EXCELLENCE

Doing Ordinary Things Extraordinarily Well

VALERO ENERGY CORPORATION 2010 SUMMARY ANNUAL REPORT

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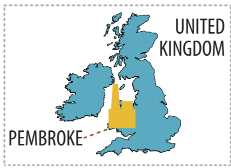
VALERO MAP OF OPERATIONS



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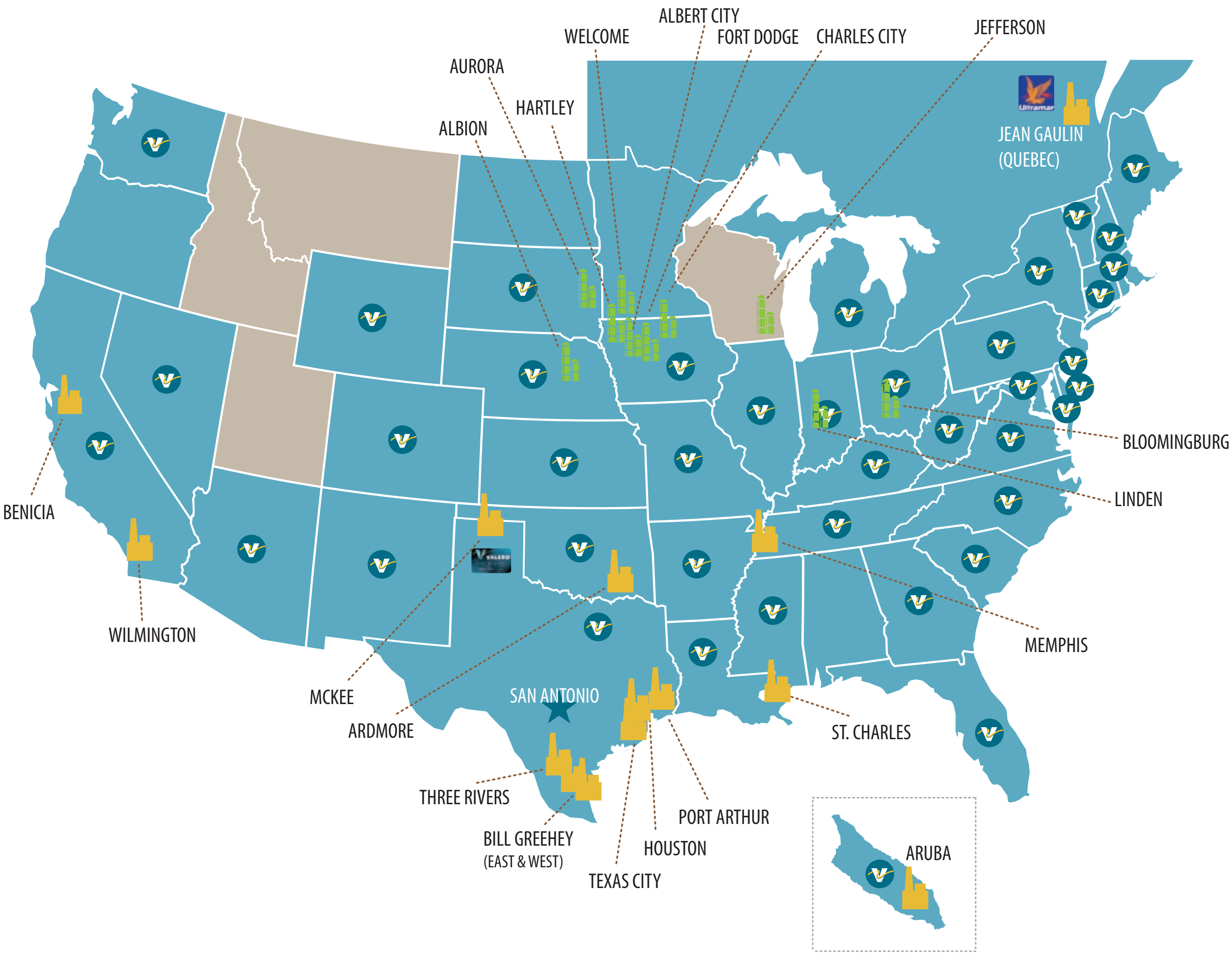


RETAIL AND BRANDED WHOLESALE PRESENCE

WHOLESALE MARKETING PRESENCE

VALERO REFINERIES

VALERO ETHANOL PLANTS

VALERO HEADQUARTERS

ULTRAMAR—CANADIAN OPERATIONS

CREDIT CARD CENTER

Valero Energy Corporation is a Fortune 500 company based in San Antonio with approximately 20,700 dedicated employees. A network of 14 refineries gives Valero the capacity to process approximately 2.6 million barrels per day, delivering clean fuels and other petroleum products to consumers efficiently and reliably. Valero is also a leading ethanol producer with 10 ethanol plants in the Midwest and a combined processing capacity of 1.2 billion gallons per year. Meanwhile, Valero's retail and branded wholesale network is marketed throughout North America under the brands Valero, Diamond Shamrock, Shamrock, Ultramar and Beacon. Please visit www.valero.com for more information.

FINANCIAL SUMMARY

Summary Annual Report

This summary annual report format provides only a financial summary. The company's full, audited financial statements are contained in its Annual Report on Form 10-K for the year ended December 31, 2010, which has been filed with the SEC and made available to all stockholders. This information is also available at www.valero.com

[Millions of dollars, except per-share amounts]	2010 As Reported	2009 As Reported
OPERATING REVENUES	$ 82,233	$ 64,599
OPERATING INCOME	$ 1,876	$ 83
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 923	$ (273)
EARNINGS (LOSS) PER COMMON SHARE FROM CONTINUING OPERATIONS - ASSUMING DILUTION	$ 1.62	$ (0.50)
TOTAL ASSETS	$ 37,621	$ 35,572
STOCKHOLDERS' EQUITY	$ 15,025	$ 14,725
CAPITAL EXPENDITURES AND DEFERRED TURNAROUND AND CATALYST COSTS	$ 2,265	$ 2,721

Please visit www.valero.com to learn more about our company.

