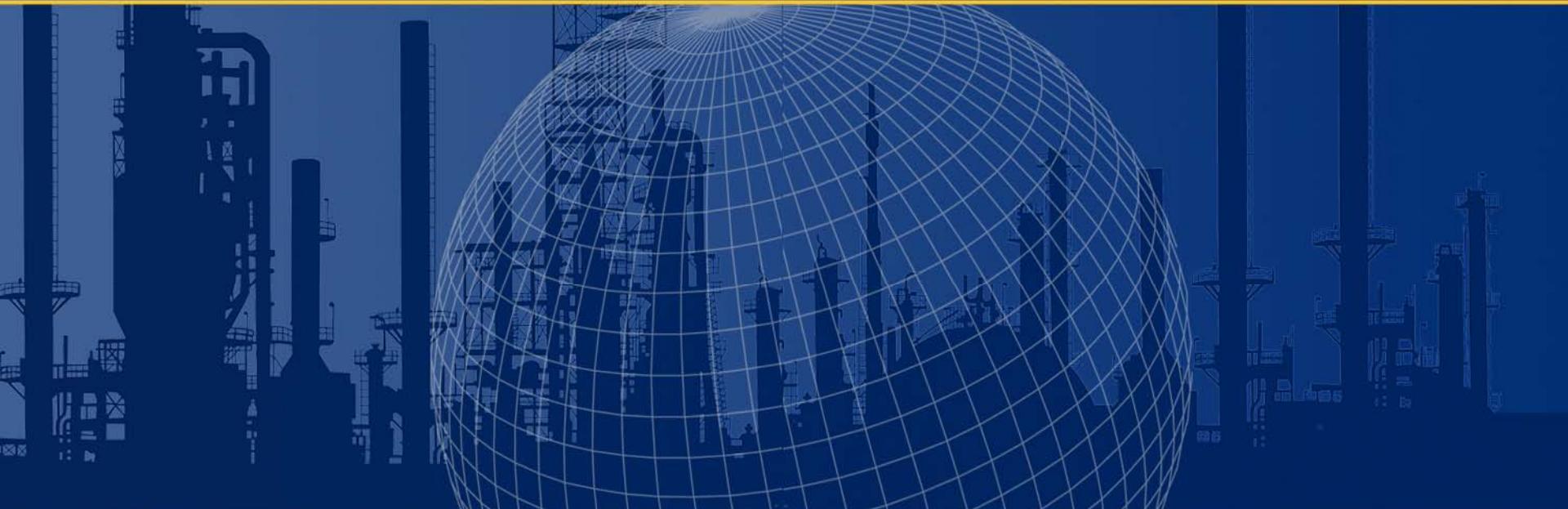


Management Presentation

March 27-29, 2007

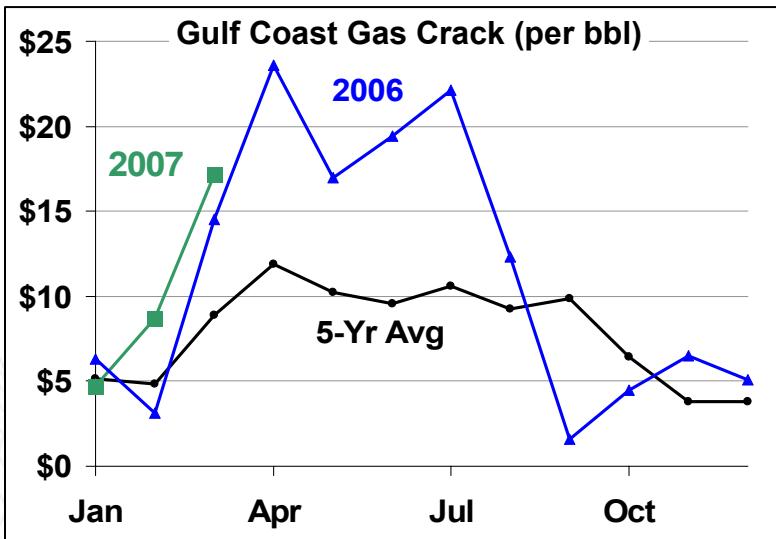


VALERO
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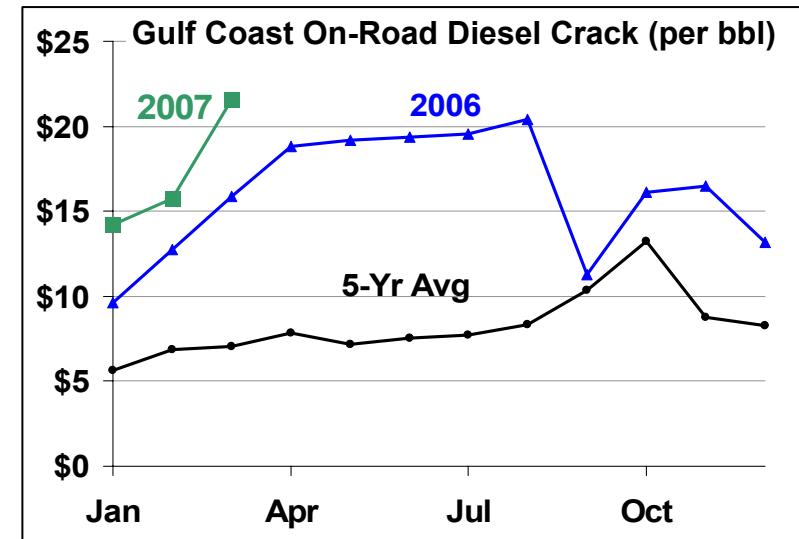


