1.16	0.28	0.20
Total	$ 8.88	$ 8.64	$ 6.10
Weighted-Average Common Shares Outstanding—Assuming Dilution (in millions)	579	632	588
DIVIDENDS PER COMMON SHARE	$ 0.48	$ 0.30	$ 0.19

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

[MILLIONS OF DOLLARS]

YEAR ENDED DECEMBER 31,	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 5,234	$ 5,463	$ 3,590
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	1,376	1,155	840
Gain on Sale of Lima Refinery	(827)	—	—
Deferred Income Tax Expense (Benefit)	(131)	290	255
Changes in Current Assets, Current Liabilities and Other, Net	(394)	(596)	1,165
Net Cash Provided by Operating Activities	5,258	6,312	5,850
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital Expenditures and Deferred Turnaround and Catalyst Costs	(2,778)	(3,756)	(2,574)
Proceeds from Sale of Lima Refinery	2,428	—	—
Proceeds from Sale of NuStar GP Holdings, LLC	—	880	—
Proceeds from Minor Dispositions of Assets	63	64	153
Acquisition of Premcor Inc.	—	—	(2,343)
Contingent Payments in Connection with Acquisitions	(75)	(101)	(85)
Other, Net	(220)	(58)	(51)
Net Cash Used in Investing Activities	(582)	(2,971)	(4,900)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt Borrowings (Repayments), Net	1,782	(249)	(874)
Termination of Interest Rate Swaps	—	(54)	—
Benefit from Tax Deduction in Excess of Recognized Stock-based Compensation Cost	311	206	—
Common and Preferred Stock Dividends	(271)	(184)	(106)
Issuance (Repurchase) of Common Stock, Net	(5,629)	(1,898)	(389)
Other	(24)	(9)	(13)
Net Cash Used in Financing Activities	(3,831)	(2,188)	(1,382)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	29	1	4
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	874	1,154	(428)
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	1,590	436	864
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	$ 2,464	$ 1,590	$ 436

CONDENSED CONSOLIDATED
5-YR FINANCIAL AND STATISTICAL REVIEW

[MILLIONS OF DOLLARS, EXCEPT PER SHARE AND PER BARREL AMOUNTS]

	2007 (a)	2006 (a)	2005 (a) (b)	2004 (c)	2003 (d)
OPERATING RESULTS FOR YEAR ENDED DECEMBER 31:					
Operating Revenues	$ 95,327	$ 87,640	$ 80,616	$ 54,589	$ 37,951
Operating Income	$ 6,918	$ 7,722	$ 5,268	$ 2,979	$ 1,222
Income from Continuing Operations	$ 4,565	$ 5,287	$ 3,473	$ 1,804	$ 622
Earnings per Common Share from Continuing Operations—Assuming Dilution	$ 7.72	$ 8.36	$ 5.90	$ 3.27	$ 1.27
FINANCIAL POSITION AS OF DECEMBER 31:					
Current Assets	$ 14,792	$ 11,831	$ 8,919	$ 5,264	$ 3,817
Property, Plant and Equipment, Net	21,709	20,180	17,378	10,317	8,195
Goodwill	4,061	4,103	4,837	2,401	2,402
Intangible Assets, Deferred Charges and Other Assets, Net	2,160	1,639	1,664	1,410	1,250
Total Assets	$ 42,722	$ 37,753	$ 32,798	$ 19,392	$ 15,664
Current Liabilities	$ 11,914	$ 8,860	$ 7,375	$ 4,534	$ 3,064
Long-Term Debt and Capital Lease Obligations, Less Current Portion	6,470	4,619	5,156	3,901	4,245
Deferred Income Taxes	4,021	4,047	3,615	2,011	1,605
Other Long-Term Liabilities	1,810	1,622	1,602	1,148	1,015
Stockholders' Equity	18,507	18,605	15,050	7,798	5,735
Total Liabilities and Stockholders' Equity	$ 42,722	$ 37,753	$ 32,798	$ 19,392	$ 15,664

YEAR ENDED DECEMBER 31,	2007 (a)	2006 (a)	2005 (a) (b)	2004 (c)	2003 (d)
COMMON STOCK DATA:					
Dividends per Common Share	$ 0.48	$ 0.30	$ 0.19	$ 0.145	$ 0.105
Number of Shares Outstanding, End of Year (in millions)	537	604	617	511	481
Number of Registered Stockholders, End of Year	7,051	8,507	7,233	6,554	6,564
Market Price:					
High	$ 78.68	$ 70.75	$ 58.63	$ 23.91	$ 11.77
Low	$ 47.66	$ 46.84	$ 21.01	$ 11.43	$ 8.05
OTHER DATA:					
Capital Expenditures and Deferred Turnaround and Catalyst Costs	$ 2,778	$ 3,756	$ 2,574	$ 1,596	$ 1,112
Number of Employees, End of Year	21,798	21,855	21,923	19,879	19,741
OPERATING STATISTICS:					
Throughput Volumes (mbbls per day)	2,798	2,811	2,435	2,162	1,835
Throughput Margin per Barrel	$ 12.33	$ 12.47	$ 11.10	$ 7.44	$ 5.13
Operating Costs per Barrel:					
Refining Operating Expenses	$ 3.93	$ 3.53	$ 3.17	$ 2.65	$ 2.43
Depreciation and Amortization	1.20	0.96	0.81	0.66	0.62
Total Operating Costs per Barrel	$ 5.13	$ 4.49	$ 3.98	$ 3.31	$ 3.05

(a) Effective July 1, 2007, Valero sold its Lima Refinery. Therefore, the assets and liabilities related to the sale are presented as "assets held for sale" and "liabilities related to assets held for sale," respectively, in the consolidated balance sheets as of December 31, 2006 and 2005. In addition, the results of operations of the Lima Refinery are reported as discontinued operations for the years ended December 31, 2007, 2006, and 2005, and therefore are not included in the statement of income and operating statistic information presented in this table.