LETTER TO SHAREHOLDERS

One year ago, we made a pledge to focus on strategic items that would restore profitability and help us become a world-class refining industry competitor. Valero has made great progress by staying focused, working wisely and rising above political and economic challenges.

During 2010, the world economy recovered faster and stronger than expected, contributing to a surge in global demand for refined products. At the same time, the U.S. economy has been slowly recovering. Refining margins and crude oil discounts, measured against foreign sweet crude oil, improved substantially over the past year. Our capital projects and recent transactions have added value and a competitive edge to our refining portfolio. On top of all of this, the commitment of our people has made a real difference in countless ways – from a return to profitability through execution and cost-control to improved lives in our communities through our tireless volunteers.

In 2010, we focused on new workplace safety programs, cut costs, and relentlessly looked for ways to be more efficient, more competitive and more profitable. The results were excellent: improved safety and reliability, divestiture of underperforming assets, progress on major capital projects, significant cost reductions, the acquisition of three more world-class ethanol plants and our best operational performance in five years. For 2010, Valero reported income from continuing operations of $923 million, or $1.62 per share.

As we look to an even better 2011, here are additional highlights from 2010:

SAFETY – OUR HIGHEST PRIORITY

The safety of our people always comes first and is the most important effort we make every day. In 2010 we began tracking a new industry metric on loss of containment, called API process safety events, and have increased our efforts to eliminate losses of containment across all of our facilities. We also adopted "Life-Saving Rules," a program that identifies the most common causes of serious injuries and raises individual accountability to follow basic accident-prevention rules. Our refining system's average total recordable-incident rate (TRIR) was the second-lowest in company history, and our contractors recorded their lowest-ever TRIR. Our employees and contractors know that safety is everyone's priority, and that by working together, our safety performance will continue to improve.

IMPROVED RELIABILITY WITH CONTINUED FOCUS ON OPERATIONAL EXCELLENCE INITIATIVES

In 2010, we made significant progress in key reliability measures. Our Commitment to Excellence Management System (CTEMS) is now in its third year, delivering a standardized framework for safety, operational excellence and reliability. We also are improving reliability through aggressive preventive maintenance programs, standardized incident tracking tools, retrospective positive material identification, and electrical and mechanical inspections. Since 2007, the cost of high-impact outages in our refinery system has dropped more than 70 percent.

IMPROVED OPTIMIZATION AND PRODUCT YIELDS

High-value refined products and liquid volume yield are increasingly important. Through catalyst optimization, attention to detail and better utilization of our conversion capacity, from 2009 to 2010 we improved our average liquid volume yield from 98.6 percent to 99 percent. This 0.4 percent gain added $242 million to revenues.

FINANCIALLY STRONGER AND MORE COMPETITIVE

We maintained our investment-grade credit rating in 2010. In mid-December, we exited a challenging East Coast refining market with the sale of our refinery in Paulsboro, New Jersey, for $707 million including working capital. We also divested our 50 percent interest in the Cameron Highway Oil Pipeline System for $330 million. Early in the year, we sold our shut-down Delaware City refinery site and equipment for $220 million.

Our general and administrative expenses have consistently trended downward since 2008, and in 2010, we achieved an additional $225 million in pre-tax cost savings. Since 2007, our employees have saved the company nearly $620 million, before taxes, through the execution of numerous cost reduction efforts.

Our U.S. and Canadian retail businesses earned $346 million for the year, nearly matching their record results in 2008. After adding three world-class ethanol plants to our system, for a total of 10, our ethanol business set a record high of $209 million in operating income for the year.

Moving forward, our financial strength and significant liquidity allow us to complete major value-added capital projects at our refineries. Valero is able to take advantage of attractive acquisition opportunities that will improve our competitiveness and broaden our geographic footprint. Our pending acquisition of Chevron's Pembroke Refinery and marketing assets in the United Kingdom and Ireland with cash on hand is just one example of this financial strength.

2011 WILL BE A MUCH BETTER YEAR

This year, we expect to expand into Europe, complete our FCC revamp projects at Memphis and St. Charles, and benefit from upgrading the coke drums at Port Arthur. The bulk of our active turnaround schedule will be completed by summer. We expect significant progress on our high-return hydrocracker projects at Port Arthur and St. Charles and our hydrogen plants at McKee and Memphis. Our competitive Gulf Coast refineries are well-positioned for today's higher-margin export opportunities – a significant change in our business that we anticipated and benefited from last year and so far this year. Another major change in our business has been the discounted price of inland domestic sweet crude versus water-borne sweet crudes like Brent or Louisiana Light Sweet.

However, some challenges remain. Current government regulations and proposals affecting greenhouse gases (GHGs) will hurt our industry. These regulations being discussed are bad for our industry, bad for consumers, bad for jobs, and bad for the country – and still would have no impact at all on global warming or climate change. Having been unsuccessful in passing cap-and-trade legislation in Congress, the Obama Administration is attempting to regulate GHGs under the Clean Air Act. This debate is continuing in Congress.

While we are proud to be the world's largest independent refiner and one of the nation's largest fuel retailers and ethanol producers, we take even more pride in being an excellent operator and corporate citizen. By doing ordinary things extraordinarily well, our employees ensure that our company stays the course on safety, reliability, profitability and corporate responsibility. We continue to add value to society, making people's lives better and more productive, and we make our communities a better place to live and work.

I want to thank our employees for a very dedicated effort to make our company successful and you for your support, interest, and investment in Valero.

Bill Klesse
Chairman of the Board, Chief Executive Officer and President

PATH TO EXCELLENCE
Safety

OUR COMMITMENT TO SAFETY MEANS A RELIABLE, MORE STABLE WORK FORCE THAT GOES HOME TO THEIR FAMILIES AT THE END OF THE DAY.

