

Investor Presentation

September 2020

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This presentation includes non-GAAP financial measures. Our reconciliations of GAAP financial measures to non-GAAP financial measures are located at the end of this presentation. These non-GAAP financial measures should not be considered as an alternative to GAAP financial measures.

Valero

Who We Are (NYSE: VLO)



Refining

- Premier assets and lowest cost producer
- 15 refineries, 3.2 million barrels per day (BPD) of high-complexity capacity
- Logistics assets, including approximately 3,100 miles of active pipelines, 130 million barrels of storage and over 50 docks
- Fuels marketing and distribution through bulk and wholesale channels



Renewable Diesel

- Advantaged feedstock and operating costs
- World's 2nd largest renewable diesel producer
  - Operator and 50% owner of Diamond Green Diesel (DGD) joint venture
  - 275 million gallons per year production capacity
- Expanding to 675 million gallons of annual production capacity
- Renewable diesel placed into premium low carbon markets



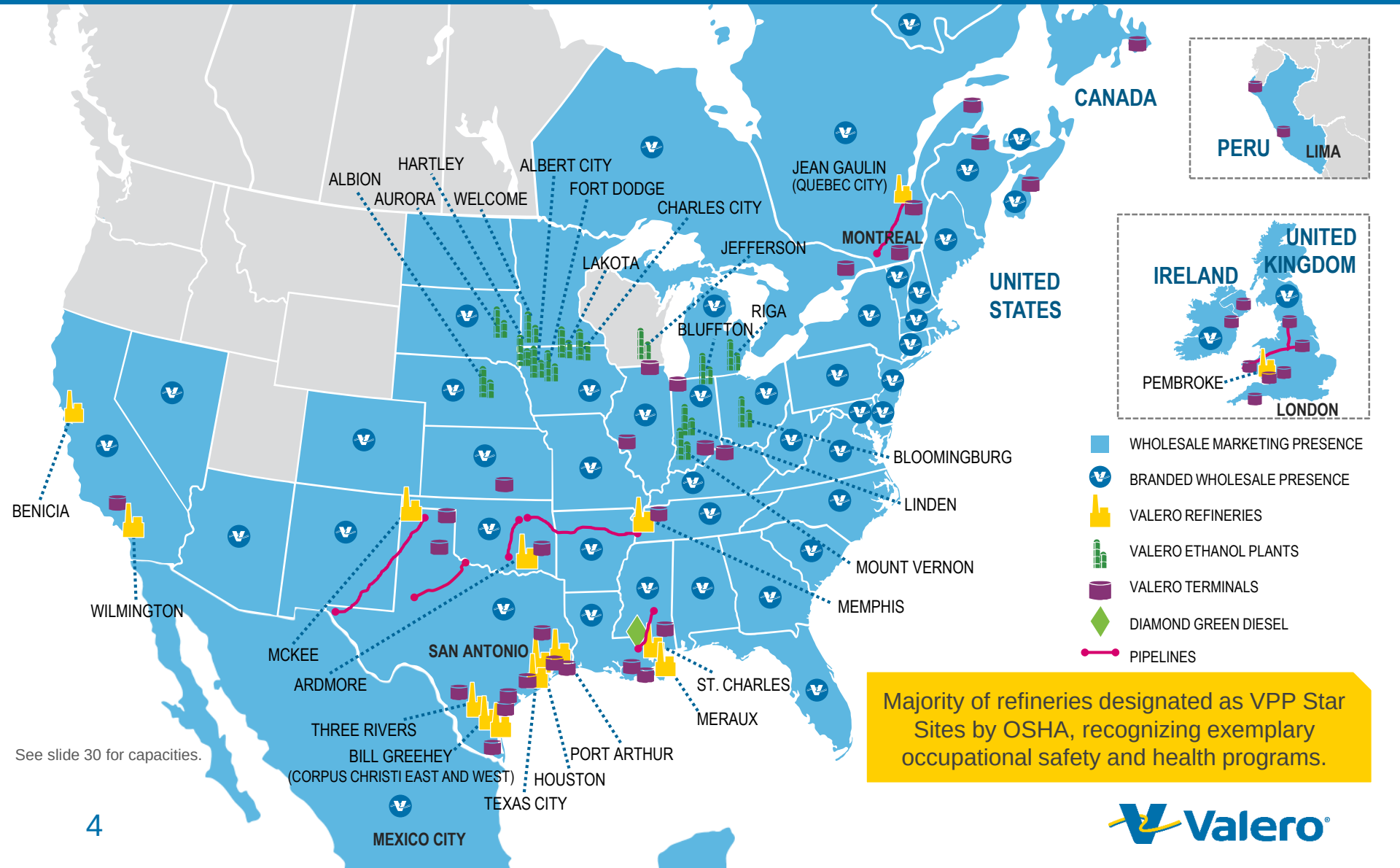
Ethanol

- Premier plants and low cost operations
- 14 plants with 1.73 billion gallons per year of ethanol production capacity
- Plants convert corn into ethanol and distillers grains
- Existing logistics assets well-positioned to support export growth

The largest global independent refiner and the largest renewable fuels producer in North America.

Valero

Strong Presence in Advantaged U.S. Gulf Coast and Mid-Continent



Majority of refineries designated as VPP Star Sites by OSHA, recognizing exemplary occupational safety and health programs.

See slide 30 for capacities.

Valero

Demonstrated Strategy for Value Creation



Demonstrated commitment to stockholders:

- Disciplined capital allocation with solid free cash flow and returns to stockholders
- Delivered on our target payout ratio of 40% to 50% every year under current management

Visibility to earnings growth:

- Steady pipeline of high return projects focused on operating cost control, market expansion and margin improvement
- 25% after-tax IRR hurdle rate for projects

Proven history of operations excellence:

- Safe, reliable, environmentally responsible operations have driven higher profitability and lower volatility through multiple commodity cycles
- The lowest cash operating costs among peer group

Texas City Refinery.

Valero

Disciplined Capital Management is a Constant in Our Strategy

1 Maintain Strong Balance Sheet

- Maintain investment grade credit rating
- Target 20% to 30% debt-to-cap ratio[1]

2 Non-Discretionary

Sustaining Capex

- Target approximately $1.5 billion annually
- Key to safe and reliable operations

Dividend

- Commitment to stockholders
- Targeting a sustainable and growing dividend, with a payout that is at the high end of our peer group[2]

3 Discretionary

Growth Capex

- 25% after-tax IRR hurdle rate for projects
- Focused on operating cost control, market expansion and margin improvement

Acquisitions

- Evaluate versus alternative uses of cash

Cash Returns

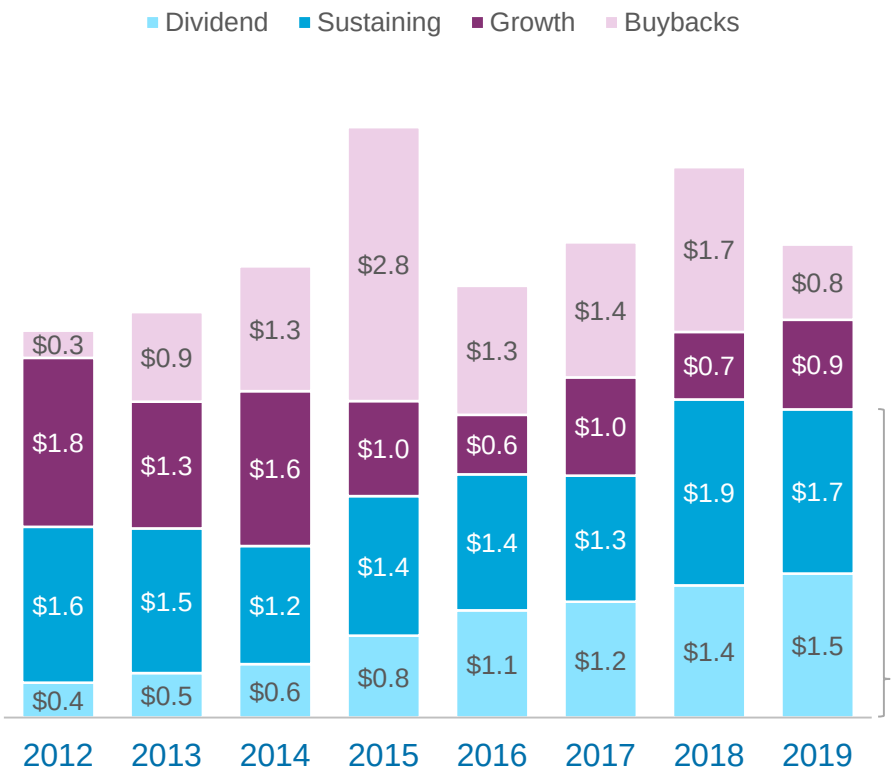
- Targeting an annual payout ratio[3] between 40% and 50% of adjusted net cash provided by operating activities
- Stock buyback program consists of ratable and opportunistic purchases

(1) Targeted debt-to-cap ratio based on total debt reduced by balance sheet cash.
(2) Peer group includes PSX, MPC, HFC, and PBF.
(3) Payout ratio is the sum of dividends and stock buybacks divided by adjusted net cash provided by operating activities. Adjusted net cash provided by operating activities excludes changes in working capital and 50% of DGD's operating cash flow (excluding the change in its working capital) attributable to our joint venture partner.