Bill Klesse
Chairman and CEO

2007 Off to a Great Start



Source: Platts; 2007 data through March 22



Source: Platts; 2007 data through March 22

- Outstanding gasoline and diesel margins
- YTD Gulf Coast gas cracks 30% higher than same period in 2006 and 65% above five-year average for same period

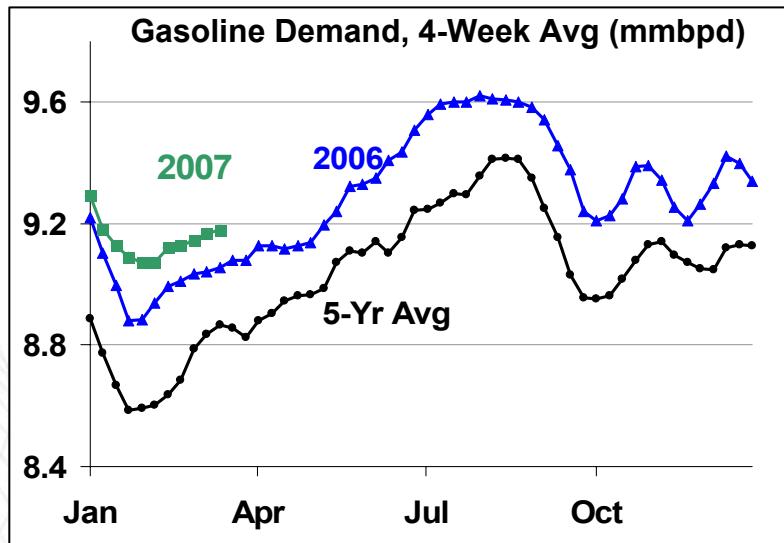
- YTD Gulf Coast on-road diesel cracks 25% higher than same period in 2006 and 150% above five-year average for same period
 - Important to focus on on-road diesel margin (low sulfur and ultra-low sulfur), not heating oil



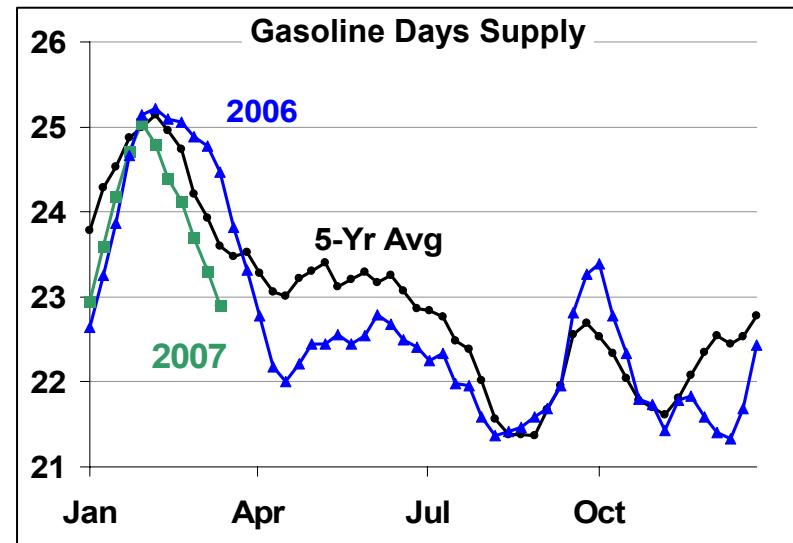
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Gasoline Fundamentals

Bullish Factors Continue



Source: DOE



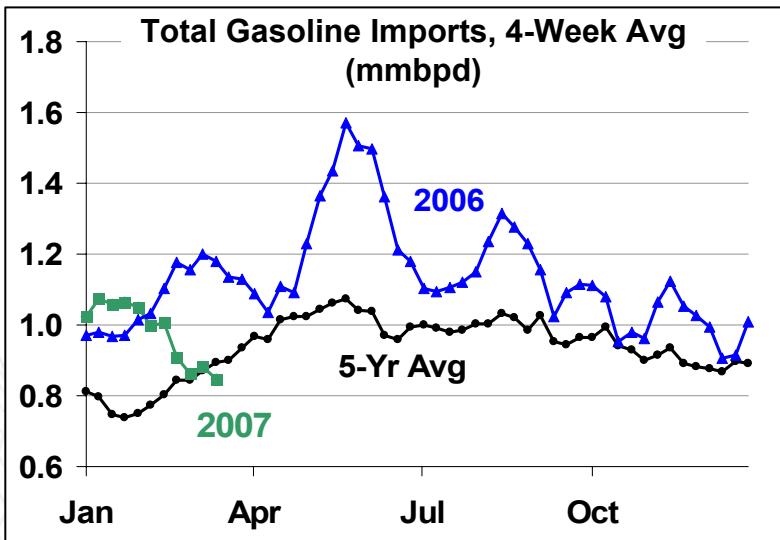
Source: DOE

- **Demand at highest levels ever**
 - YTD growth at 1.7% 2006
- **Lower pump prices, resilient economy**
- **Strong worldwide naphtha/blendstock demand pulling components from gasoline pool**
 - Asia, Venezuela, Mexico, Iran, West Africa