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

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

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

BOARD OF DIRECTORS

BILL KLESSE is Chairman of the Board, Chief Executive Officer and President of Valero Energy Corporation. He was elected Chairman of the Board in January 2007, and was named Chief Executive Officer 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 and Ultramar Diamond Shamrock Corporation.

IRL ENGELHARDT is Chairman of the Board of Directors and Executive Advisor of Patriot Coal Corporation. Mr. Engelhardt served as Chairman and Chief Executive Officer of Peabody Energy Corporation from 1990 to December 2005, and as Chairman of the Board of Directors from 2006 to October 2007. Mr. Engelhardt is also a director of The Williams Companies, Inc., Chairman of The Federal Reserve Bank of St. Louis and General Manager of White Walnut Farms LLC.

RUBEN ESCOBEDO, a Certified Public Accountant, owned and operated his own certified public accounting firm, Ruben Escobedo & Company, CPAs, in San Antonio since its formation in 1977 until his retirement in 2007. He also serves as a director of Cullen/Frost Bankers, Inc.

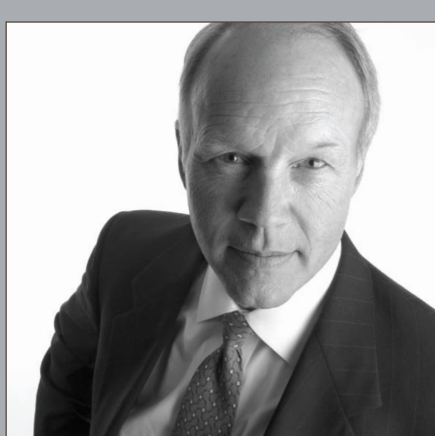
BOB MARBUT is Chairman and Co-CEO of Argyle Security, Inc., a provider of physical electronic security solutions, a company he co-founded in 2005 as Argyle Security Acquisition Corporation. Also, since 2004, he has served as Executive Chairman of Electronics Line 3000, Ltd, a provider of wireless security with remote management solutions. He is also a director of Tupperware Brands Corporation and Hearst-Argyle Television, Inc. Mr. Marbut was previously founder and Chief Executive Officer of SecTecGLOBAL, Inc. (now a subsidiary of Electronics Line 3000, Ltd) from 2002 through 2006.

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.

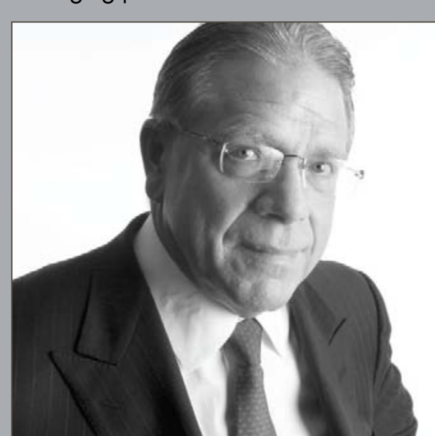
DR. RON CALGAARD serves as Chairman of the Ray Ellison Grandchildren Trust, and as director of The Trust Company, N.A. Previously, he served as Chairman and Chief Executive Officer of Austin, Calvert & Flavin, Inc. in San Antonio. Prior to that, he was President of Trinity University in San Antonio from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

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. and Van Kampen Mutual Funds.

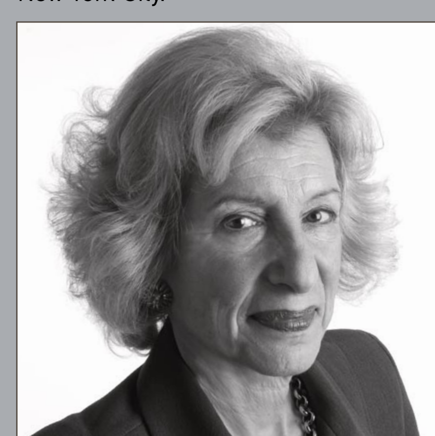
SENATOR DON NICKLES retired in 2005 as U.S. Senator from Oklahoma after 24 years in office. As a U.S. Senator, he served as Assistant Republican Leader, Chairman of the Republican Senatorial Committee, Chairman of the Republican Policy Committee and Chairman of the Budget Committee. He also served on the Finance and Energy and Natural Resources committees. Upon his retirement, he formed and became Chairman and Chief Executive Officer of The Nickles Group. Senator Nickles also is a director of Chesapeake Energy Corporation, Fortress International and Washington Mutual Investors Fund.



BOB PROFUSEK is a partner in the Jones Day law firm and heads its 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 partner of Valero L.P.



DR. SUSAN KAUFMAN PURCELL is the Director of the Center for Hemispheric Policy at the University of Miami. The Center examines political, economic, financial, trade and security issues in Latin America, as well as U.S. -Latin America relations. Dr. Purcell previously served as Vice President of the Council of the Americas, a non-profit business organization of Fortune 500 companies with investments in Latin America, and of the Americas Society, a non-profit educational institution, both in New York City.



STOCKHOLDER INFORMATION

ANNUAL MEETING

Valero's annual meeting of stockholders is scheduled to be held at 10 a.m., Thursday, May 1, 2008, 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.

VALERO ENERGY CORPORATION COMMON STOCK

Valero's common stock trades on the New York Stock Exchange under the ticker symbol "VLO."

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
250 Royall Street
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 Annual Report on Form 10-K for the year ended December 31, 2007 and Valero's Notice of the 2008 Annual Meeting of Stockholders and Proxy Statement.

VALERO CORPORATE HEADQUARTERS
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www.valero.com

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