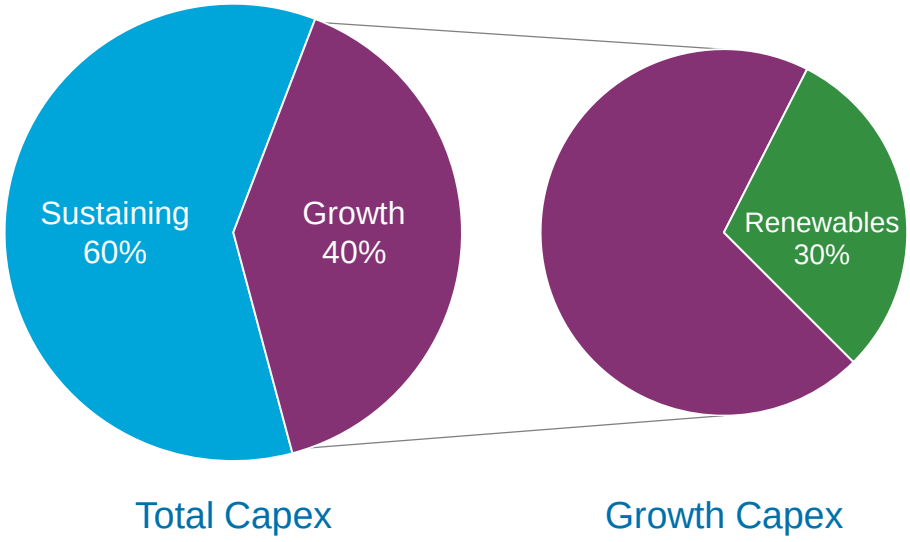
Valero

Demonstrated Discipline in Capital Allocation

Capital Allocation
($ billion)



Estimated Total Capex
$2.1 Billion for 2020



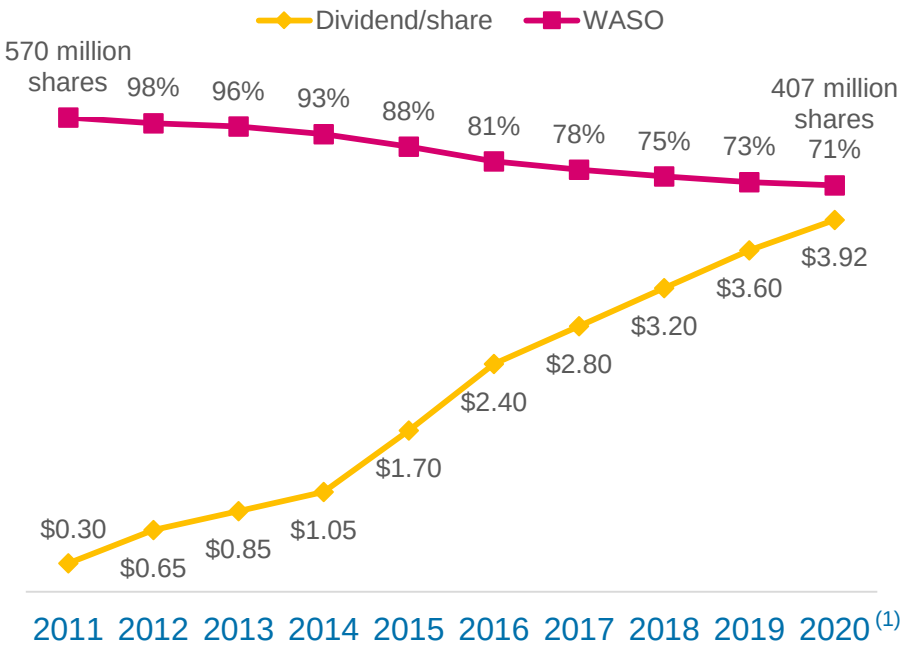
Steady investments to maintain asset base and enhance margin capability of portfolio.

Sustaining capex includes costs for turnarounds and catalysts and regulatory compliance. Growth capex includes joint-venture investments but excludes acquisitions. Sustaining and growth capex excludes 50% of DGD's sustaining and growth capex attributable to our joint venture partner.

Valero

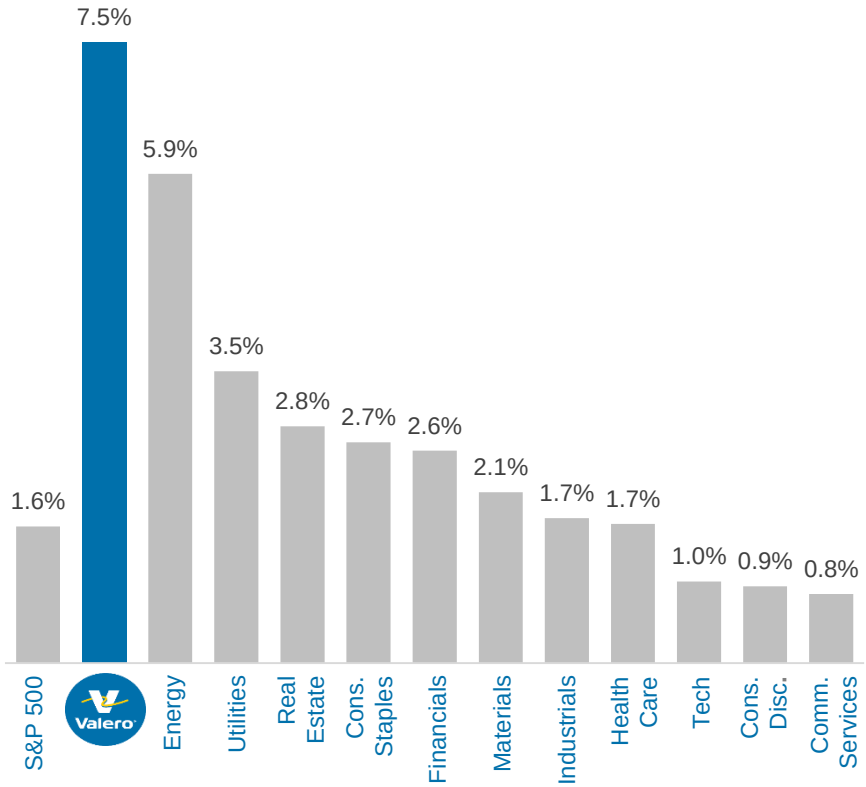
Delivering on our Commitment of Cash Returns to Stockholders

Annual Dividend Per Share and Weighted Average Shares Outstanding as a Percentage Relative to 2011



(1) 2020 weighted average shares outstanding through June 30, 2020. Dividend per share annualized based on most recent quarterly dividend.

Annual Dividend Yield(2)



Source: Bloomberg as of August 31, 2020.

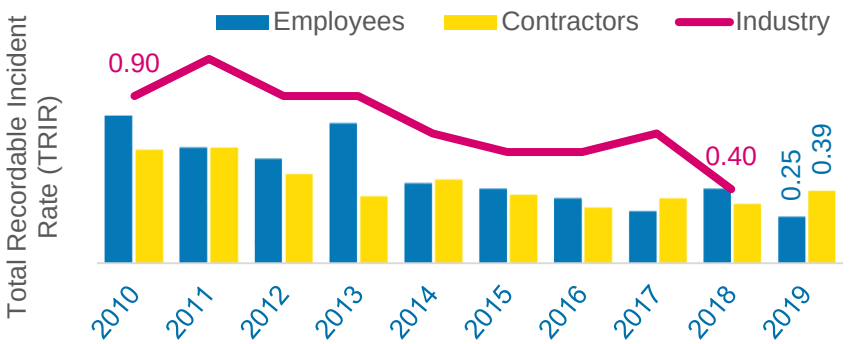
(2) Dividend yield for sectors reflects the Index Yield of the respective SPDR exchange-traded fund (ETF).

Delivering cash returns through sustainable annual dividend growth and discretionary buybacks.

Valero

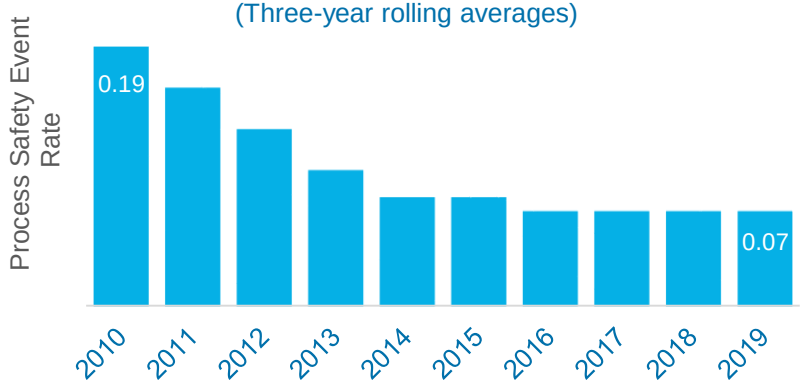
Safety and Reliability are Imperative for Profitability

Personnel Safety

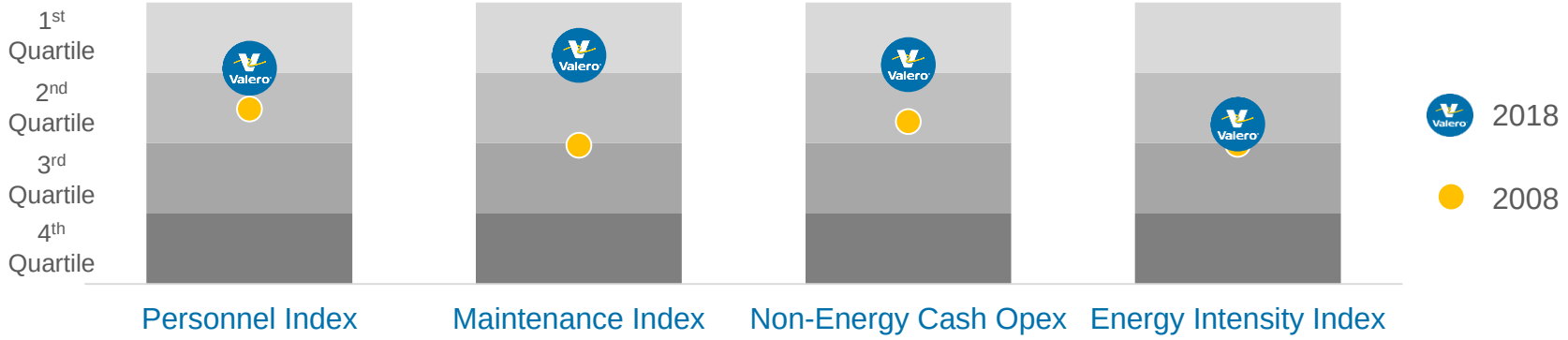


Tier 1 Process Safety

(Three-year rolling averages)



