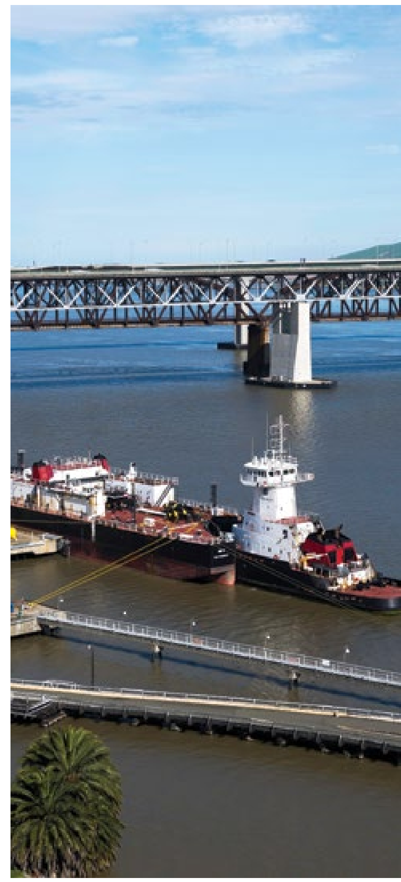
premier **refiner**



2017 summary annual report

Valero®

valero energy corporation

2017 summary annual report

contents

financial highlights

[Millions of dollars, except per-share amounts]

	2017	2016
Operating Revenues	$ 93,980	$ 76,659
Operating Income	$ 3,599	$ 3,572
Net Income Attributable to Valero Stockholders	$ 4,065	$ 2,289
Earnings Per Common Share – Assuming Dilution	$ 9.16	$ 4.94
Total Assets	$ 50,158	$ 46,173
Valero Stockholders' Equity	$ 21,991	$ 20,024
Capital Expenditures, Deferred Turnaround and Catalyst Costs, and Investments in Joint Ventures	$ 2,282	$ 2,000

Please visit www.valero.com to learn more about our company. The terms "Valero," "we," "our" and "us," when used herein, may refer to Valero Energy Corporation, to one or more of our consolidated subsidiaries, or to all of them taken as a whole.

This is 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, 2017, which has been filed with the U.S. Securities and Exchange Commission and made available to all stockholders. This information is also available at www.valero.com.

a letter to our stockholders

I am very pleased to report that in 2017, Valero set new operational performance records for safety, reliability and environmental stewardship, exemplifying our commitment to premier operations that drive and deliver stable earnings.

For the year, excluding a significant benefit from the unprecedented tax reform passed in December, adjusted net income attributable to stockholders was $4.96 per share, compared with $3.72 per share in 2016.

In operations, our refineries recorded their lowest-ever employee injury rates – far lower than the industry average – and best-ever process safety event rate. At the same time, they achieved their highest-ever mechanical availability percentage and lowest-ever number of environmental incidents.

They also maintained the lowest refining cash operating expense per barrel of throughput in our peer group, excluding turnaround and depreciation and amortization expenses.

I would be remiss if I didn't say once again how proud I was of our Valero team and the energy industry as a whole for the response to Hurricane Harvey, whose path touched almost all of Valero's Gulf Coast operations.

It was impressive that the epicenter of the refining industry on the Gulf Coast could take a direct hit from a Category 4 hurricane and keep supply disruptions as short-lived as they were. I applaud our employees; our local, state and federal government officials; and all of our business partners who worked closely with us to return the supply of our fuels to affected communities.

Turning to the markets, 2017 certainly was a tale of two halves. In the first half of the year, we saw a gradual but steady improvement in margins from the low levels of 2016. The return of global economic growth created strong product demand.

And on the supply side, our flexibility allowed us to optimize our system away from the OPEC supply-constrained crudes to capture more margin available on Canadian and domestic crude supply. In fact, we processed a record 1.4 million barrels per day of light crude during the fourth quarter.