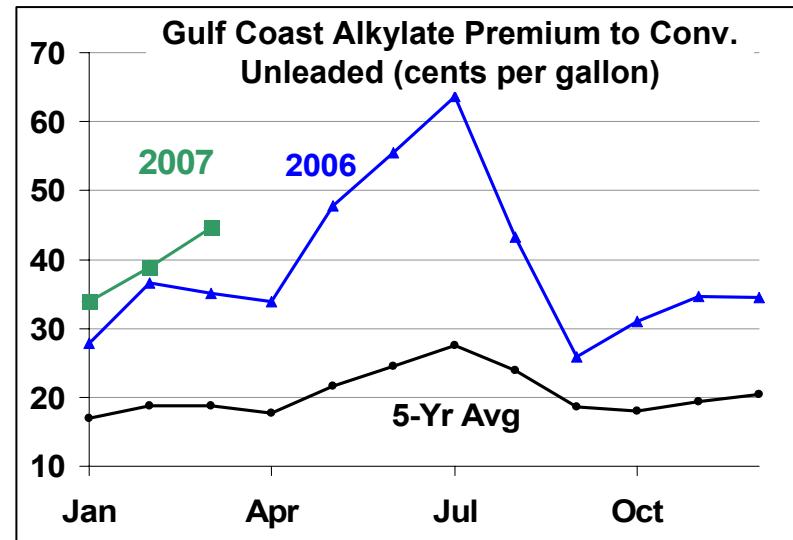
- **Days of supply below last year and 5-year average**
- **Supply looking tight again**
 - Industry turnarounds underway
 - Unplanned outages and extensions reducing supply
 - Switch to summer-grade spec removes blending components

Gasoline Fundamentals

Bullish Factors Continue



Source: DOE



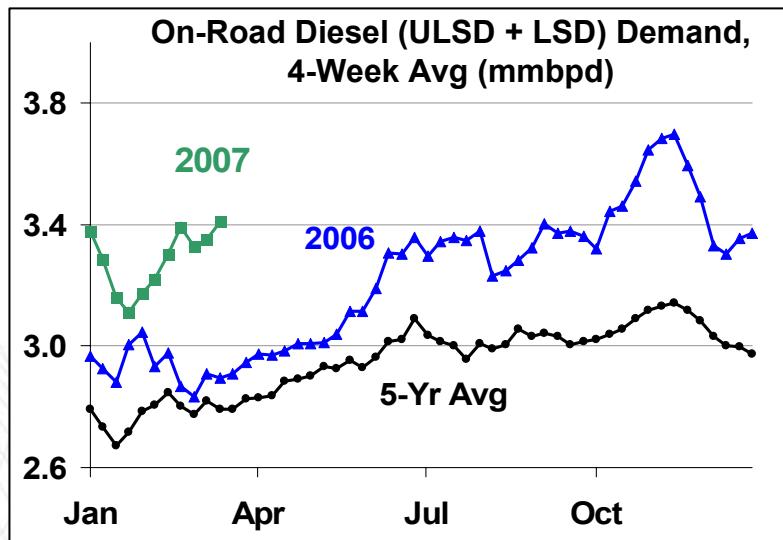
Source: Platts; 2007 data through March 22

- **Total gasoline imports below 2006 and near five-year average**
 - More imports required to meet summer demand
 - Imports attracted by higher margins
- **Quality blend components in high demand**
 - Alkylate premiums to conventional gasoline strong for this time of year

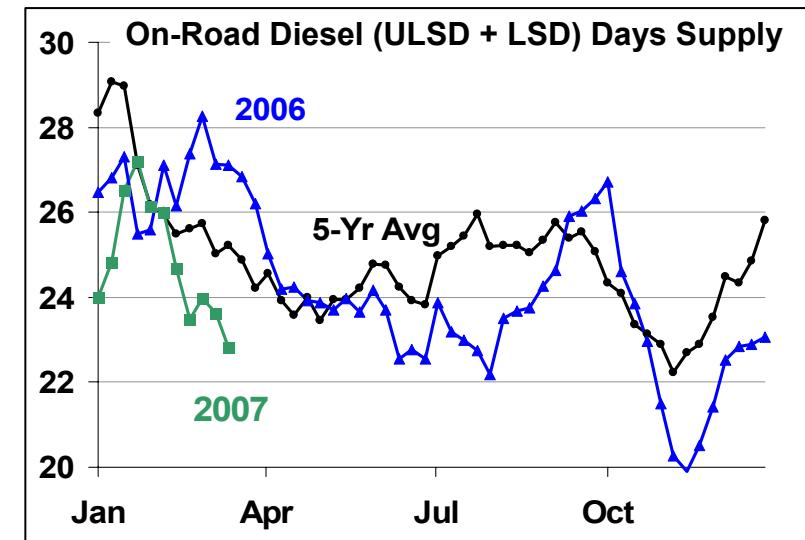
- **Ethanol not a major factor this summer**
 - Expect blending of \approx 400 mbpd in RFG areas, California and Corn Belt
 - Lack of infrastructure and relatively expensive pricing outside these areas restricts discretionary blending