Improvement Versus Industry Benchmarks Leads to Greater Margin Capture, Lower Operating Expenses and Better Efficiency

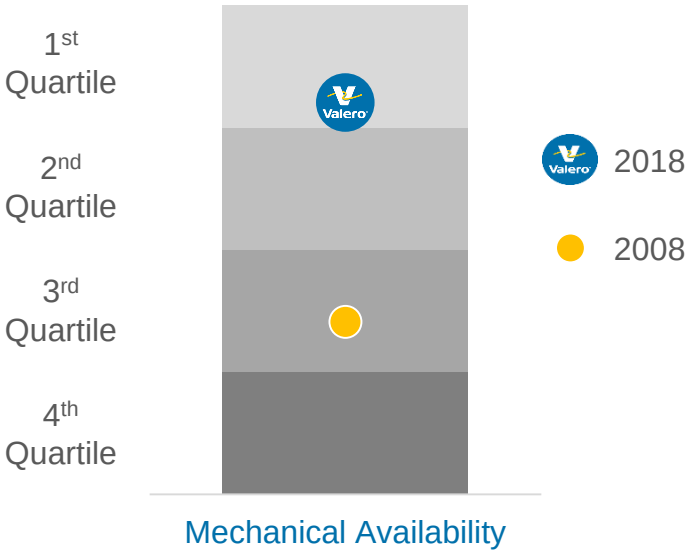


Investments in reliability have contributed to operations excellence. In 2019, we delivered our best year ever on employee safety performance and had the lowest number of environmental events in company history.

See slide 20 for notes regarding this slide.

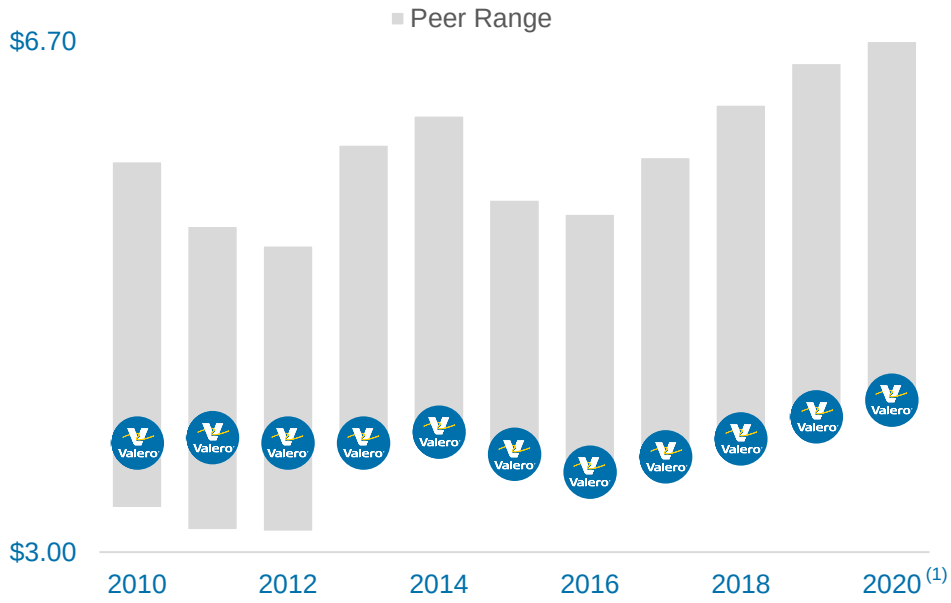
Increased Refinery Availability Has Driven Valero to be the Lowest Cost Producer

Improvement in Mechanical Availability Versus Industry Benchmarks



Refining Cash Operating Expenses per Barrel of Throughput

(Excludes Turnaround and D&A Expenses)



See slide 20 for notes regarding this slide.

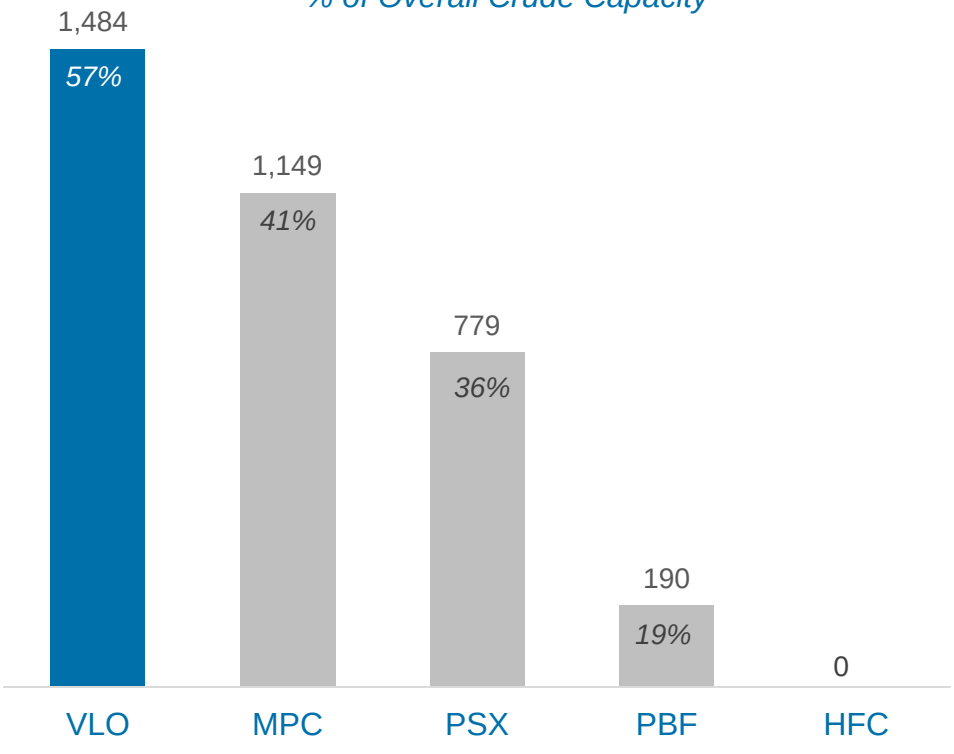
(1) 2020 refining cash operating expenses per barrel of throughput through June 30. Peer group includes PSX, MPC, HFC, and PBF.

Advantaged Crude Supply in the U.S. Gulf Coast

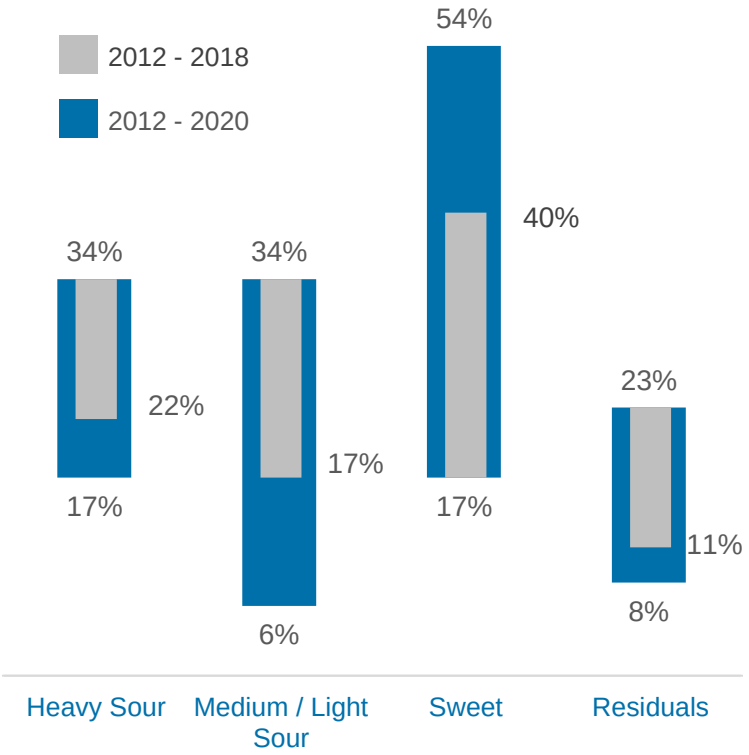
Gulf Coast Refining Capacity[1]

Thousand Barrels per Day (MBPD)

% of Overall Crude Capacity



Valero Gulf Coast Feedstock Ranges[2]