Safety First isn't just an adage or catch phrase at Valero. It is our way of doing business. Profits may rise and fall, but our most important measure of success has always been the health and safety of our employees, contractors, customers and neighbors. Our safety programs are successful because they are developed, supported and carried out by all employees – from executive management to the newest hire.

This is not a recent focus. Valero has enjoyed a legacy of safety. In fact, as Valero has acquired refineries since 1997, it has steadily driven down employee-incident frequency rates. This effort continued in 2010, when our refining system's average total recordable-incident rate (TRIR) of 0.79 incidents per 200,000 working hours was second-lowest in company history. In all, Valero has reduced injury rates by 46 percent since 2001.

We also work closely with our contractors to ensure they adopt high safety standards. In 2010, Valero refinery contractors recorded the company's lowest-ever contractor TRIR at 0.59 – down from the previous record-low in 2009.

The U.S. Occupational Safety and Health Administration (OSHA) is a partner in helping us make our plants safer. Under OSHA's Voluntary Protection Program (VPP), in which we voluntarily submit to rigorous safety audits, we have made it our goal to have each of our U.S. refineries designated as "Star Sites," OSHA's highest facility safety certification. The company currently has 10 VPP Star Sites in its refining system – representing more than one-third of all refinery Star Sites nationally. Because safety is a team effort, 25 of our contractors also were Star Site-certified at the end of 2010.

While our Jean Gaulin Refinery in Quebec is not subject to OSHA regulation, it holds an internal "VPP Star" after passing a first-of-its-kind, VPP-style audit by an independent team of professionals trained by OSHA. Valero's Corpus Christi Asphalt Terminal and San Antonio Aviation Department also have received OSHA Star designations.

In addition, nine U.S. Valero refineries in 2010 were recognized for safety performance during the previous year with a total of 19 awards from the National Petrochemical and Refiners Association (NPRA), which recognizes refineries for operating the longest without employee-lost-workday injuries, reducing recordable injuries and maintaining low injury incidence rates. For 2010, the Valero Houston Refinery won our company's Chairman's Safety Award after recording an employee and contractor recordable-injury rate of 0.0 – a remarkable performance that has happened very few times, anywhere. Because of its stellar safety achievement, Houston also earned honorable mention for NPRA's "Distinguished Safety Award."

Safety is also a major priority at our Valero Renewables ethanol plants. At the end of 2010, our plant in Aurora, South Dakota marked seven years without an OSHA lost-time injury, and the plant in Fort Dodge, Iowa, had operated more than 12 months without an OSHA-recordable injury.

In rail safety, five major rail companies – CSX Transportation, Union Pacific, Burlington Northern Santa Fe, Norfolk Southern and Canadian National – have recognized Valero refineries with prestigious safety awards for three consecutive years. Canadian Pacific Railway awarded a Chemical Shipper Safety Award in 2010 to our Valero Renewables plant in Welcome, Minn., recognizing the efforts of the plant's Shipping and Receiving Department for excellence in transportation safety in 2009.

Valero knows that despite its achievements and improvements, safety remains the most urgent issue facing the energy industry. That is why, in addition to maintaining robust occupational and process safety programs, we implemented a program called "Life-Saving Rules" in fall 2010 at our refineries, and have since expanded it to include ethanol plants, pipelines and terminals. We realize that not following established practices and executing them correctly would put ourselves and our co-workers at risk. Life-Saving Rules raises accountability if certain critical safety rules are not followed.

The seven rules are not new. They have been with the industry for a long time, and have been part of our ongoing VPP efforts. But based on our belief that violations of these particular rules could result in more serious and devastating injuries, these rules deserve the most serious attention. Our employees have become familiar with these rules and how they apply to their own roles and responsibilities.

Our safety programs will continue to evolve and improve as best safety practices are shared among all of our facilities, with the constant goal to achieve safe, reliable operations throughout our system.

OUR GOAL IS TO BE A FIRST-QUARTILE REFINER IN INDUSTRY BENCHMARK SURVEYS.

At Valero, our goal always is to be the best of the best, and that especially is true with operational excellence. We strive to be in the first-quartile of refiners in industry benchmark surveys across all areas of operations, from energy efficiency to cash operating expense to process safety and reliability metrics such as outages and mechanical availability.

Foremost, Valero recognizes that a reliable operation is a safe operation. Valero refineries have made significant progress in key process safety and reliability measures, positioning the company to take full advantage of economic recovery and emerge as a stronger industry competitor.

Our company has sharply reduced major unplanned refinery shutdowns in recent years. For particularly high-impact outages bearing a cost of more than $1 million, Valero's continuing U.S. refinery operations cut unscheduled shutdowns by nearly 70 percent from 2007 through 2010.

The progress is the result of intense process safety and reliability assessments to identify areas and issues that could keep a unit, process or plant out of service. The effort first was piloted in November 2008, and expanded in 2009, under Valero's Commitment to Excellence Management System (CTEMS), a comprehensive program that provides a standardized framework for our refineries to achieve operational excellence. The assessments have given the company a solid strategy to eliminate risks and compete in tough market environments.

In 2010, Valero marked the second anniversary of CTEMS and saw improvement in areas ranging from change management to process hazard analysis and preventive maintenance. Efforts at the refineries continue to assess existing programs against expectations defined in CTEMS, and establish plans to close any identified gaps.

While notable progress has been made, Valero aims to reduce incidents even further – and maintain first-quartile performance across the board – by focusing first on the main causes of costly unplanned shutdowns that can also lead to injury: piping and equipment leaks, rotating equipment and electrical failures. Together, those events account for more than 75 percent of unscheduled shutdowns.

As leaks tend to dominate outages, a "war on leaks" was declared systemwide. Refineries have been asked to sharpen their focus on even the seemingly routine tasks – such as unit monitoring rounds and basic inspection programs – in order to identify and prevent potential leaks before they trigger an event.

These measures included a comprehensive program of "Retro PMI," or retrospective positive material identification, which helps ensure that all pipes and valves are the correct material for the service. Under the Retro PMI program, piping and other fixed equipment are tested to identify their metal composition. The primary focus is on crude, vacuum, coker and hydroprocessing units most susceptible to corrosion. Early detection has played a critical role in reducing unplanned shutdowns.