Distillate Fundamentals

Strong Outlook for Diesel



Source: DOE

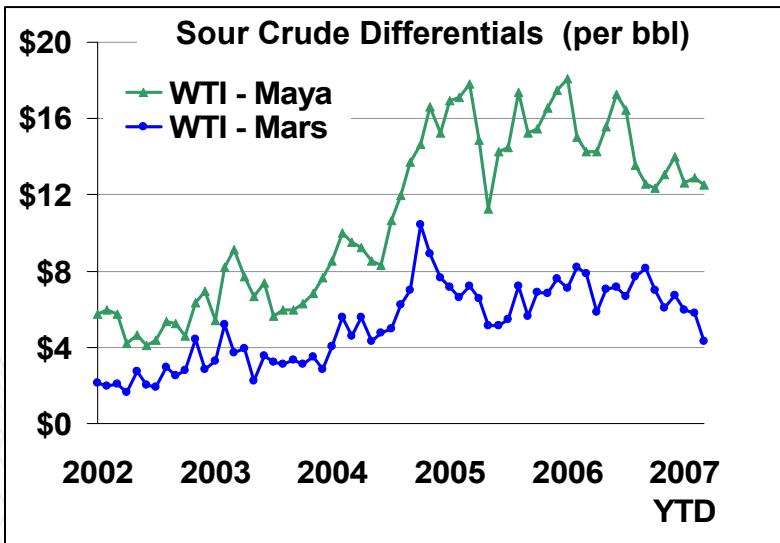


Source: DOE

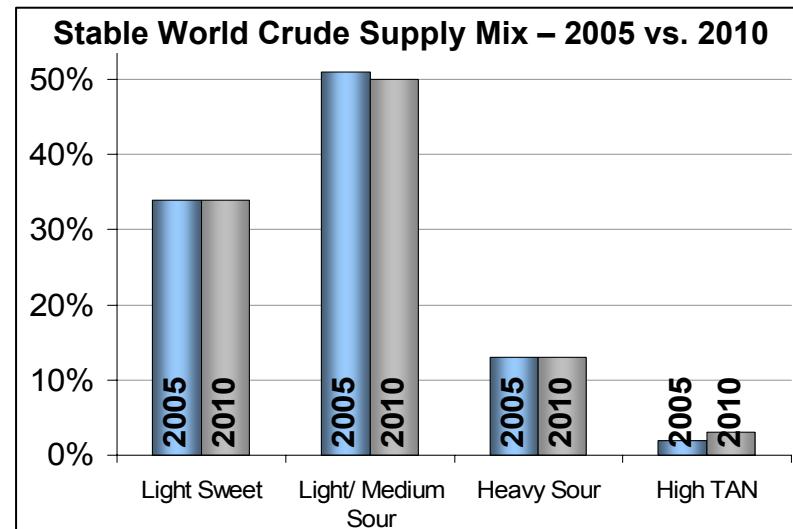
- **Tight on-road diesel market**
 - Demand continues to be strong
 - Economic-activity driven
- **Record demand**
 - YTD on-road diesel growth at 12%
 - YTD total distillates growth at 5%

- **Off-road diesel sulfur spec drops from 2,000 ppm to 500 ppm on 6/1/07**
 - Shifts off-road demand to low-sulfur diesel pool
- **75% of VLO distillates price like on-road diesel and jet fuel**

Feedstock Differentials Still Wide



Source: Platts; 2007 data through March 22

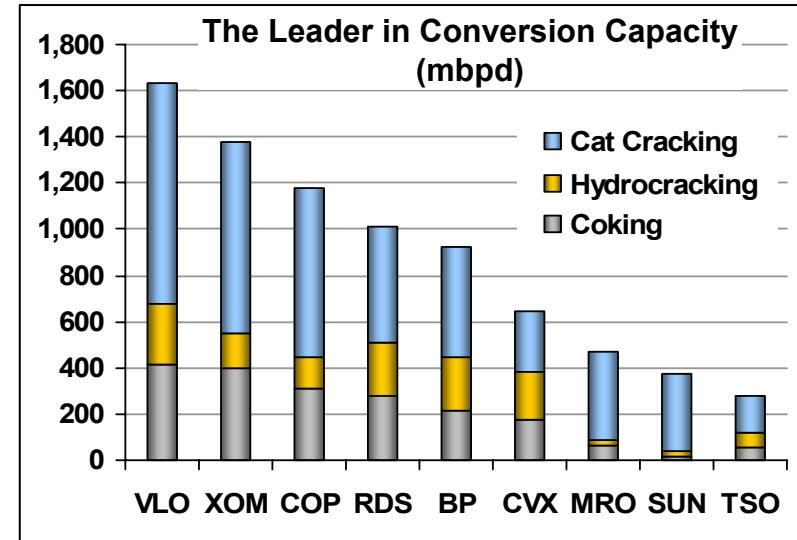
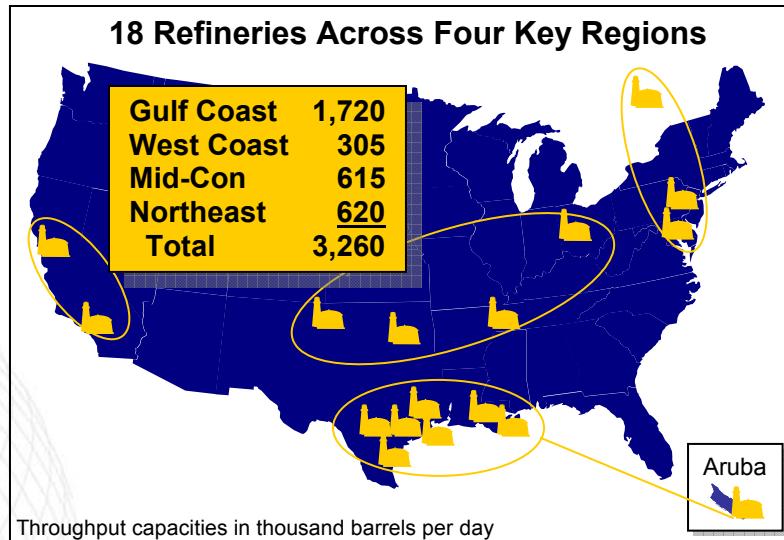