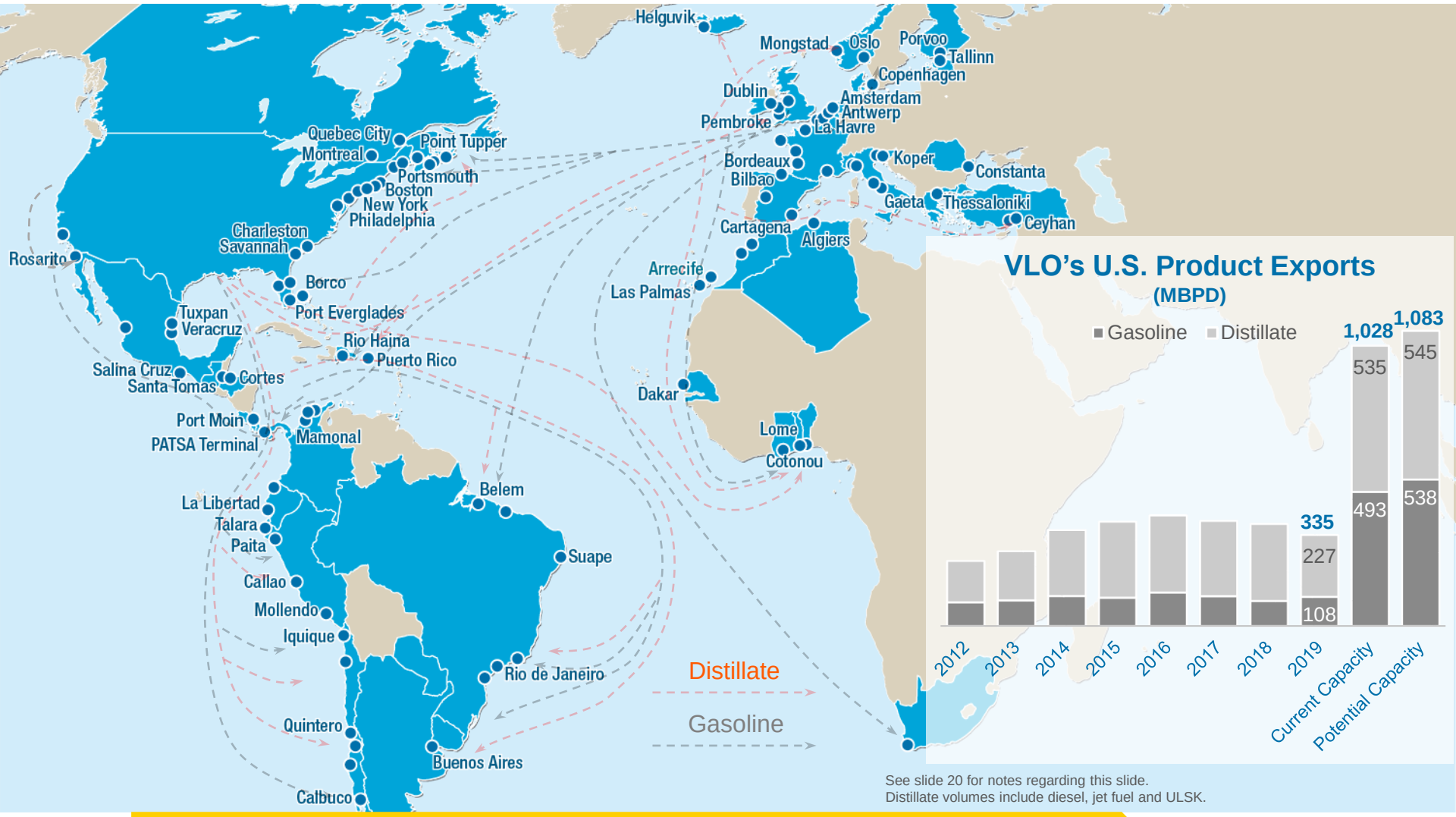
Valero's refineries have operational flexibility to process a wide range of feedstocks and access to a deep pool of skilled labor in the U.S. Gulf Coast.

[1] CDU capacity from EIA data and company presentations. See slide 30 for Valero's capacity and Nelson complexity by refinery.

[2] 2020 feedstock ranges through June 30. Ranges represent average quarterly minimums and maximums of each feedstock category as a % of total feedstock. Ranges for monthly averages are wider.

Valero

Our Portfolio Facilitates Global Optimization of Product Exports



See slide 20 for notes regarding this slide.
Distillate volumes include diesel, jet fuel and ULSK.

Product shortages in Latin America, Eastern Canada, Europe, and Africa expected to drive import demand growth.

Valero

Visibility to Growth with a Steady Pipeline of High Return Projects

- Target approximately $1 billion annually on growth investments
- Approximately $350 million of incremental EBITDA in 2019 from completed projects
  - Diamond Green Diesel expansion, Houston alkylation unit, Sunrise Pipeline and other optimization projects
- Pasadena terminal project completed in 1Q20, $410 MM cost(1)
- Projects in execution phase (by expected completion date)
  - St. Charles alkylation unit (4Q20), $400 MM cost
  - Pembroke cogeneration unit (2021), $170 MM cost
  - Diamond pipeline expansion (2021), $100 MM cost(1)
  - Diamond Green Diesel train II (2021), $550 MM cost(1)(2)
  - Port Arthur coker (2023), $975 MM cost
- Other projects in development phases
  - Renewable fuels business growth
  - Product supply chain expansion in Latin America
  - Product value upgrade and octane enhancement
  - Logistics for feedstock and product flexibility



(1) Represents Valero's share of total project cost.
(2) Timing of project subject to COVID-19 related delays.

See slide 20 for notes regarding this slide.
EBITDA estimates are illustrative. Excludes potential M&A.

Valero

Investing to Improve Margins and Light Product Yields


Port Arthur Delayed Coker Unit.

Port Arthur Coker

- $975 MM anticipated cost for 55 MBPD delayed coker and sulfur recovery unit, with expected startup in 2023
- Creates two independent CDU-VDU-coker trains, which should improve turnaround efficiency and reduce maintenance-related lost margin opportunity
- Design enables full utilization of existing CDU capacity, reduces VGO purchases, and increases heavy sour crude and resid processing capability and light products yield
- Estimated $420 MM annual EBITDA contribution at 2018 average prices ($325 MM at mid-cycle prices)

Incremental Volumes (MBPD)	
Feeds	
Crude	102
Resid	21
VGO	(47)
Products	
Naphtha	3
Gasoline	15
Diesel	43
LPG	4

Valero

Investing to Increase Premium Renewable Fuels Production

World's 2nd Largest Renewable Diesel Producer



Diamond Green Diesel Train 1.

Diamond Green Diesel Expansion

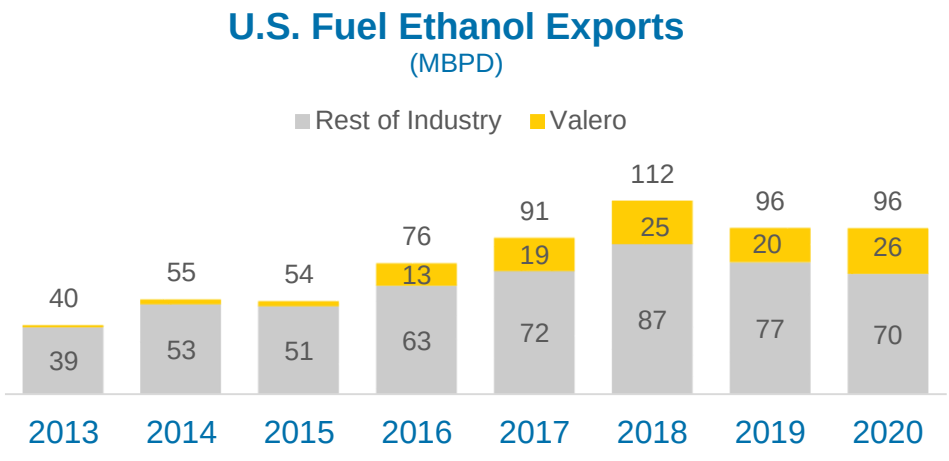
- Independent parallel renewable diesel plant and renewable naphtha finishing facility adjacent to existing St. Charles plant is expected to be completed in 2021
  - Expected to increase annual renewable diesel production capacity by 400 million gallons per year and enables recovery of renewable naphtha
  - Combined total production capacity is expected to be 675 million gallons per year after successful completion
- Valero's $550 million portion of the expansion is expected to be funded from cash generated by DGD's operations
- Valero's 50% share of estimated annual EBITDA contribution is approximately $250 MM at $1.26/gallon historical average EBITDA(1)
  - Margins expected to be supported by increasing renewable fuel mandates and carbon pricing
- DGD is in the process of an advanced engineering review for a potential new 400 million gallons per year renewable diesel plant in Port Arthur, Texas which, if approved, would be operational in 2024

(1) Historical average EBITDA includes the Blenders Tax Credit. Projected pro forma EBITDA estimate of $1.26/gallon excludes the Blenders Tax Credit.

Valero

Ethanol


Ethanol plant in Aurora, South Dakota.



Source: U.S. Energy Information Agency (EIA) through June 2020.