In the second half of the year, the catastrophic weather-related events accelerated the decline in industry product inventories to below five-year averages. These events brought national attention to the complexity and efficiency of the U.S. fuel supply chain and renewed appreciation for the critical role our products play in the lives of families and communities.

With supply of refined light product inventories remaining low and global economic growth continuing, we expect good demand in domestic and export markets and healthy margins in the coming year.

We remain committed to our capital allocation framework, which prioritizes maintaining our investment-grade credit ratings and non-discretionary spending to sustain our business and pay dividends. Growth investments, mergers and acquisitions, and incremental cash returns compete for the remaining discretionary cash flow. Incremental cash flow resulting from tax reform should increase our capacity in this area, but will not alter our framework.

In 2017, we invested $2.4 billion to sustain and grow the business. Among our projects:

- The Diamond Pipeline started up in November, connecting the crude-oil hub of Cushing, Oklahoma, to our Memphis refinery.
- A new cogeneration unit went online at our Wilmington refinery, helping reduce the plant's operating expenses while also increasing the reliability of its power and steam supplies.
- Our expansion of the Diamond Green Diesel plant initially is expected to boost annual production capacity to 275 million gallons from 160 million gallons, with completion expected in third-quarter 2018.
- Construction of a new alkylation unit at the Houston refinery remains on track for an expected first-half 2019 completion.
- Our logistics investments in central Texas and along the Houston Ship Channel are also progressing. Estimated startups are in mid-2019 for central Texas pipelines and terminals, and early 2020 for a terminal in Pasadena.

A new $400 million alkylation unit at St. Charles, recently approved by the board, also is projected for startup in second-half 2020.

We also signed a long-term agreement to supply product into central Mexico. With recent constitutional reform there, Valero may now import refined products through a subsidiary at the new Port of Veracruz and distribute directly into Mexico, including branded sales. This transaction will enable us to extend our supply chain to efficiently supply gasoline, diesel and jet fuel to the growing Mexican market.

We maintained our strong balance sheet, investment-grade credit ratings and a low debt-to-capital ratio of 23 percent, net of $2 billion in cash. Regarding cash returns to our stockholders, we paid out 63 percent of adjusted net cash provided by operating activities, which exceeded our target annual payout range of 40 to 50 percent.

Our board in January approved a 14 percent increase in the regular quarterly dividend to $0.80 per share, or $3.20 annually, further demonstrating our commitment to our investors.

Looking ahead, we see strong tailwinds with the anticipated reduction in our taxes, regulatory changes such as the IMO 2020 standard, and continued economic growth. We expect Valero's net cash provided by operating activities to benefit significantly.

In closing, with continued solid operational and safety performance, as well as our advantaged position as a low-cash cost manufacturer with flexibility to process a wide range of feedstocks, we are optimistic about 2018.

Thank you for your continued support and trust.

Joe Gorder
Chairman, President and
Chief Executive Officer

valero vision and guiding principles

vision statement

Valero will be the premier manufacturer, distributor and marketer of quality transportation fuels and petrochemical feedstocks, while serving the needs of our employees, communities and stakeholders.

guiding principles:

safety

Safety is our foundation for success.

environment

We produce environmentally clean products and are committed stewards of the environment.

community

We share our success with the communities where we live and work through volunteerism, charitable giving and the economic support of being a good employer.

employees

We consider our employees a competitive advantage and our greatest asset. As such, we provide them with a safe and rewarding work environment with opportunities for growth and personal development.

stakeholders

Our stakeholders are our partners to whom we pledge to deliver operational excellence, disciplined management of capital and long-term value.

company summary

Valero Energy Corporation (NYSE: VLO), through its subsidiaries, is an international manufacturer and marketer of transportation fuels and other petrochemical products.

Valero is a Fortune 50 company based in San Antonio, Texas, with approximately 10,000 employees, and it operates 15 petroleum refineries with a combined throughput capacity of approximately 3.1 million barrels per day and 11 ethanol plants with a combined production capacity of approximately 1.45 billion gallons per year. In addition, Valero owns the 2 percent general partner interest and a majority limited partner interest in Valero Energy Partners LP (NYSE: VLP), formed by Valero to own, operate, develop and acquire crude oil and refined petroleum products pipelines, terminals and other transportation and logistics assets.