Pumps and other rotating equipment that are not properly lubricated or aligned can fail, leading to process-unit outages and possible safety incidents. Such issues traditionally have been the second-leading cause of unscheduled refinery shutdowns, behind leaks. Still, stepped-up inspections and other efforts at Valero refineries have significantly expanded the time between needed pump repairs. Companywide, from 2008 through 2010, average mean time between repairs, or MTBR, increased by more than 25 percent. Fixing fewer pumps drives cost out of our business and ensures our units are running reliably when market conditions are favorable.

There has also been steady improvement in electrical reliability at Valero refineries since 2007 under stringent Electrical Safety and Reliability Network (ESARN) standards, ramping up preventive maintenance of electrical equipment. The ESARN assessment tool requires refineries to undertake painstaking self-evaluations of all aspects of electrical safety and reliability. ESARN has helped reduce the number of unplanned shutdowns caused by electrical events.

All programs are intended to improve Valero's refinery operations and ensure first-quartile performance in all disciplines.

OUR ECONOMIC GROWTH PROJECTS AND STRATEGIC ACQUISITIONS HAVE POTENTIAL FOR SIGNIFICANT EARNINGS POWER AND RETURNS.

Valero demonstrates its commitment to all stakeholders by pursuing economic growth projects and high-value, strategic acquisitions that improve our opportunities for profitable, long-term growth.

Our capital spending budget is expected to grow to \$3.1-\$3.2 billion in 2011 from \$2.26 billion in 2010, with a substantial amount of the total expected to fund projects with a potential for significant earnings power and returns. This includes Fluid Catalytic Cracking (FCC) unit revamps at our St. Charles and Memphis refineries, new hydrocrackers at Port Arthur and St. Charles, new hydrogen plants at McKee and Memphis, and a new Lévis to Montreal products pipeline.

These projects alone, with expected completion in 2011 and 2012, are projected to generate annual operating income of more than \$1.8 billion, before depreciation and amortization ("D&A"), assuming recent market prices hold steady. With all of them, favorable economics should be driven by better reliability and gains on margin and volume.

The FCC revamp projects at Memphis and St. Charles, both set for completion in 2011 at estimated total investment of \$565 million, are expected to improve reliability and increase time between turnarounds to four years from one-and-a-half years previously. In the case of Memphis, the increase in run length should drive higher throughput and estimated annual maintenance savings of \$0.17 per barrel. The Memphis project also is expected to improve flexibility to run additional discounted feedstocks, resulting in estimated annual operating income of \$104 million, before D&A.

The St. Charles project is expected to provide more than 5 percent higher yield through the FCC, and improve energy efficiency with a new power recovery turbine. It should double the flexibility to process lower-priced residual feedstocks, backing out higher-priced vacuum gas oil. In all, the project is estimated to produce $130 million in annual operating income before D&A.

The large hydrocracker projects at Port Arthur and St. Charles, due for completion during the second half of 2012, should create high-value products from low-cost feedstocks plus hydrogen sourced from relatively inexpensive natural gas. Both will be 50,000 barrel-per-day hydrocrackers, and the Port Arthur project additionally will include facilities that are projected to process more than 150,000 barrels per day of high-acid, heavy sour Canadian crude. The units should generate liquid volume expansions of 25 percent to 30 percent.

The main products will be high-quality diesel and jet fuel to meet growing global demand for middle distillates. The projects together are projected to yield a total estimated annual operating income before D&A of nearly $1.4 billion.

The hydrogen plant projects at Memphis and McKee should reduce the cost of hydrogen by about one-third, by using cheaper natural gas instead of more expensive crude oil, when completed in early 2012. The Memphis project also includes the conversion of a distillate hydrotreater to a mild hydrocracker. The two projects represent a total investment of about $180 million, and estimated annual operating income before D&A of $160 million. The new Lévis to Montreal products pipeline will have an initial throughput capacity of 100,000 barrels per day, and will allow Valero to place more products into the Montreal and Ontario markets. This total investment of about $370 million is expected to bring an estimated $55 million in annual operating income before D&A, with completion expected in late 2012.

Valero pursues acquisitions that enhance its portfolio and promise long-term profit growth. We recently announced an agreement to acquire Chevron's Pembroke refinery in Wales, as well as marketing and logistics assets through the United Kingdom and Ireland, for $730 million, excluding working capital. We expect to close during third quarter 2011.

The addition of the Pembroke refinery – which Valero will purchase for about 14 percent of its estimated replacement cost – will mark an important entry into the European markets. The Pembroke plant is one of Western Europe's largest and most complex refineries, with a total throughput capacity of 270,000 barrels per day. The refinery has a low cash operating cost-per-barrel, making it a competitive addition to our portfolio.

In addition to the refinery, we also will acquire ownership interests in four major pipelines and 11 fuel terminals, a 14,000 barrel-per-day fuels business and a network of more than 1,000 Texaco-branded wholesale sites.

Valero will continue to invest in operations and consider acquisitions that boost profitability for sustained, long-term growth.

SINCE 2007, OUR DEDICATED EMPLOYEES HAVE SAVED THE COMPANY $620 MILLION – $225 MILLION IN 2010 ALONE.

Cost-saving was a critical part of Valero's improvement in 2010. In fact, the company achieved pre-tax cost savings of nearly a quarter of a billion dollars, or $225 million – more than double our initial goal of $100 million in savings.

Since the beginning of 2007, various cost-savings initiatives have resulted in $620 million in pre-tax savings. We believe that cost-savings and optimization of assets are critical to positioning the company with more earnings power for the future, and reaching the ultimate objective of becoming a world-class competitor in the global energy business.

Valero employees are engaged in a coordinated effort to help the company reduce costs through targeted programs, from effective energy stewardship to more strategic procurement of refinery equipment and focused retail initiatives.