Operations

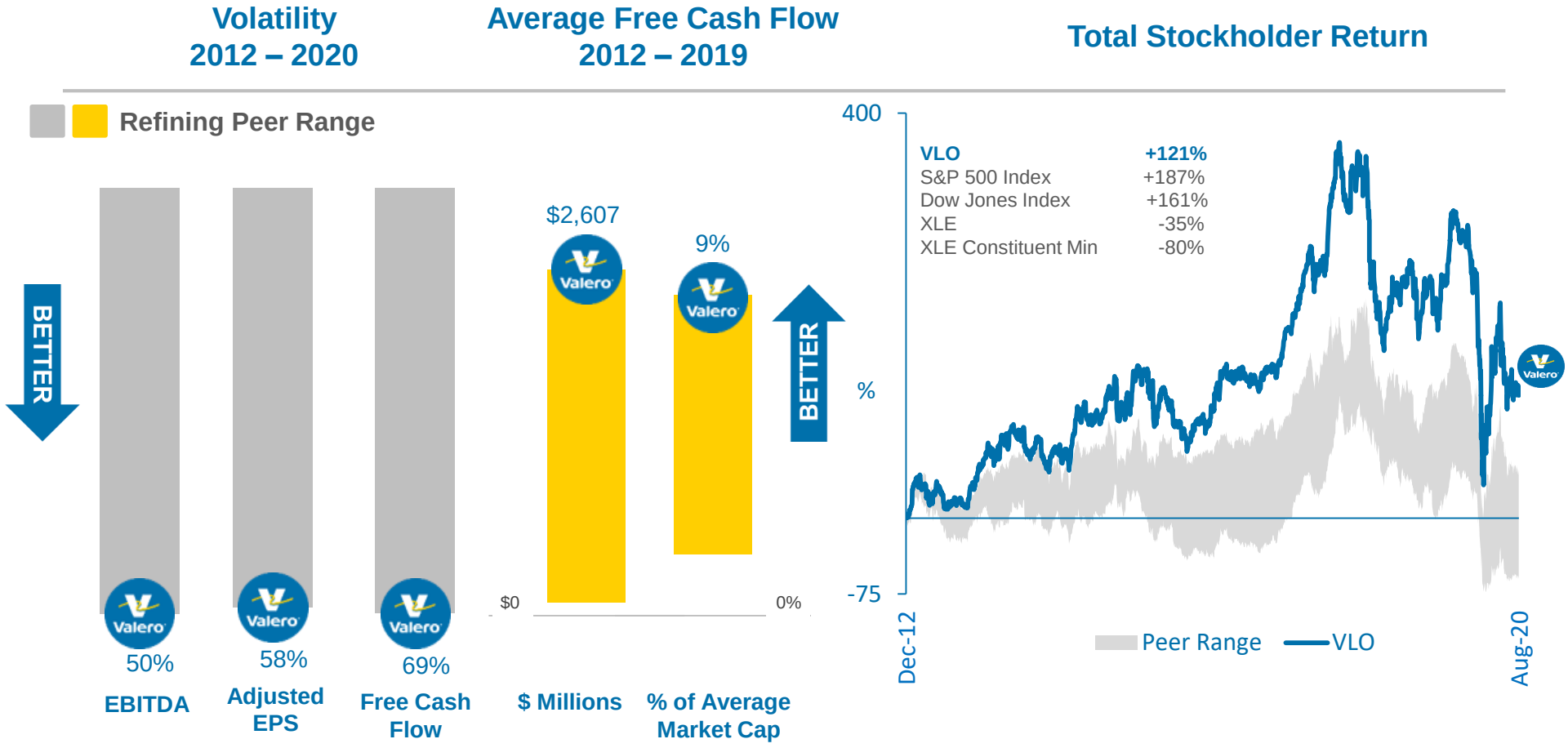
- 14 plants with 1.73 billion gallons annual production capacity
  - Dry mill production process, where corn is ground into flour and mixed with water before fermentation
  - Efficient plants with scale, located in corn belt
  - Operational best practices transferred from refining
- Cost advantaged versus the industry

Outlook

- Ethanol is expected to remain in the U.S. gasoline pool
  - Expect to see incremental demand as a result of fuel efficiency standards and year-round E-15 sales
- Ultimately, global renewable fuel mandates should drive export growth
  - U.S. corn-based ethanol is the most economic choice for export into global markets
  - Existing logistics assets well-positioned to support export growth

Valero

Demonstrated Lower Volatility in Earnings and Higher Free Cash Flow

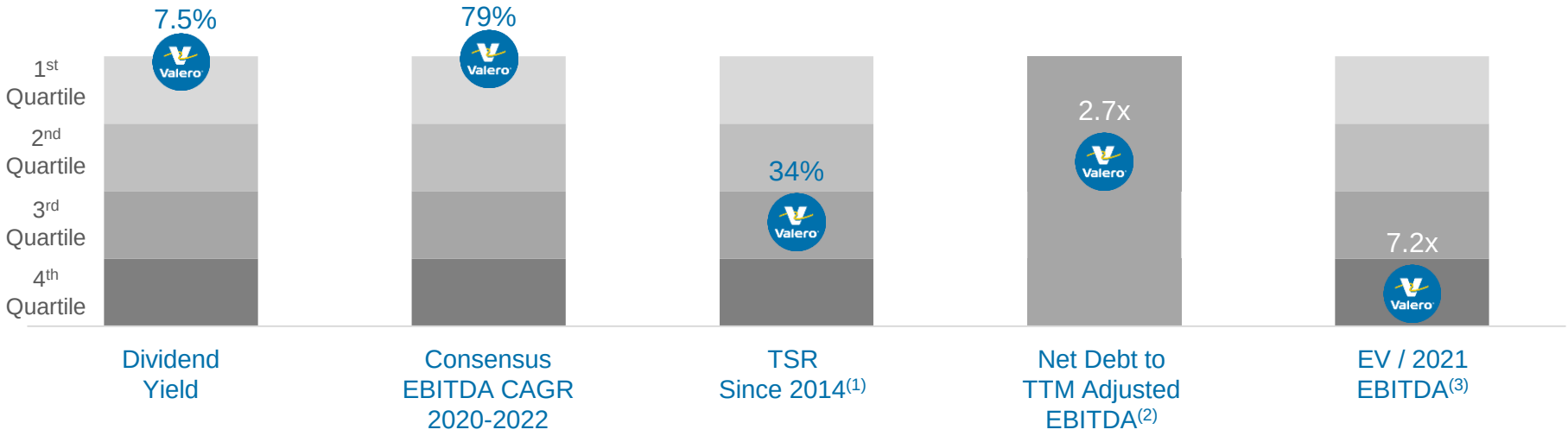


Valero has demonstrated lower volatility in earnings and free cash flow than refining and diversified peers, while delivering higher total stockholder return.

See slide 20 for notes regarding this slide. Refining peer group includes PSX, MPC, HFC, and PBF.
Source: Bloomberg and company reports.
See slides 33 – 35 for non-GAAP disclosures.

We Believe Valero is a Compelling Investment

VLO Versus S&P 500 Constituents



- **Premier asset portfolio and operations**
- **Managed risks**
  - Proven operations excellence with the lowest cash operating costs among peer group(4)
  - Strong financial position
  - Demonstrated lower volatility in earnings and free cash flow than refining and diversified peers, while delivering higher total stockholder return.
- **Disciplined growth strategy**
  - Invest in high return projects focused on operating cost control, market expansion and margin improvement
  - 25% after-tax IRR hurdle rate for projects
  - Generate solid cash flow across margin cycles
- **Delivered on our target payout ratio of 40% to 50% every year under current management**
  - Sustainable annual dividend growth
  - Discretionary buybacks

Source: Bloomberg as of August 31, 2020. (1) TSR from December 31, 2014 through August 31, 2020 includes stock price appreciation and dividends paid. (2) Net debt to adjusted EBITDA for 12 months ended June 30, 2020. (3) EV / EBITDA based on 2021 consensus estimates. See slides 33 – 35 for non-GAAP disclosures. (4) Peer group includes PSX, MPC, HFC, and PBF.

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Valero

Notes

Slide 9

Contractor Total Recordable Incident Rate from U.S. Bureau of Labor Statistics. Tier 1 three-year rolling averages of process safety events per 200,000 work hours. Tier 1 defined within API Recommended Practice 754. Industry benchmarking and Valero's performance statistics from Solomon Associates and Valero.

Slide 10

Industry benchmarking and Valero's performance statistics from Solomon Associates and Valero. Valero's refining operations typically consume approximately 920,000 MMBtu/day of natural gas, of which 63% is operating expense and the balance is cost of goods sold.

Slide 12

Valero's actual U.S. gasoline and distillate export volumes and current and potential future gasoline and distillate export capacities are shown in the chart. Current capacity includes the recently completed Pasadena terminal. Potential future gasoline and distillate export capacities are based upon expansion opportunities identified at the St. Charles (gasoline and distillate) refinery. Map shows destinations for products exported from Valero's refineries in the U.S., Canada and the U.K.

Slide 13

Amounts shown represent targeted EBITDA growth. We are unable to provide a reconciliation of such forward-looking targets because certain information needed to make a reasonable forward-looking estimate is difficult to estimate and dependent on future events, which are uncertain or outside of our control, including with respect to unknown financing terms, project timing and costs, and other potential variables. Accordingly, a reconciliation is not available without unreasonable effort.

Slide 17

Volatility expressed as coefficient of variance, or the standard deviation divided by the mean, of the respective metric on a quarterly basis from the first quarter of 2012 through the most recent filing. EBITDA is defined as net income plus income tax, net interest and depreciation and amortization. Free cash flow is defined as net cash provided by operating activities less capital expenditures, deferred turnaround and catalyst cost expenditures, investments in joint ventures, and changes in current assets and liabilities. Average free cash flow reflects 2012 through the most recent annual filing. Average free cash flow for PBF reflects years 2013 to 2019 due to its December 2012 IPO. Total Stockholder Return (TSR) from December 31, 2012 through August 31, 2020. TSR includes stock price appreciation and dividends paid.