Valero's refining segment includes its refining operations, associated marketing activities and certain logistics assets that support its refining operations. Valero, through its subsidiaries, is the world's largest independent petroleum refiner, with refineries in Ardmore, Oklahoma; Benicia and Wilmington, California; Corpus Christi (Bill Greehey refineries East and West), Houston, Sunray (McKee), Port Arthur, Texas City and Three Rivers, Texas; Memphis, Tennessee; and Meraux and Norco (St. Charles), Louisiana. Valero also owns the Jean Gaulin refinery in Canada at Lévis, Québec, and the Pembroke refinery in the United Kingdom, in Wales.

The company sells its refined petroleum products in both the bulk and wholesale rack markets, and approximately 7,400 outlets carry the Valero®, Beacon®, Diamond Shamrock® and Shamrock® brands in the United States; the Ultramar® brand in Canada; and the Texaco® brand in the U.K. and Ireland.

Valero has a wholesale marketing presence in 43 American states, six Canadian provinces, the U.K. and Ireland.

Valero also owns 50 percent of a joint venture, Diamond Green Diesel Holdings LLC (DGD), which operates an 11,000-barrel-per-day renewable diesel plant in Norco, Louisiana, that processes used cooking oil, recycled animal fat and inedible corn oil into renewable diesel fuel.

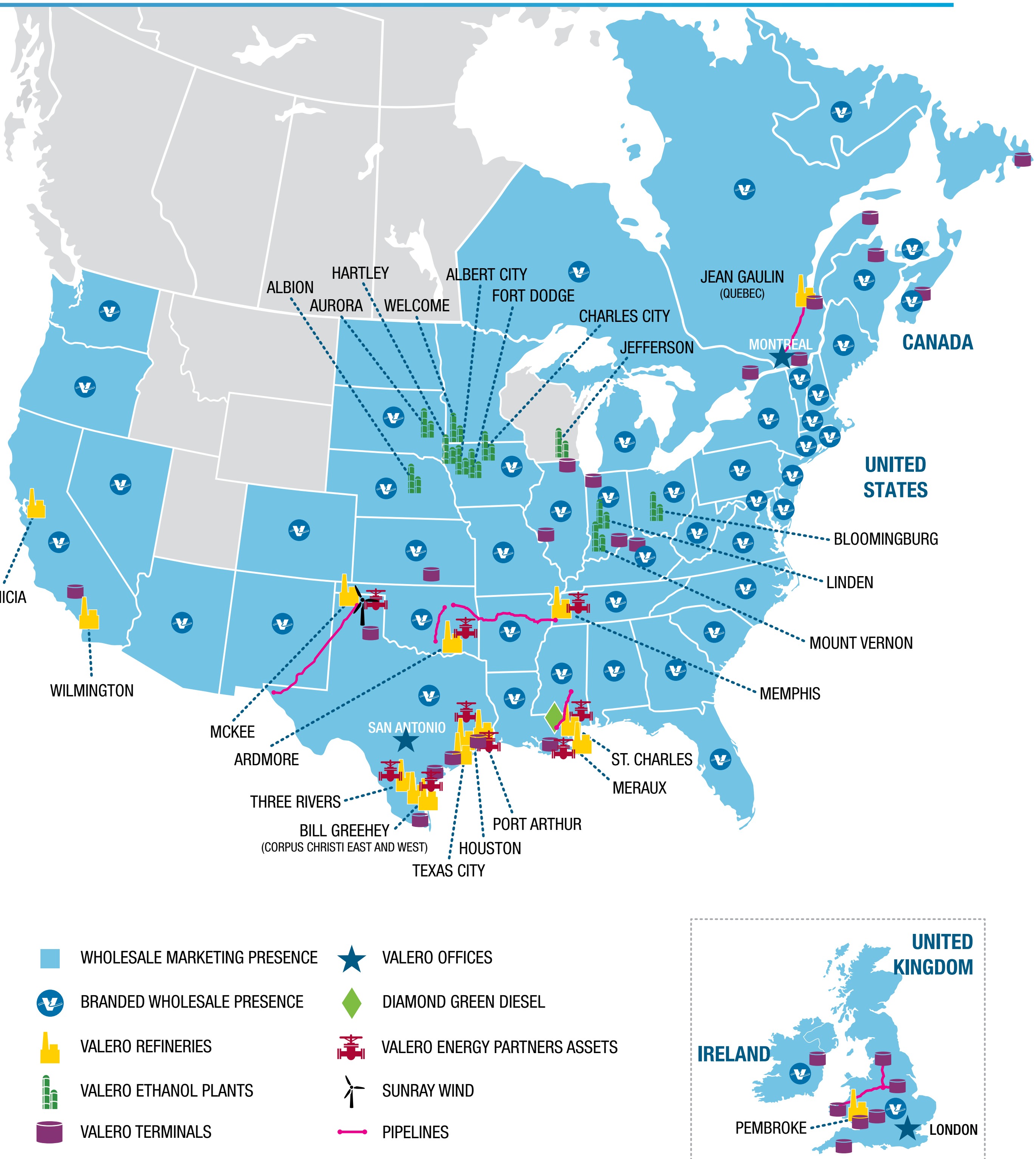
Valero, through its subsidiaries, is the world's largest independent petroleum refiner.