Source: Industry reports

- **Feedstock differentials expected to remain wide**
- **Recent McKee refinery outage pressuring WTI prices**
 - Sloppy physical crude oil market in WTI pricing hub of Cushing, OK
 - Widened product spreads, trimmed feedstock spreads v. WTI
 - Other sweet crudes strong v. WTI

- **Worldwide crude supply mix expected to be stable going forward**
- **Heavy sour hold steady**
- **Near-term significant new production is light sweet crude**
 - But demand for light sweet crude growing rapidly to meet worldwide clean fuels requirements

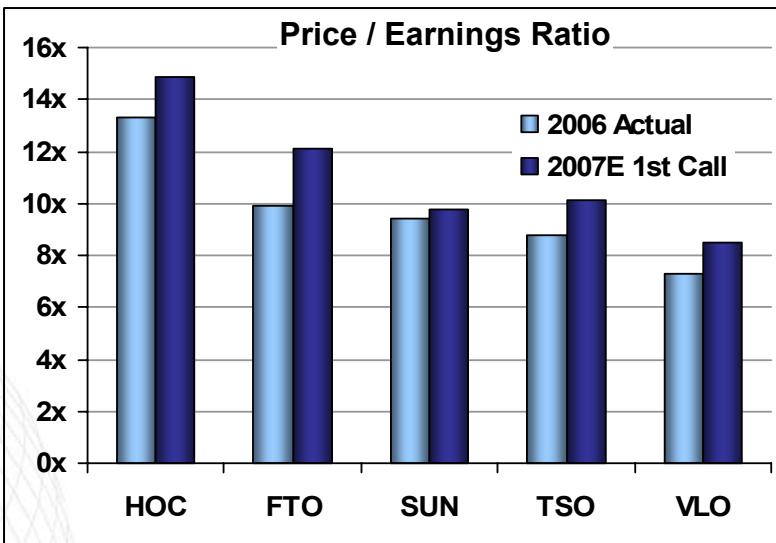
Valero's Advantages



- **Largest refining company in North America**
 - 3.3 million barrels per day of throughput capacity
 - Mitigates impact of outages
- **Geographically diverse refining system**
 - Presence in four key regions enables us to capture and optimize around regional margin trends

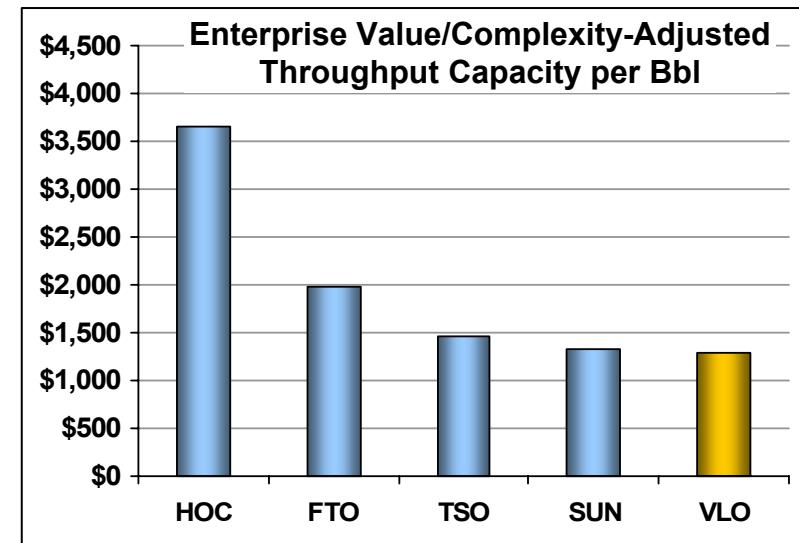
- **Most conversion capacity in North America**
 - Enables us to convert more low-quality, discounted feedstocks into high-quality products
- **Refining system designed for feedstock flexibility**
 - Increased variety of heavy sour and resid feedstocks from 27 in 2002 to 40 in 2006