Valero

VLO Guidance

3Q20[1]

- Throughput (MBPD)
  - U.S. Gulf Coast 1,400 to 1,450
  - U.S. Mid-Continent 380 to 400
  - North Atlantic 375 to 395
  - U.S. West Coast 215 to 235
- Refining cash operating expense per barrel of throughput $4.40
- Ethanol
  - Production (millions of gallons per day) 3.8
  - Operating expense per gallon of production $0.38
    - Cash opex $0.32
    - Non-cash opex $0.06
- Depreciation and amortization expense ($MM) $580
- Net interest expense ($MM) $145

2020[1]

- Renewable Diesel
  - Sales volume (thousands of gallons per day) 750
  - Operating expense per gallon of production $0.50
    - Cash opex $0.30
    - Non-cash opex $0.20
- Payout ratio[2] of adjusted net cash provided by operating activities 40 to 50%
- General and administrative expense ($MM) $825
- RINs expense ($MM) $400 to $500
- Capital expenditures ($MM) $2,100
  - Sustaining 60%
  - Growth 40%



Port Arthur Refinery

(1) Unless otherwise stated, guidance as provided on the 2Q20 earnings call and is included here for informational purposes only.

(2) Payout ratio is the sum of dividends and stock buybacks divided by adjusted net cash provided by operating activities. Adjusted net cash provided by operating activities excludes changes in working capital and 50% of DGD's operating cash flow (excluding the change in its working capital) attributable to our joint venture partner.

Valero

Environmental, Social and Governance (ESG)



Environmental

- Largest renewable fuels producer in North America
- Significant investment in renewable fuels of $2.7 billion[(1)]
- 2019 was Valero's best year ever for:
  - Refinery employee safety
  - Lowest environmental events
  - Lowest energy consumption
  - Lowest greenhouse gas emissions per barrel of throughput
  - Lowest air emissions intensity
- Robust environmental management systems



Social

- Safe, healthy and rewarding work environment
  - As part of COVID-19 response, expanded family leave and health benefits
- Focus on diversity, inclusion and professional development
- Recognized as one of World's Best Employers, America's Best Large Employers and Best Employers for Women by Forbes magazine
- Record charitable donations in 2019 surpassed $64 million
- Employees serve on over 450 nonprofit and civic boards and volunteered 150,000 hours in 2019



Governance

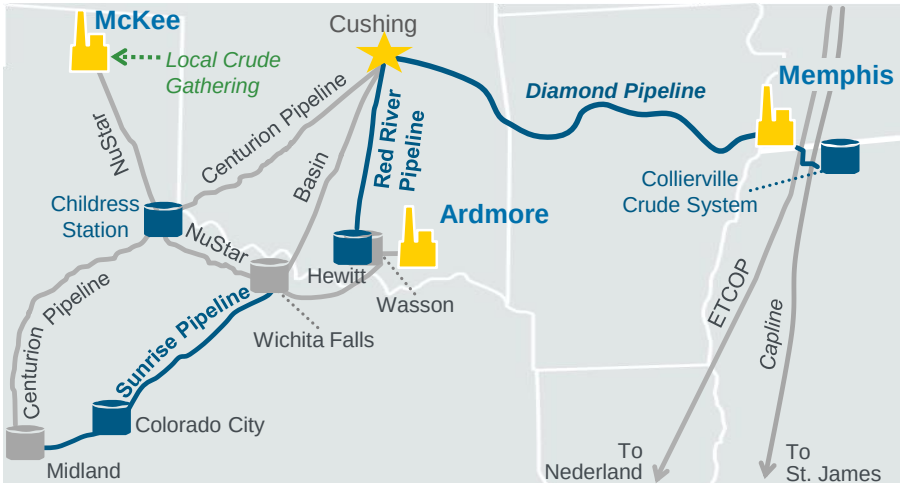
- Independent and diverse Board of Directors
  - 5 of 11 members represent diversity of race or gender
- Robust governance, regulatory compliance and high ethical standards
- Alignment of executive pay to company performance
- Board Committee provides oversight of climate-related risks
- Committed to ESG engagement
- All-employee bonus program includes a strategic component using operational, financial and ESG initiatives

(1) Total investment includes $1.7 billion in ethanol since 2009 and Valero's renewable diesel investment estimated at $1 billion.

Valero

Logistics Investments to Improve Feedstock Flexibility, Cost and Crude Quality

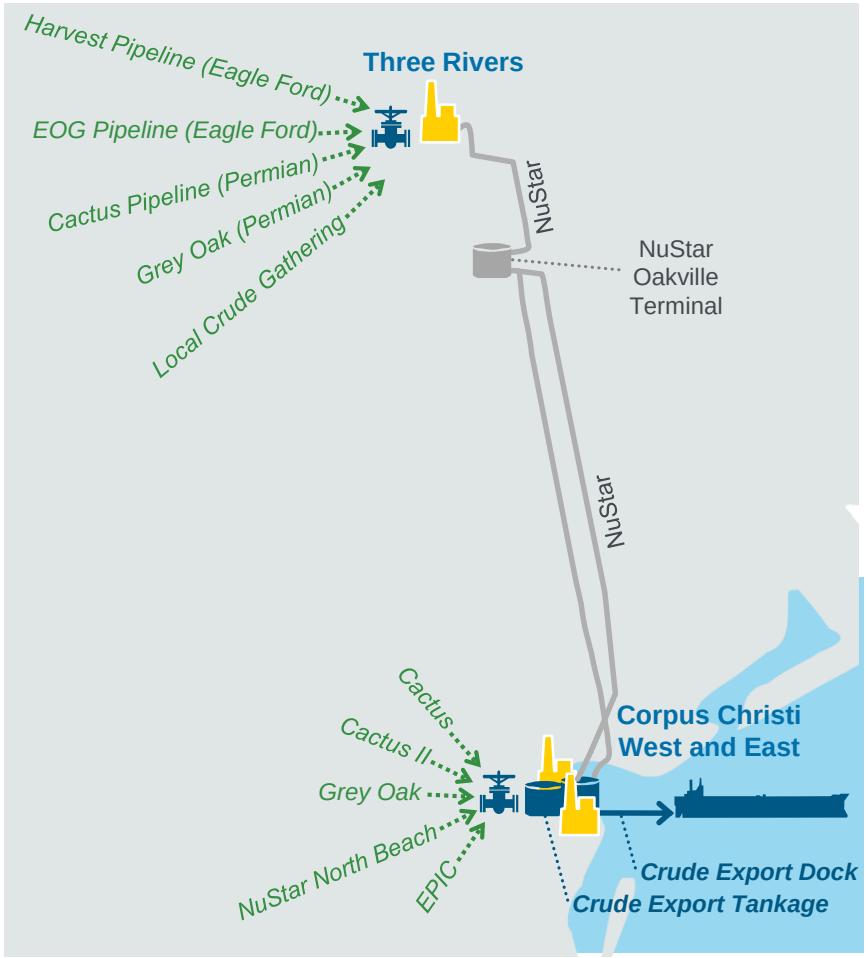
Competitive Supply in the Mid-Continent



Crude Supply Flexibility for Quebec



Taking Advantage of Permian Production with Investments in Corpus Christi



Blue lines and terminals represent Valero ownership interest.

Valero

Valero Logistics Assets



Pipelines[1]

- Approximately 3,100 miles of active pipelines
- Central Texas Pipeline started up in September 2019
- Sunrise Pipeline expansion in Permian started up in November 2018



Racks, Terminals and Storage[1]

- Approximately 130 million barrels of active shell capacity for crude oil and products
- Over 200 truck rack bays
- Pasadena terminal completed in the first quarter of 2020



Rail

- Approximately 5,200 railcars
- Expected to serve long-term needs of ethanol, asphalt, aromatics, and other products



Marine[1]

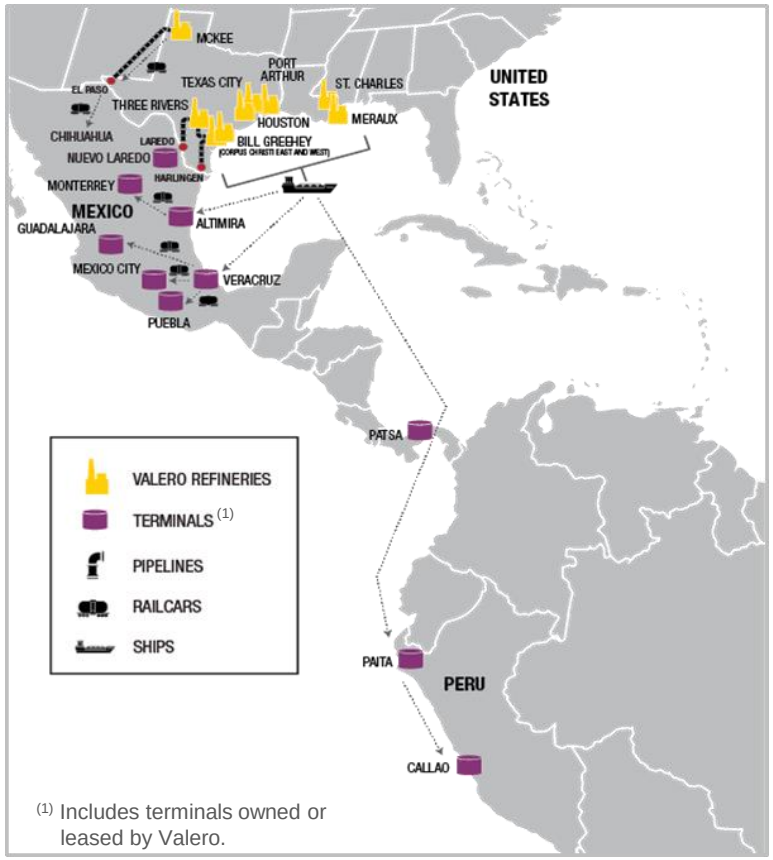
- Over 50 docks
- Two Panamax class vessels (joint venture)

[1] Includes assets that have other joint venture or minority interests. Does not include ethanol assets.