Valero's ethanol segment includes its ethanol operations, associated marketing activities and logistics assets that support its ethanol operations. Through subsidiaries, Valero owns plants in Albert City, Charles City, Fort Dodge and Hartley, Iowa; Albion, Nebraska; Aurora, South Dakota; Bloomingburg, Ohio; Jefferson, Wisconsin; Linden and Mount Vernon, Indiana; and Welcome, Minnesota.

Valero sells its ethanol primarily to refiners and gasoline blenders under term and spot contracts in the wholesale bulk markets. The ethanol is distributed through logistics assets, which include railcars owned by Valero.

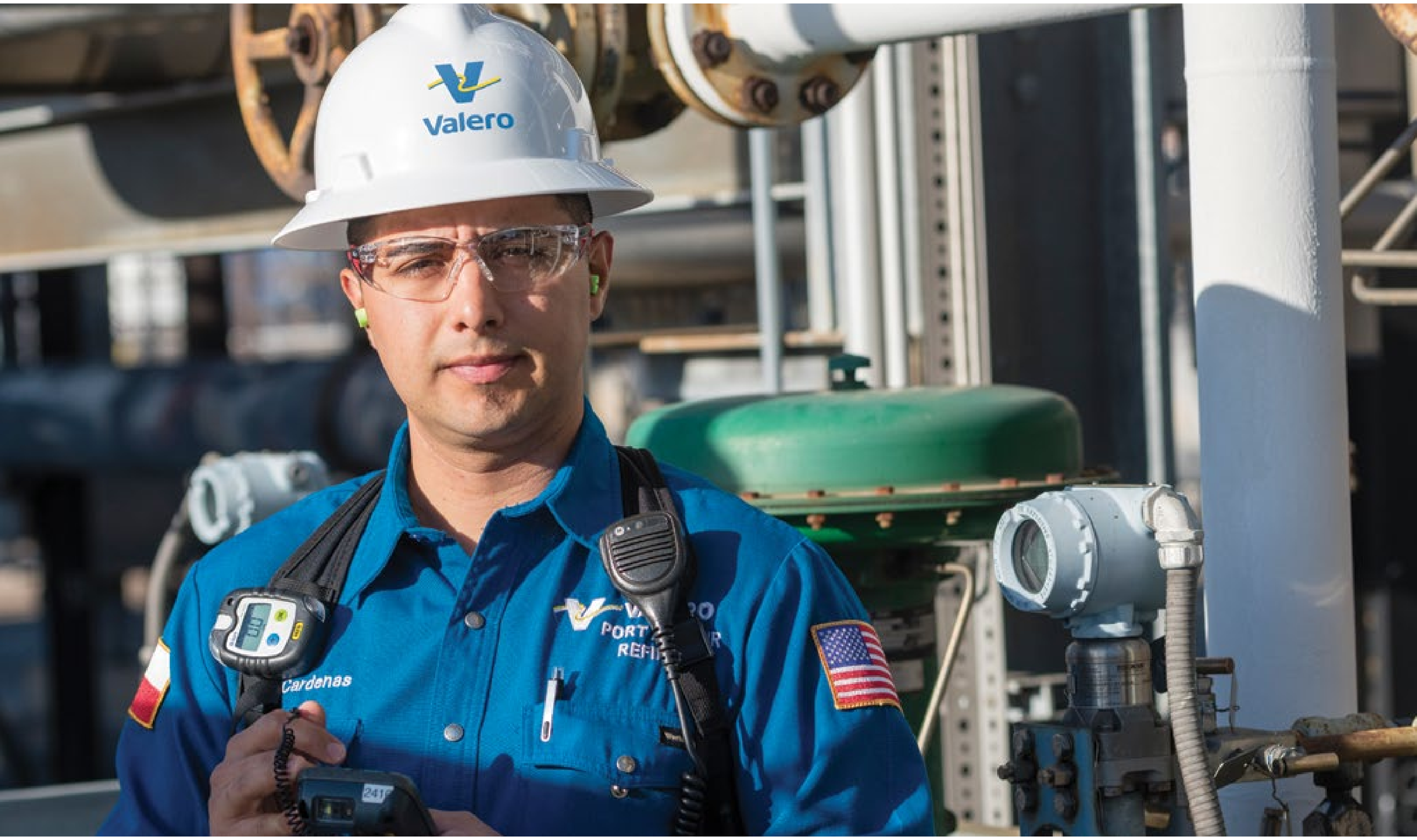
Valero's VLP segment consists of operations of the publicly traded master limited partnership Valero formed in July 2013, Valero Energy Partners LP, which includes crude oil and refined petroleum products pipeline and terminal systems in the U.S. Gulf Coast and U.S. Mid-Continent regions. This segment provides transportation and terminal services to the refining segment and its assets are integral to the operations of Valero's Ardmore, Corpus Christi, Houston, McKee, Memphis, Meraux, Port Arthur, St. Charles and Three Rivers refineries.