Valero Remains Undervalued



Data as of March 22, 2007

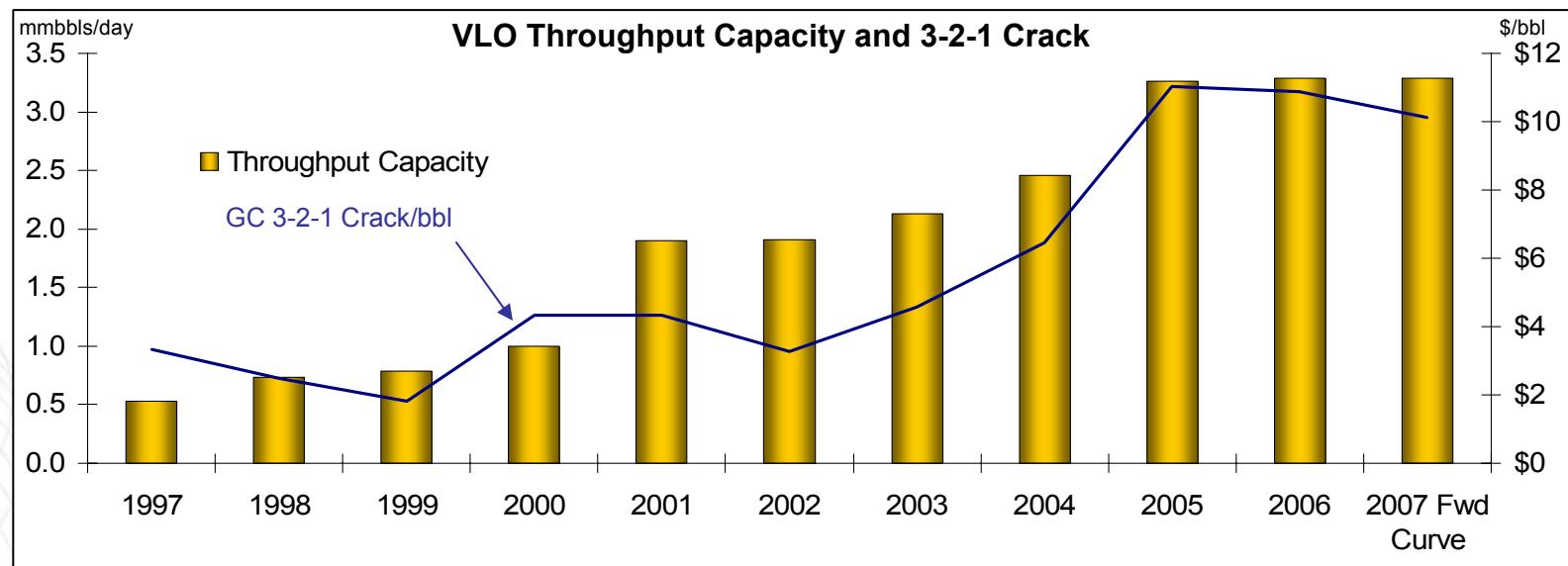
- **Despite advantages, VLO trades at relatively low earnings valuation vs. refining peers**
 - VLO at 7.3x 2006 EPS versus 10.4x average for peers
 - VLO at 8.5x 2007E First Call EPS versus 11.7x average for peers



Data as of March 22, 2007

- **VLO also inexpensive when evaluated by enterprise value to complexity-adjusted throughput capacity per barrel**
 - VLO at \$1,321/bbl versus peer average of \$2,140/bbl

Strategic Focus Shifting to Improving Returns



Source: Platts; 2007 data as of March 22

- **Acquisition strategy was the right call over the past decade**
 - Built throughput capacity more than 1,300% primarily via acquisitions over the last 10 years
- **Now is the time to shift focus to increasing returns on capital**
- **Goal is to achieve sustainable, industry-leading returns**
- **Will continue to look for acquisitions that meet our criteria**

Key Initiatives to Improve Returns

■ Capital discipline

- Evaluating all projects
- Removing or reducing scope on some projects
 - Deferred Quebec crude unit expansion until 2008
 - Cut Texas City crude/coker expansion
- Focusing on value-added projects at flagship refineries

■ Selective portfolio rebalancing

- Exploring strategic alternatives for Lima, Ohio refinery
 - Expect decision in 2Q07
 - Strong interest from potential buyers
 - Any proceeds to be allocated as part of our balanced approach
- Other assets under review



Key Initiatives to Improve Returns

- **Gross margin capture**
 - Continue to look for sour-up and product upgrading opportunities
 - Example: St. Charles mild hydrocracker in 2007
- **Energy efficiency**
 - 1st quartile performance ≈ \$360mm operating income improvement
 - Examples: new FCCU power recovery turbine at St.Charles, hydrogen plant at Benicia, and multi-site heater efficiency
- **Mechanical availability**
 - 1% improvement ≈ \$140mm operating income improvement
 - Examples: Port Arthur coker drums and Aruba utilities
- **Non-energy operating costs**
 - 1st quartile performance ≈ \$500mm operating income improvement
 - Example: maintenance execution and contractor reduction at Del City

Goal

\$1 billion in operating income improvements in 5 years



Balanced Approach to Investing Cash Flows in 2007

■ Dividends

- Increased dividend by 50% to \$0.12 per share per quarter
- Third increase in last 15 months