Valero

Investing to Grow Product Placement into Higher Netback Markets

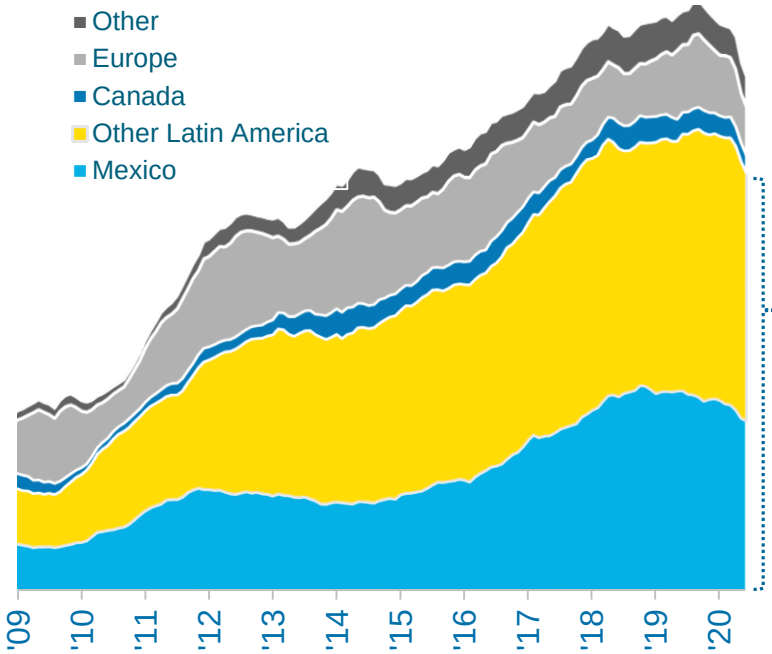
Advantaged Refineries and Logistics



(1) Includes terminals owned or leased by Valero.

U.S. Product Exports

12 Month Moving Average (MBPD)



Exports to Latin America make up **75%** of total U.S. Product Exports

Total Gasoline(2) & Diesel

Source: DOE Petroleum Supply Monthly data through June 2020.

(2) Gasoline represents all finished gasoline plus all blendstocks (including ethanol, MTBE and other oxygenates).

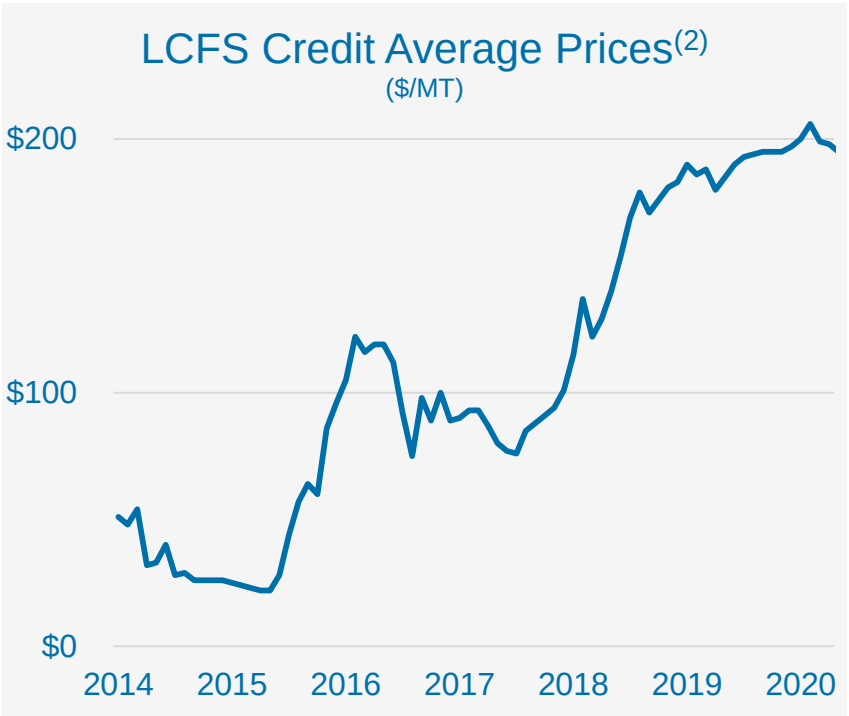
Expansion of supply chain to high demand growth markets provides a ratable product outlet and improves margin capture.

Valero

Project Price Set Assumptions

Port Arthur Coker Project	
Driver ($/bbl)	2018 Average[(1)]
ICE Brent	71.56
ICE Brent – WCS Houston	9.41
HSVGO – ICE Brent	6.03
3.5%S Fuel Oil – ICE Brent	(10.39)
USGC CBOB – ICE Brent	4.85
USGC ULSD – ICE Brent	14.05
Naphtha – ICE Brent	(1.38)
LPG – ICE Brent	(34.77)

Diamond Green Diesel Project



At $200 per ton carbon price, the carbon value of a 25 CI renewable diesel fuel in California is $1.76 per gallon.

(1) Source: 2018 average prices from ICE, Argus, Platts, and OPIS.

(2) Source: Monthly average prices from California Air Resources Board as of July 2020.

Valero

Investing to Improve Margins

Houston and St. Charles Alkylation Units

- Octane demand expected to grow due to Tier 3 sulfur regulations and CAFE standards
- Abundant, low cost North American NGL supply provides advantage for Gulf Coast capacity additions
- Both units upgrade low value isobutane and amylenes into high value alkylate
  - High octane, low vapor pressure component enables the blending of incremental butane and low octane naphtha
- 13 MBPD capacity at Houston refinery ($300 MM cost) started up in June 2019
- 17 MBPD capacity at St. Charles refinery ($400 MM cost) expected to start up in 4Q20



Houston alkylation unit.

Valero

Investing to Improve Access to North American Crude and Refinery Operating Cost Structure


Diamond Pipeline.

Diamond and Sunrise Pipelines

- Diamond 200 MBPD capacity connecting Memphis to Cushing ($460 MM cost[(1)]), and Sunrise 100 MBPD undivided interest connecting Midland to Wichita Falls ($135 MM cost[(1)])
- 200 MBPD expansion and extension of Diamond ($100 MM cost[(1)]) expected to be completed in 2021
- Provides additional Mid-Continent crude access to our McKee, Ardmore and Memphis refineries
- Improves crude oil supply flexibility, efficiency and blend quality


Wilmington cogeneration plant.

Cogeneration Plants

- Wilmington facility ($110 MM cost) started up in November 2017
- Pembroke plant (£130 MM or $170 MM cost) scheduled to be completed in 2021
- Expect to reduce costs and improve supply reliability for power and steam

(1) Project cost for Valero's 50% share of Diamond and 20% undivided interest in Sunrise.

Valero

Investing to Improve Margins, Product Export Capability and Biofuels Blending




Pasadena terminal.

Extending Product Supply Chain in Central Texas and the U.S. Gulf Coast

- Central Texas pipelines and terminals to supply high-growth refined products market
  - Started up in September 2019
  - Approximately 205 miles of pipe[(1)], 960 thousand barrels of total storage capacity, and a truck rack
- Pasadena refined products terminal joint venture with Magellan Midstream Partners, L.P.
  - Completed in the first quarter of 2020 at a cost of approximately $410 MM
  - 5 MM barrels of storage capacity with butane blending, two ship docks and a three-bay truck rack
- Projects expected to improve product margins, reduce secondary costs, provide opportunity for third-party revenues, and increase capability for biofuels blending

(1) Valero owns ~70 mile pipeline from Hearne to Williamson County and 40% undivided interest in 135 mile pipeline from Houston to Hearne.