map of operations


CANADA
UNITED STATES
JEAN GAULIN
(QUEBEC)
MONTREAL
HARTLEY
ALBION
AURORA
WELCOME
ALBERT CITY
FORT DODGE
CHARLES CITY
JEFFERSON
BLOOMINGBURG
LINDEN
MOUNT VERNON
MEMPHIS
BENICIA
WILMINGTON
MCKEE
ARDMORE
SAN ANTONIO
THREE RIVERS
BILL GREEHEY
(CORPUS CHRISTI EAST AND WEST)
TEXAS CITY
HOUSTON
PORT ARTHUR
ST. CHARLES
MERAUX
WHOLESALE MARKETING PRESENCE
BRANDED WHOLESALE PRESENCE
VALERO REFINERIES
VALERO ETHANOL PLANTS
VALERO TERMINALS
VALERO OFFICES
DIAMOND GREEN DIESEL
VALERO ENERGY PARTNERS ASSETS
SUNRAY WIND
PIPELINES
UNITED KINGDOM
IRELAND
PEMBROKE
LONDON

Valero Port Arthur Refinery, Texas

maintaining manufacturing excellence



Safety and reliability are imperative for profitability. In 2017, Valero improved in critical benchmarks, which led to greater margin capture, lower operating expenses and better efficiency.

In personnel safety, Valero posted its lowest-ever refinery employee injury rate, with 0.28 total recordable incidents per 200,000 work hours, an industry metric, down 20 percent from 2016 and far below the industry average of 0.60. It marked the fourth straight year of record-setting performance.