Through the fourth quarter of 2010, Valero's refining cash operating expenses per barrel from continuing operations was reduced to $3.64 per barrel from $4.41 per barrel in 2008. Industry benchmarking surveys showed that Valero continued to improve its competitive, low-cost operations. 2010 was Valero's best companywide performance in this area in five years, and the Bill Greehey Refinery complex in Corpus Christi, Texas, ranked as one of the lowest-cost operating facilities on the Gulf Coast.

Meanwhile, Valero refinery energy efficiency continued to improve, with a goal of achieving first-quartile status. Valero refineries have realized substantial annualized energy savings under an Energy Stewardship Program which has focused on improvements in operations, such as distillation and other production processes, which have reduced our energy consumption. The facilities cut energy use by more than 30 million British thermal units (Btu), or approximately 8 percent, from 2008 through 2010.

While the company in 2011 will continue to focus on safety, reliability, executing on growth projects and other income-producing strategies, we have also set a goal of achieving another $100 million in pre-tax cost savings, on top of 2010's impressive results.

Employees are encouraged to look for ways to cut costs, both in their everyday work and as participants in the various initiatives. Savings run the gamut companywide, but most come from very identifiable areas that are tracked on a regular basis. In order to be counted toward the $100 million goal, items must be proven to be true cost savings compared with 2010, and the result of action taken by a person or group to reduce cost. Cost savings must also be considered permanent in order to be included.

For example, retail operations have realized savings by switching from paper to foam cups. Other savings have resulted from a new contract for managing retail's Regional Distribution Center, as well other administrative actions.

Commercial operations savings have come in shipping activities, including permanent barge rate reductions, third-party inspection-fee reductions, demurrage recoveries and certain tank/barge cancellations. Initiatives in supply-chain management have resulted in savings from negotiation of reduced mark-up rates with vendors, as well as reduced trading commissions.

Third-party and internal audits of select vendors for proper contract compliance have resulted in cost recoveries. The company has also benefited from volume discounts with contractors, and overall contractor headcount at refineries has been reduced, resulting in additional savings.

At the refineries, restructuring of personnel has produced cost savings, as well as outsourcing of several functions such as security and dock operations. Organizational restructuring in various departments at the corporate level have cut costs, along with reductions in corporate administrative expenses, from changes in insurance coverage to more beneficial tax-planning programs.

In all of these efforts, large and small, Valero intends to accomplish its cost-saving goals, and keep the momentum going from our effective results in 2010, helping the company move closer to first-quartile performance in every way.

THROUGH STRATEGIC ACQUISITION, VALERO IS NOW ONE OF THE LARGEST ETHANOL PRODUCERS IN THE UNITED STATES.

With the addition of three ethanol plants in 2010, Valero now has a total of 10 plants and produces 1.2 billion gallons of ethanol per year.

Under Valero Renewable Fuels Inc. LLC, or Valero Renewables, the company became the first traditional petroleum refiner to invest in large-scale ethanol production. We initially acquired seven state-of-the-art plants in second-quarter 2009, located in Albert City, Charles City, Fort Dodge and Hartley, Iowa; Albion, Nebraska; Aurora, South Dakota and Welcome, Minnesota. We closed on the three additional high-quality plants in Bloomingburg, Ohio; Jefferson, Wisconsin; and Linden, Indiana, in first-quarter 2010.

The plants have been profitable, posting operating income of $209 million in 2010, up from $165 million the year prior. Since the initial acquisition through the end of 2010, Valero Renewables generated a total of $373 million in operating income and $427 million of earnings before interest, taxes, depreciation and amortization – about 56 percent of the plants' total purchase price.

The ethanol business attracted Valero for several reasons. Valero is in the fuels manufacturing and distribution business, and is one of the nation's largest blenders of ethanol fuel. We were able to acquire modern, high-performing facilities for less than half of their replacement cost, and ideally located in the Midwestern Corn Belt with plentiful supplies. We retained quality employees, and have applied our corporate resources and refining expertise to ethanol operations.

Valero entered ethanol production at the right time, near the end of a difficult period of overcapacity, high commodity prices and negative margins. The company has since benefited from a market recovery and increases in government mandates for additional corn ethanol capacity under the federal Renewable Fuel Standard, requiring up to 15 billion gallons per year to be blended with gasoline by 2015. Valero's annual production represents 8.6 percent of U.S. ethanol production, fueling more than 20 million cars.

Ethanol blended with gasoline results in a cleaner-burning product. It is a high-octane renewable fuel produced by fermenting processed corn starch with yeast. Each Renewables plant processes as much as 43 million bushels of corn into 110 million to 120 million gallons of ethanol each year. Valero's 10 plants produced an average of 3.25 million gallons of ethanol per day in fourth-quarter 2010. Valero buys corn directly from hundreds of local farmers and dozens of commercial elevators, and receives it by truck or rail. On our Web site, we post daily corn bids for local farmers and cooperative leaders to use in conducting transactions.

In addition, the product that is left after the ethanol is produced is a valuable livestock feed called distillers grains. Distillers grains are high in protein, fat, vitamins and minerals, making it an excellent feed supplement for beef and dairy cattle, swine and poultry. Each plant annually produces up to 390,000 tons of distillers grains – enough to feed as many as 250,000 head of cattle. The distillers grains we sell replace about one half of the corn we buy from the grains market.

The entire kernel of corn is processed, with one bushel of corn yielding approximately 2.8 gallons of ethanol and 17 pounds of distillers grains. There are no waste products generated from the corn processed.

The ethanol is stored on-site and then shipped mostly by rail in 75- to 100-car trains to large customers – primarily refiners and gasoline blenders – in markets such as New York, Chicago, Dallas, Florida and the West Coast. Valero also uses ethanol for its own needs, in blending gasoline. We typically have several miles of railway track on-site to handle the rail cars we use.

Distillers grains are shipped by truck and rail, and occasionally by barge, primarily to animal-feed customers locally and across the U.S., Canada and Mexico. Valero also sends some distillers grains by bulk-container ships to Asian markets.