Valero

Our Refining Capacity and Nelson Complexity

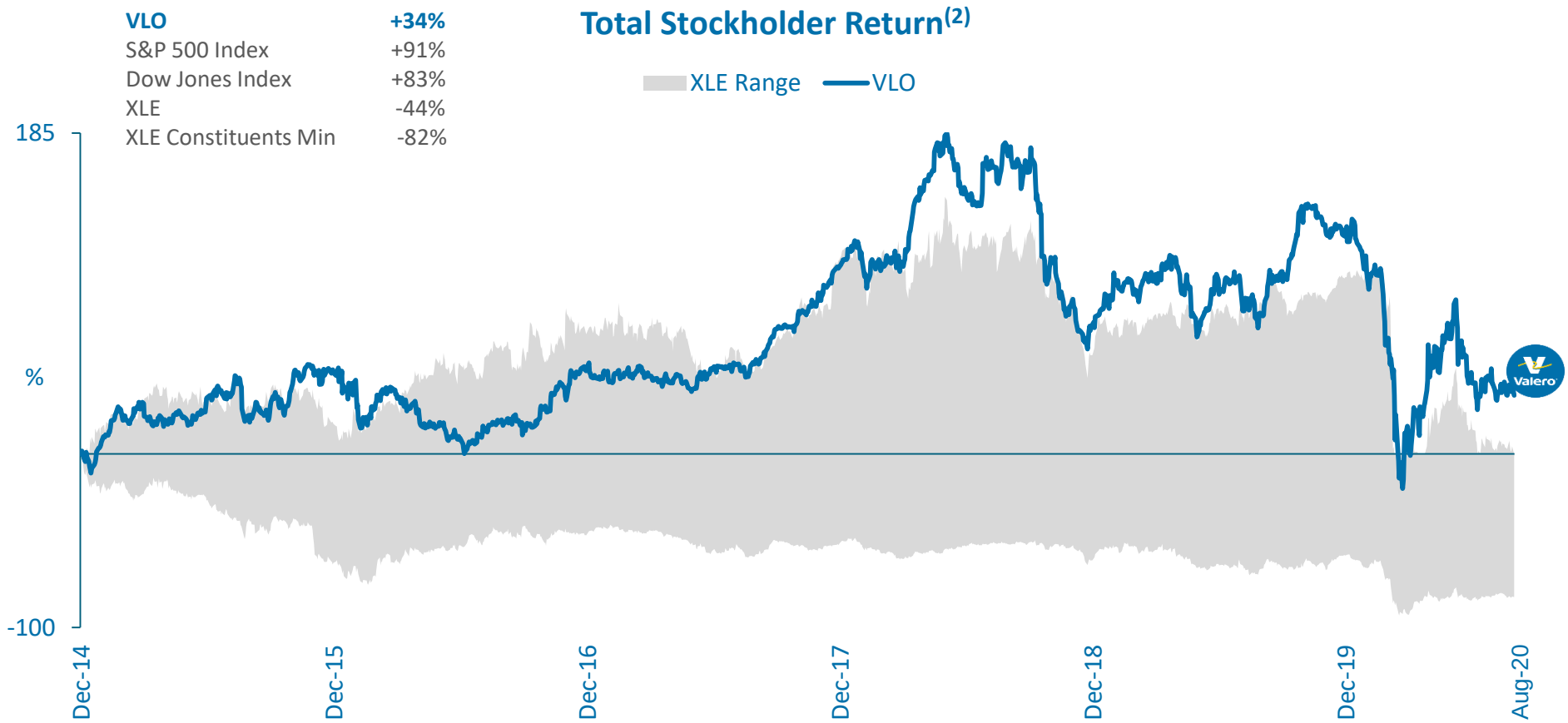
Refinery	Capacities (MBPD)[1]		Nelson Complexity Index
	Throughput	Crude	
Corpus Christi[2]	370	290	14.4
Houston	255	205	8.0
Meraux	135	125	9.7
Port Arthur	395	335	12.7
St. Charles	340	215	16.1
Texas City	260	225	11.1
Three Rivers	100	89	13.2
U.S. Gulf Coast	**1,855**	**1,484**	**12.4[3]**
Ardmore	90	86	12.1
McKee	200	195	8.3
Memphis	195	180	7.9
U.S. Mid-Continent	**485**	**461**	**8.9[3]**
Pembroke	270	210	10.1
Quebec City	235	230	7.7
North Atlantic	**505**	**440**	**8.8[3]**
Benicia	170	145	16.1
Wilmington	135	85	15.8
U.S. West Coast	**305**	**230**	**16.0[3]**
Total	**3,150**	**2,615**	**11.5[3]**

(1) Capacities and Nelson complexity indices as of December 31, 2019.
(2) Represents the combined capacities of two refineries—Corpus Christi East and Corpus Christi West.
(3) Weighted average.

Valero

Outperformed all Companies in the XLE Index[1] on TSR Since 2014

VLO	**+34%**
S&P 500 Index	+91%
Dow Jones Index	+83%
XLE	-44%
XLE Constituents Min	-82%



History of energy sector and broader market outperformance under current leadership team.

(1) XLE includes refining peers PSX, MPC, HFC, and 23 other energy companies such as XOM, CVX, SLB, COP, EOG, OXY, and KMI.
(2) TSR from December 31, 2014 through August 31, 2020. TSR includes stock price appreciation and dividends paid.

Valero

Now vs. Then – A Shift In Refining Valuation

In the Past

INDUSTRY/MACRO

- Majority of the U.S. refining capacity operated by large integrated oil companies
- Range bound industry wide EV/EBITDA multiple +/- 4.5x
- Peer group fragmented with smaller scale, less efficient refiners
- U.S. importing crude and products to meet domestic shortage
- Stock prices driven by seasonal refining trading cycles
- Higher interest rates (10-yr Treasury ~5%)

VALERO

- Marginal operations
  - Third quartile operating performance impacted by M&A integration
  - Disadvantaged East Coast and Caribbean operations
- Less disciplined M&A and capital project execution
  - Frequent acquisitions
  - Focused on volume growth
  - Approximately $3.5 billion annual capex
- Volatile cash flow profile and lower stockholder returns
  - 1% to 2% dividend yield ($0.32/share annually)
  - Approximately $5 billion of liquidity
  - >570 million shares outstanding
- Volatile stock price

New Paradigm

INDUSTRY/MACRO

- Majority of the U.S. refining capacity operated by independent refiners
- EV/EBITDA multiple expansion and dispersion by company
- Peer group of larger scale, efficient and complex refiners
- Abundant supply of domestic crude oil and natural gas providing feedstock advantage
- U.S. exporting products to higher growth markets
- Lower interest rates (10-yr Treasury <1%)

VALERO

- Premier operations
  - First quartile operating performance amid stable, upgraded portfolio with the lowest cash operating expense
  - Advantaged operations and scale
- Disciplined capital investment and growth strategy
  - Rigorous M&A targeting and screening process
  - 25% after-tax IRR hurdle rate for projects focused on market expansion, margin enhancement and operating cost reduction
  - Approximately $2.5 billion annual capex
- Distinctive free cash flow and higher stockholder returns
  - Annualized dividend of $3.92/share
  - Over $8 billion of liquidity as of June 30, 2020. In addition, Valero raised $2.5 billion with a notes offering in September
  - Approximately 408 million shares outstanding as of July 2020
- Higher lows and less volatility in stock price with support from dividend and long-only investors

Valero

Non-GAAP Disclosures

Adjusted EBITDA and Net Debt-to-Adjusted EBITDA

VLO defines EBITDA as net income before income tax expense, interest and debt expense, net of capitalized interest, and depreciation and amortization expense. VLO defines net debt-to-adjusted EBITDA as the ratio of total debt, net of cash, divided by adjusted EBITDA, which is defined as EBITDA further adjusted for deferred turnaround and catalyst cost expenditures, blender's tax credit and loss on early redemption of debt. VLO believes that the presentation of adjusted EBITDA provides useful information to investors to assess our ongoing financial performance because, when reconciled to net income, it provides improved comparability between periods through the exclusion of certain items that VLO believes are not indicative of our core operating performance and that may obscure our underlying business results and trends. VLO believes that the presentation of net debt-to-adjusted EBITDA provides useful information to investors to assess VLO's ability to incur and service debt. The GAAP measures most directly comparable to adjusted EBITDA are net income and net cash provided by operating activities. Adjusted EBITDA should not be considered an alternative to net income or net cash provided by operating activities presented in accordance with GAAP. Adjusted EBITDA has important limitations as an analytical tool because it excludes some, but not all, items that affect net income or net cash provided by operating activities. Adjusted EBITDA should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because adjusted EBITDA may be defined differently by other companies in our industry, VLO's definition of adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Free Cash Flow

VLO defines free cash flow as net cash provided by operating activities less capital expenditures, deferred turnaround and catalyst cost expenditures, investments in joint ventures, and changes in current assets and liabilities. VLO believes that the presentation of free cash flow provides useful information to investors in assessing our ability to cover ongoing costs and our ability to generate cash returns to stockholders. The GAAP measures most directly comparable to free cash flow are net cash provided by operating activities and net cash used in investing activities. Free cash flow should not be considered an alternative to net cash provided by operating activities or net cash used in investing activities presented in accordance with GAAP. Free cash flow has important limitations as an analytical tool because it excludes some, but not all, items that affect net cash provided by operating activities or net cash used in investing activities. Free cash flow should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because free cash flow may be defined differently by other companies in our industry, VLO's definition of free cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Non-GAAP Disclosures:
Adjusted EBITDA and Net Debt-to-Adjusted EBITDA

RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA AND NET DEBT-TO-ADJUSTED EBITDA (Unaudited, in Millions, Except Ratio Amount)	Six Months Ended June 30, 2019	Year Ended December 31, 2019	Six Months Ended June 30, 2020
Net income (loss)	$ 815	$ 2,784	$ (419)
Less: Deferred turnaround and catalyst cost expenditures	471	780	447
Less: Blender's tax credit	(149)	158	–
Plus: LCM inventory adjustment	–	–	294
Plus: Loss on early redemption of debt	22	22	–
Plus: Depreciation and amortization expense	1,117	2,255	1,160
Plus: Interest and debt expense, net of capitalized interest	224	454	267
Plus: Income tax expense (benefit)	211	702	(277)
Adjusted EBITDA	$ 2,067	$ 5,279	$ 578

TTM adjusted EBITDA = $5,279 + $578 - $2,067	$ 3,790

	June 30, 2020
Debt and finance lease obligations, less current portion	$ 12,090
Current portion of debt and finance lease obligations	587
Cash and cash equivalents	(2,319)
Total debt net of cash	$ 10,358

Net Debt-to-Adjusted EBITDA = $10,358 / $3,790:	2.7x

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Non-GAAP Disclosures:
Adjusted Earnings Per Share and Free Cash Flow

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES UNDER GAAP TO FREE CASH FLOW
(Unaudited, in Millions)

	Year Ended December 31,							
	2012	2013	2014	2015	2016	2017	2018	2019
Net cash provided by operating activities	$ 5,270	$ 5,564	$ 4,241	$ 5,611	$ 4,820	$ 5,482	$ 4,371	$ 5,531
Less: Capital expenditures	2,931	2,121	2,153	1,618	1,278	1,353	1,628	1,769
Less: Deferred turnaround and catalyst cost expenditures	479	634	649	673	718	523	915	780
Less: Investments in joint ventures	57	76	14	141	4	406	181	164
Less: Changes in current assets and current liabilities	(302)	922	(1,810)	(1,306)	976	1,289	(1,297)	294
Free cash flow	$ 2,105	$ 1,811	$ 3,235	$ 4,485	$ 1,844	$ 1,911	$ 2,944	$ 2,524

Total free cash flow, 2012 – 2019	$20,859
Number of years	8
Average free cash flow, 2012 – 2019	$2,607

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