Our combined refinery employee and contractor rate stood at 0.32.

lowest-ever refinery employee injury rate in 2017

In 2017, our refineries at Memphis and St. Charles earned Voluntary Protection Program (VPP) Star Site designations, the highest plant-safety recognition by the U.S. Occupational Safety and Health Administration and affiliated state agencies.

Under the program, Valero goes beyond regulatory compliance in voluntarily submitting to rigorous safety audits. Valero has the most VPP Star Sites of any refiner.

Three of our asphalt terminals also hold VPP Stars, as does our aviation department.

In addition, company refineries in Québec and Wales each hold internal Valero VPP Stars after passing audits patterned after those in the U.S., conducted by teams of independent OSHA-trained inspectors.

St. Charles, in earning the Valero Chairman's Safety Award, went two years without an employee recordable injury and posted a three-year contractor incident rate of 0.24.

Valero's ethanol plants also have maintained injury rates lower than the industry average, in each year of operation.

Our refineries also continue to make significant strides in key areas of process safety and reliability.

We recorded our best-ever Process Safety Event Tier 1 performance, the industry's primary process safety metric, representing a 71 percent reduction since 2010.

Our proprietary management systems allow us to consistently deliver predictable and desirable operating results.

Those systems go through a continuous improvement process that ensures we maintain industry-leading performance.

Process safety also is a major emphasis at our ethanol plants, where Valero's entire fleet of 11 plants recorded no Tier 1 process safety events for three years. The Hartley plant, winner of the Chairman's Award for Renewables Plant Excellence, has not recorded a Tier 1 process safety event in more than six years.

Process safety and reliability go hand in hand, and there has been measurable improvement in overall reliability of Valero's refineries. Our reliability networks conduct periodic comprehensive assessments.

4

Straight years of record-setting safety performance

71%

Reduction in process safety events since 2010

97.3%

Mechanical availability in 2017

32%

Reduction in environmental events since 2015

In 2017, Valero refineries achieved 97.3 percent mechanical availability, a leading reliability measure representing the percentage of time our units are available to run. That was Valero's best reliability performance ever.

The Jean Gaulin refinery in Québec won the Valero Chairman's Award for reliability, tops across a broad set of measures focused on equipment reliability, frequency and extent of shutdowns, and overall turnaround management.

Valero takes a systematic approach to reliability, with programs maintained within a low-cost framework as capital investment continues to address the largest challenges. As a result, we have achieved best-in-industry simultaneous cost and mechanical performance.

Finally, Valero achieved its best-ever environmental performance for a second consecutive year, reducing its number of incidents by 5 percent from the previous year, on top of a 32 percent reduction from 2015. And over the past decade, performance has improved by 71 percent.

We accomplished this by strengthening incident investigations and taking corrective actions to prevent recurrence of environmental events. We additionally have spent billions of dollars on environmental upgrades at our refineries that have reduced emissions and improved the environment.

70+% ↓

reduction in flaring and emissions over the last decade

Six refineries either set or tied environmental performance records in 2017. And refinery flaring events and emissions are down more than 70 percent over the last decade.

Valero's commitment to manufacturing excellence has resulted in improvement in industry benchmarks across the board – from mechanical availability to personnel index, maintenance index, non-energy cash operating expenses and energy intensity index – providing for best-in-class operations.


Valero
WATCH YOUR HANDS

allocating capital to deliver results

Disciplined capital allocation is a constant in Valero's strategy, with an eye on delivering distinctive financial results and peer-leading returns to stockholders.

Critical to this strategy is maintaining a strong balance sheet, including sustaining investment-grade credit ratings and targeting a debt-to-capitalization ratio of 20 to 30 percent. Valero finished 2017 with a ratio of 23 percent, net of $2 billion in cash.

Our capital is allocated between investments to sustain or grow our business, acquisitions and cash returns in the form of dividends and stock buybacks.