■ Debt repayments

- Paying off \$465 million of maturing and high-coupon debt

■ Stock buybacks

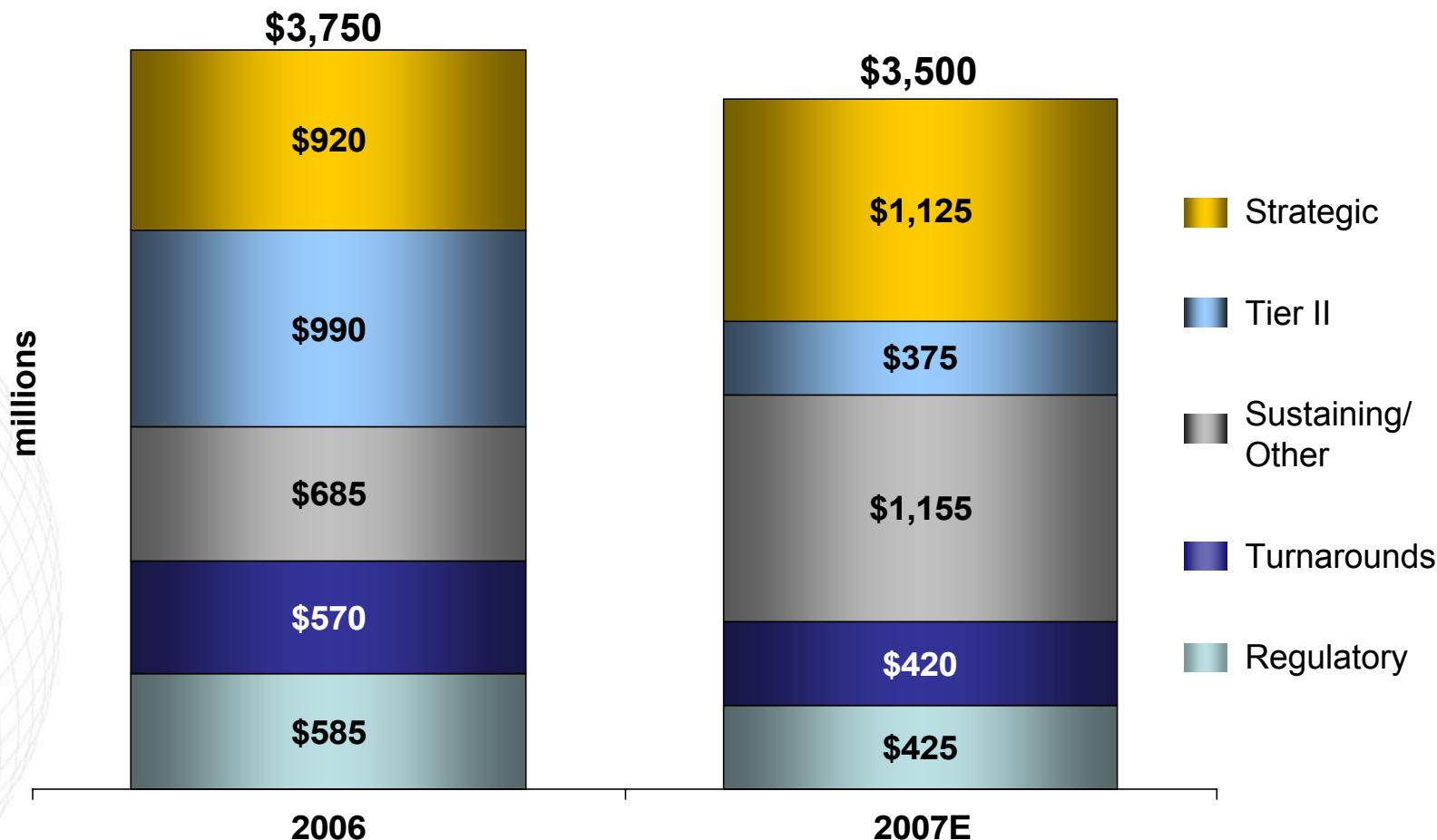
- Planning to purchase approximately 5% of basic shares outstanding in 2007
- Purchased 15 million shares year-to-date

■ Capital expenditures

- Intend to be at or below \$3.5 billion despite cost pressures



Capital Expenditures Details



- **Regulatory and Tier II capital spending drops by \$775 million from 2006 actual to 2007 budget**

2007 Key Projects

Refinery	Project	Start Up	Total Cost ¹ (\$mm)	Annual EBITDA (\$mm)	IRR ¹
St. Charles	Mild Hydrocracker	2Q	\$424	\$125	31%
Port Arthur	Crude Expansion	1Q	157 ²	90	40% ²
Benicia	ULSD Hydrotreater	2Q	105	45	28%
Wilmington	Alky Expansion	2Q	195	45	23%
Houston	Mild Hydrocracker	1Q	412	28	30%
Corpus Christi	ULSD Hydrotreater	4Q	260	20	14%

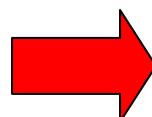
¹ Total project cost includes non-strategic capital costs; Internal rates of return based on "strategic" portion of capital

² VLO portion, on which the IRR is based; Premcor spent \$150 mm prior to acquisition

- **Expect incremental \$300 million in EBITDA in 2007 from projects completed in 2006 and 2007**
- **Quebec crude expansion project deferred until 2008 (50 mbpd, \$150mm)**

Future of Refining Looks Bright

- **Refineries more complex and units more interdependent than ever**
 - Results in longer turnarounds and maintenance periods
 - Downtime at one unit impacts refinery-wide throughput
 - Hydrotreating units need more frequent maintenance than crude and conversion units
- **Material costs higher and lead times longer**
 - Since 2004, prices of steel up 74% and heavy-wall reactors up 133%
 - Since 2004, heavy-wall reactor lead times stretched from 12 to 36 months
- **Labor costs up, productivity down**
 - Gulf Coast skilled labor costs up 60%, but productivity down 35% from 2004
 - Lower quality engineering and design result in costly reworks in the field
- **More stringent regulations reduce system flexibility**
 - Product specifications and regulations more difficult to meet
 - Reduced ability to blend away downgrades and production issues
 - Tier II gasoline and ULSD phase-in tightened the market substantially