Our plants are located on up to 420 acres, and employ as many as 70 full-time personnel each. Using local economy multipliers, each location supports an estimated 300 to 400 area jobs, benefiting farmers, truck drivers, railroads, agricultural equipment and chemical dealers and others. Plant employees additionally support their local communities, pledging more than $175,000 to United Way for 2011 and logging thousands of volunteer hours.

Valero is also active in wind electrical power, under its Sunray Wind subsidiary, and investments in new bio-fuels processes. We operate a 50-megawatt wind farm with 33 turbines in the Texas Panhandle that produces electricity for our adjacent McKee Refinery and a local utility. Valero has investments in emerging technologies that would produce fuel from animal-fat, grease and used cooking oil; plant materials and wood; algae; and municipal-landfill solid waste.

From corn ethanol to wind power to bio-fuels, Valero is positioned for the next generation of energy production.

PATH TO EXCELLENCE
Retail

VALERO RETAIL POSTED THE BEST FIRST AND SECOND QUARTER RESULTS IN VALERO HISTORY.

Valero's retail segment earned $346 million in 2010, nearly matching record results of 2008. First and second quarter results in 2010 were the best ever. Of total retail operating income for the year, Valero's company-owned stores in the U.S. earned $200 million, and Ultramar in Canada added $146 million.

Valero's U.S. retail operations continued to maintain strong cash flow despite a challenging economic environment. It was profitable in every month of 2010, and in 53 of 56 months dating to April 2006. In all, retail has generated cash flow of $836 million since 2005 in the U.S. The stores continued to support local communities in 2010, with record-breaking charitable campaigns for the Muscular Dystrophy Association ($1.97 million) and the Children's Miracle Network ($1.88 million).

In 2010, inside-sales per store in the U.S. grew 4 percent, and customer counts rose 2 percent. Despite having 10 fewer stores in 2010, inside gross profit dollars actually rose by $13.6 million. Valero's company-owned stores in the U.S. served 865,000 customers per day.

Fuel profitability improved over 2009, with sales of 120,000 barrels per day at 994 stores in the U.S. Average per-store volume was 155,000 gallons per month, up 2.1 percent from 2009. Fuel gross profit was $32 million, 11 percent more than the prior year, with margins at 17.7 cents per gallon versus 16.1 cents per gallon the previous year.

Expense control at our U.S. stores continues to make a difference. Employee turnover was a record low in 2010, reducing hiring and training costs. Store supplies were 7 percent below budget, and $5 million in cost savings were realized through aggressive sourcing initiatives. There continues to be a conscious effort to resist supply cost increases and emphasize "value engineering" in construction and remodeling projects. Use of social media is under evaluation as we seek to find low-cost ways to effectively engage customers directly and better manage point-of-sale advertising.

Ethanol blending at U.S. stores grew from 68 percent to 100 percent of volume. E85, a blend of 85 percent ethanol with 15 percent gasoline that is approved for "Flex-Fuel" vehicles, was introduced at five stores, with plans for more at future new locations. Valero also is exploring the requirements and opportunity for electric-vehicle charging stations at its stores.

Consumers continue to reward us for investing in our assets. We spent $68 million in 2010 to build new stores in the U.S. and remodel others, allowing us to strengthen our market position and posture for continued economic recovery. During the year, Valero completed seven new-to-industry stores, 54 remodels, nine carwash upgrades and 41 food projects. Our stores are brighter, cleaner and easier to shop, with broader offerings especially in our new builds – from food and refreshments to "super-sized" restrooms.

In Canada, Ultramar retail posted record operating income, volume, merchandise sales and margins in 2010. Operating income of $146 million represented an increase of more than 20 percent. Volume rose to 861.5 million gallons, from 849 million the year before. Merchandise sales increased 8.9 percent to $239.9 million, and fuel margins grew slightly to 35.5 cents per gallon.

We achieved our lowest ever net operating cost at company-owned Ultramar locations, of 1.02 cents per liter at store-level, and 1.76 cents per liter overall. Return on capital employed reached 44.4 percent, after tax.

We continued to transform our Ultramar network, closing 33 sites but opening 21 stores in 2010. We expect our number of stores to grow in 2011. Ultramar projects capital expenditures of $35 million in 2011, with $25 million considered strategic – for four new stores, eight redevelopments and 11 re-identifications – and $10 million for sustained operations. We plan to add 24 dealer sites, mostly in Ontario.

Our Ultramar merchandise sales performance was better-than-market. Sales of cigarettes were up 15.6 percent; slush, up 27 percent; beverage, up 13 percent; wine, up 14 percent; and coffee, up 5 percent. Ultramar also had a strong year in carwash sales, at $9.1 million, up $1.5 million from 2009.

Our Ultramar network has 252 company-operated stores, 87 sites representing our new image, and 70 sites with touchless carwashes. We're looking at all options to grow our highly successful network, through acquisitions, dealers, and new builds and redevelopments.

Our home heat business in 2010 reflected the warmest winter on record, with volume down slightly to 96.2 gallons, from 106.4 gallons the year before, and fuel margin down to 53.9 cents per gallon from 51.8 cents per gallon in 2009. However, expenses were down, and we continue to focus on acquisitions and growing the business.

From the U.S. to Canada to the Caribbean, our retail mission is to win every customer, every day.

PATH TO EXCELLENCE
Our People and Our Communities

INVESTING IN OUR EMPLOYEES AND OUR COMMUNITIES IS AN INVESTMENT IN THE FUTURE.

In 2010, we invested more than $2.2 billion in our assets – capital projects and improvements that help us continue to be efficient and reliable. While these are essential to the success of our company, no investment is more impactful than those we make in our employees and the world around us.

Employees at Valero sit at the heart of our Commitment to Excellence in business. As our most important asset, employees' needs are evaluated at every turn – from competitive pay and benefits to resources for life and family management. Continuing education for career development is encouraged through an in-house, systemwide learning and education operation, and leadership opportunities are available to every individual. Health and wellness are also essential for our employees, so annual health screenings and access to fitness programs continue to be worthy investments.