In the first category, "sustaining" capital for turnarounds, catalysts and regulatory compliance is key to safe and reliable operations. In determining growth capital, internal rate of return (IRR) must be projected to clear 25 percent, with a lower hurdle rate required for steady cash-flow midstream projects. Any acquisitions for refining projects must be evaluated against alternative uses of cash.

For 2018, we project sustaining capital of approximately $1.7 billion, and growth capital of about $1.0 billion.

Delivering cash returns to our stockholders is one of our priorities. We consider dividends as a commitment, targeting a payout at the high end of our peer group of independent refiners. Our annual dividend per share has grown to $3.20 from just $0.30 in 2011.

We have shown discipline in capital allocation through steady investments to maintain our asset base, improve margins and optimize our portfolio.

23%

Debt-to-capitalization ratio

$1.7 billion

In 2018 to sustain safe and reliable operations

We also reduced our weighted average shares outstanding to 78 percent of what it was in 2011.

Through the combination of dividends and stock buybacks, we are targeting a payout ratio between 40 and 50 percent of adjusted net cash provided by operating activities for 2018. In 2017, we exceeded that target, at 63 percent.

Overall, we have shown discipline in capital allocation through steady investments to maintain our asset base, improve margins and optimize our portfolio.

Valero has a steady pipeline of high-return projects, roughly split between refining and logistics projects.

In all, projects either just completed, in execution or in development are expected to contribute from $1.2 billion to $1.4 billion in earnings before interest, taxes, depreciation and amortization (EBITDA).

Projects completed in 2017 included the Diamond Pipeline connecting the crude-oil hub of Cushing, Oklahoma, with our Memphis refinery, and a new cogeneration unit at our Wilmington refinery.

$1.0 billion

Targeted for growth capital in 2018

22%

Valero's share of U.S. ethanol exports

Among our projects in the execution phase (with expected completion dates):

- Diamond Green Diesel expansion (third-quarter 2018)
- Houston alkylation unit (first-half 2019)
- Central Texas pipelines and terminals (mid-2019)
- Pasadena, Texas, terminal (early 2020)
- St. Charles alkylation unit (second-half 2020)

Other projects in development phases:

- Expanding product supply chain into Mexico and Latin America
- Increasing light-products yield and octane enhancement in U.S. Gulf Coast
- Cogeneration in North Atlantic
- Logistics for feedstock and product flexibility
- High-grading secondary products into petrochemicals

Valero Energy Partners LP

Valero's 2 percent general partner interest and majority limited partner interest in Valero Energy Partners LP (NYSE: VLP) serves as a primary vehicle to grow Valero's logistics business.

Since Valero formed the master limited partnership in 2013, it has focused on executing from a position of fundamental strength, with logistics assets serving 10 Valero refineries at the end of 2017.

VLP maintains its growth profile by targeting "drop-downs" of assets from Valero, as well as organic projects and midstream acquisitions. Its strategy is to deliver top-tier distribution growth, as well as maintain investment-grade credit ratings.

In 2017, the partnership delivered peer-leading distribution coverage, increasing its quarterly cash distribution 139 percent over minimum quarterly distribution (MQD), and grew annualized EBITDA attributable to the partnership to more than $365 million.

VLP boosted operating income from acquisition of the Red River pipeline in Oklahoma, as well as from Port Arthur terminal assets and Parkway Pipeline, all added in 2017.

Ethanol Business

Valero's 11 ethanol plants in the Midwest reached 1.45 billion gallons annual production, with plants running at 130 percent of original design.

The plants are lower-cost producers compared with the industry, originally purchased at 35 percent of replacement cost and highly efficient with scale and located in the Corn Belt. Also, Valero has been able to transfer operational best practices of its refineries to its ethanol plants.

Ethanol demand is expected to be strong globally, driven by strong demand and attractive economics for corn-based ethanol exports.

Valero's share of U.S. ethanol exports grew to 22 percent in 2017.

focusing on earnings growth

Valero is focused on earnings growth through a combination of market expansion, margin improvement and operating cost control.