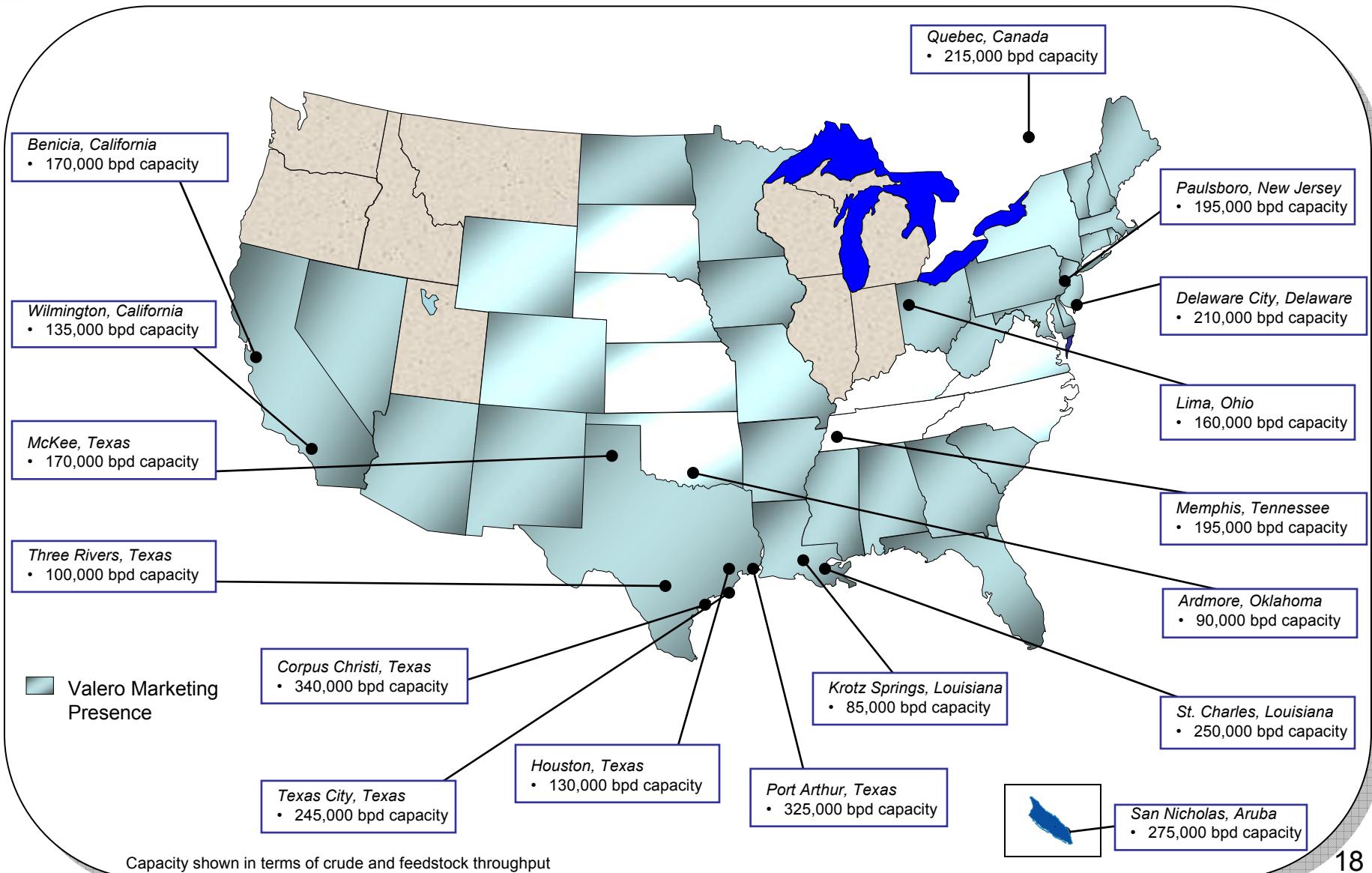
Margins to stay higher for longer

Summary

- **Compelling fundamentals driving strong margins**
 - Global demand continues to grow 1.3 to 2.0 million barrels per day
 - Global capacity additions struggling to keep up
- **Valero can achieve meaningful EPS growth from internal improvements and stock buybacks**
 - Lower risk, more controllable EPS growth
- **Valero to look for strategic growth opportunities that meet our criteria at an attractive price**
- **Shareholders own the company, so we are focused on creating long-term, sustainable shareholder value**

Appendix

Map of Valero Refineries



Safe Harbor Statement



Statements contained in this presentation that state the Company's or management's expectations or predictions of the future are forward-looking statements intended to be covered by the safe harbor provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. The words "believe," "expect," "should," "estimates," and other similar expressions identify forward-looking statements. It is important to note that actual results could differ materially from those projected in such forward-looking statements. For more information concerning factors that could cause actual results to differ from those expressed or forecasted, see Valero's annual reports on Form 10-K and quarterly reports on Form 10-Q, filed with the Securities and Exchange Commission, and available on Valero's website at www.valero.com.