As an industry leader and visible community partner, Valero embraces the challenge to create measurable change in the communities where our employees live and work. *Above all, Valero's goal is to improve lives through our products and our people*. This remains true regardless of the state of our business – in strong times or during a weak economy, Valero is committed to providing consistent, dependable support to nonprofit organizations and their causes in our community. Through organized leadership and strong civic relationships, our volunteer efforts led to greater stability, educational opportunity and confidence for the individuals we served in 2010.

Financially, Valero and its employees gave generously in 2010, pledging $10.6 million to the

United Way and helping nearly 50 United Way chapters across the United States. In addition, the Valero Energy Foundation contributed more than $20 million in 2010 to improve the lives of children, families and senior citizens living in or near the communities where Valero has major operations.

SUPPORTING OUR COMMUNITIES

Below is a sampling of agencies and organizations that received financial support in 2010.

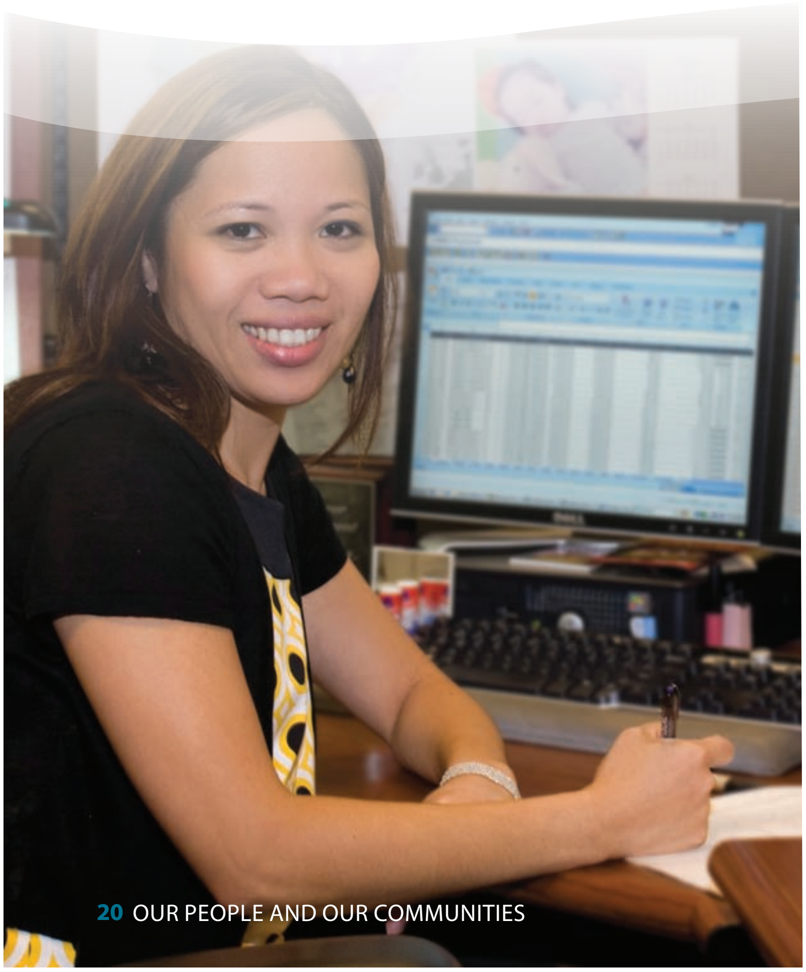
- 4H Clubs Organizations
- American Diabetes Association
- American Red Cross
- Any Baby Can Alliance
- Benicia Community Action Council
- Big Brothers Big Sisters
- Boy Scouts of America
- Child Abuse Prevention Services
- Dress for Success
- Epilepsy Foundation
- Foster a Dream Inc.
- Girls Scouts of America
- Girls Inc.
- Habitat for Humanity
- Junior Achievement
- Komen Race for the Cure
- Leukemia & Lymphoma Society
- Memphis Child Advocacy Center
- Muscular Dystrophy Association
- National Audubon Society
- National Kidney Foundation
- National MS Society
- Pediatric Brain Tumor Foundation
- Rise School of Corpus Christi Inc.
- Santa Rosa Children's Hospital
- Solano County Foster Parents
- Special Olympics
- Spina Bifida Association
- Teach for America
- Texas City ISD
- United Negro College Fund
- United Way
- Urban Connection
- Young Life
- YWCA