Our portfolio of advantaged refineries and logistics optimizes product exports globally. And we're investing to grow export and wholesale fuels volume.

For example, Mexico's refined product demand is expected to grow, with imports filling a large percentage of the supply shortage. The proximity, scale and flexibility of our U.S. Gulf Coast refineries position us well to fill the demand.

Valero has supplied fuels to Mexico for more than 10 years. But an agreement reached in 2017 will enable a new Valero subsidiary to receive imported products at Veracruz and distribute wholesale and branded fuel to central Mexico's most-populous cities.

Our refineries are advantaged in other ways. We have the most refining capacity in the U.S. Gulf Coast and Mid-Continent of our peers, giving us an advantage to process a wide variety of crude oils – both from the region and imported – as well as access to a deep pool of skilled labor.

Valero's refineries are capable of processing 1.6 million barrels per day of light sweet crude oil in the U.S. Gulf Coast, in addition to having the flexibility to process heavy sour, medium/light sour, residuals and other feedstocks. That flexibility is key to managing and improving margins.

Valero®

And our ability to optimize our portfolio and improve reliability has enabled high utilization and lower operating expense. Valero is proving that high levels of reliability are compatible with low cash operating costs.

We once again posted the lowest refining cash operating expenses per barrel of throughput in our peer group, at $3.65, excluding turnaround, depreciation and amortization expenses.

In summary, Valero's premier asset portfolio and best-in-class operations provide a solid foundation for value creation. And we are investing in long-term earnings growth to generate distinctive cash flow and lower earnings volatility across margin cycles.

Valero's premier asset portfolio and best-in-class operations provide a solid foundation for value creation.

1.6 million

Barrels per day of light sweet crude oil in U.S. Gulf Coast processing capacity in Valero's refineries

$3.65

Lowest refining cash operating expense per barrel of throughput

board of directors

Joe Gorder
Chairman of the Board, President and CEO, Valero Energy Corporation

H. Paulett Eberhart
Chair and CEO, HMS Ventures

Kimberly S. Greene
Chairman, CEO and President, Southern Company Gas

Deborah Platt Majoras
Chief Legal Officer and Secretary, The Procter & Gamble Company

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

Philip J. Pfeiffer
Of Counsel, Norton Rose Fulbright LLP, San Antonio

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

Dr. Susan Kaufman Purcell
Retired Director, Center for Hemispheric Policy, University of Miami

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

Randall J. Weisenburger
Managing Member, Mile26 Capital LLC; former EVP and CFO, Omnicom Group Inc.

Rayford Wilkins Jr.
Former CEO-Diversified Businesses, AT&T

executive team

Joe Gorder
Chairman, President and CEO

Lane Riggs
Executive Vice President and Chief Operating Officer

Jay Browning
Executive Vice President and General Counsel

Mike Ciskowski
Executive Vice President and Chief Financial Officer (retiring May 3, 2018)

Donna Titzman
Executive Vice President and Chief Financial Officer (as of May 3, 2018)

Jason Fraser
Senior Vice President-Strategy, Public Policy and Investor Relations

Rich Lashway
Senior Vice President-Corporate Development and Midstream Operations

Mark Schmeltekopf
Senior Vice President and Chief Accounting Officer

Gary Simmons
Senior Vice President-Supply, International Operations and Systems Optimization

Ken Applegate
Vice President-Transportation

Greg Bram
Vice President-Supply Chain Optimization

Eric Fisher
Vice President-Wholesale Marketing and International Commercial Operations

Eric Honeyman
Vice President-Refining Operations

Martin Parrish
Vice President-Alternative Fuels

Chris Quinn
Vice President and Treasurer

Julia Rendon Reinhart
Vice President-HR and Administration

Cheryl Thomas
Vice President and Chief Information Officer

Rich Walsh
Vice President and Deputy General Counsel

Valero®

Valero Energy Corporation
Corporate Headquarters
P.O. Box 696000
San Antonio, TX 78269
valero.com

Printed in the U.S.A.