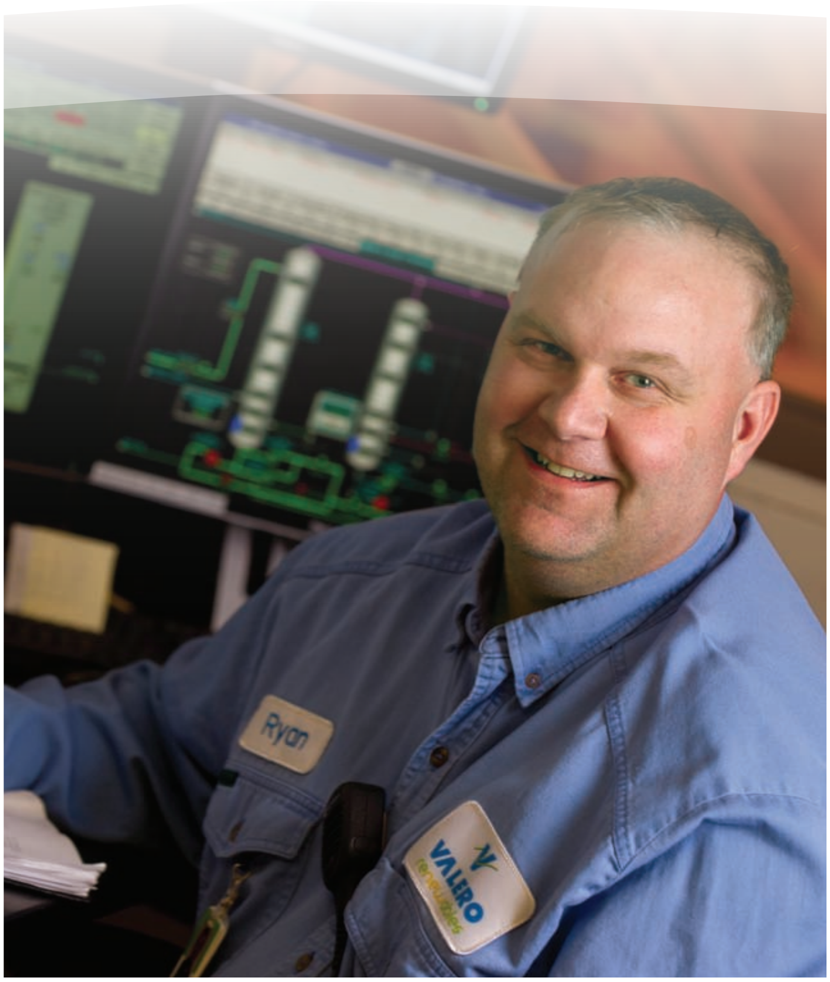
Valero's 23 Volunteer Councils, comprised of employees from every level of operation, coordinated hundreds of projects in the U.S., Canada and in Aruba. The efforts generated more than 140,000 volunteer hours, saving the organizations we served an estimated $3 million in labor and make-ready costs. This year and every year, the impact of Valero Volunteers can be felt at every level of society. Our people enjoy the gift of service, and we support them every chance we get. We make hope happen through a flood of financial support, community leadership and outreach for efforts such as Habitat for Humanity, the Valero Texas Open Benefit for Children Golf Classic, the National MS Society fundraising bike rides, local area food banks and the United Way. In a majority of locations, child- and education-related efforts are part of our volunteer activity because we deeply believe in the investment in our nation's children. In education, business, government and community leadership, children hold the keys to a better future.

At our facilities and in the community, we are a stronger Valero because of our people. The hard work and dedication of our 20,000 employees across North America and the Caribbean allowed us as a company to be nimble in tough times. We cut costs. We improved operations. Most importantly, we improved the lives of our neighbors and communities.


IT'S ANOTHER RECORD-BREAKING YEAR!
$9 MILLION RAISED FOR CHILDREN'S CHARITIES
VALERO TEXAS OPEN
VALERO TEXAS OPEN
GOLF CLASSIC
VALERO
BE GREAT

OUR PEOPLE




Ryan
VALERO

OUR COMMUNITIES


VALERO
volunteer


BOYS & GIRLS
CLUBS
of San Antonio

OUR PEOPLE


VALERO
volunteer

OUR COMMUNITIES

BOARD OF DIRECTORS

STANDING, LEFT TO RIGHT:

Randall J. Weisenburger
Executive Vice President and Chief Financial Officer of Omnicom Group, Inc.

Dr. Ronald K. Calgaard
Chairman of the Ray Ellison Grandchildren Trust in San Antonio, Texas; former President of Trinity University in San Antonio

Sen. Don Nickles
Retired U.S. Senator (R-Okla.); Chairman and CEO of The Nickles Group

Dr. Susan Purcell
Director of the Center for Hemispheric Policy at the University of Miami

Jerry D. Choate
Former Chairman of the Board and CEO of Allstate Corporation

Rayford Wilkins Jr.
CEO-Diversified Business of AT&T

Stephen M. Waters
Managing Partner of Compass Advisers LLP; Chief Executive of Compass Partners European Equity Fund

SEATED, LEFT TO RIGHT:

William R. Klesse
Chairman of the Board, CEO and President of Valero Energy Corporation

Bob Marbut
Former Director and Chairman of RISCO U.S.

Robert A. Profusek
Partner and Practice Leader, Mergers and Acquisitions, of Jones Day

Ruben M. Escobedo
Owner of Ruben Escobedo & Company

EXECUTIVE TEAM:

Bill Klesse
Chairman of the Board, CEO and President

Jean Bernier
Executive Vice President, Corporate Communications, Information Services & Supply Chain Management

Kim Bowers
Executive Vice President and General Counsel

Mike Ciskowski
Executive Vice President and Chief Financial Officer

Gene Edwards
Executive Vice President and Chief Development Officer

Joe Gorder
Executive Vice President and Chief Commercial Officer

Gary Arthur Jr.
Senior Vice President-Retail Marketing

Jay Browning
Senior Vice President-Corporate Law and Secretary

Mike Crownover
Senior Vice President-Human Resources

Jim Gillingham
Senior Vice President-Alternative Energy and Project Development

Clay Killinger
Senior Vice President and Controller

Lane Riggs
Senior Vice President-Refining Operations

Eric Fisher
Vice President–Investor and Corporate Communications

Martin Parrish
Vice President-Crude, Feedstock Supply & Trading

Gary Simmons
Vice President-Optimization, Planning & Economics

Donna Titzman
Vice President and Treasurer

STOCKHOLDER INFORMATION

Annual Meeting

Valero's annual meeting of stockholders is scheduled to be held at 10 a.m., Thursday, April 28, 2011, at Valero's corporate headquarters, located at One Valero Way in San Antonio, Texas. Valero's 2010 Annual Report on Form10-K and the proxy statement for the 2011 Annual Meeting of Stockholders can be accessed at www.valero.com (Investor Relations section).

Valero Energy Corporation Common Stock

Valero's common stock is listed for trading 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

Certain 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 2011 Annual Meeting of Stockholders Proxy Statement and Form 10-K for the year ended December 31, 2010. This document is provided to all stockholders of record as of March 1, 2011. In addition, persons may request, without charge, a Form 10-K by writing or calling Valero's Investor Relations Department. Valero's 2010 Annual Report on Form 10-K and the Proxy Statement also may be accessed at www.valero.com.

Please visit www.valero.com to learn more about our company.

CONTACT INFORMATION

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investorrelations@valero.com

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