



TESORO

Bruce Smith

Chairman, President and CEO

Lehman CEO Energy/Power Conference

September 2, 2008

Forward Looking Statements

This Presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to, among other things, projections of refining margins, debt reduction, cash flows and capital expenditures. We have used the words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "should", "will" and similar terms and phrases to identify forward-looking statements in this Presentation.

Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect our results of operations and whether the forward-looking statements ultimately prove to be correct.

Actual results and trends in the future may differ materially from those suggested or implied by the forward-looking statements depending on a variety of factors which are described in greater detail in our filings with the SEC. All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the previous statements. We undertake no obligation to update any information contained herein or to publicly release the results of any revisions to any forward-looking statements that may be made to reflect events or circumstances that occur, or that we become aware of, after the date of this Presentation.



The last twelve months have been interesting...

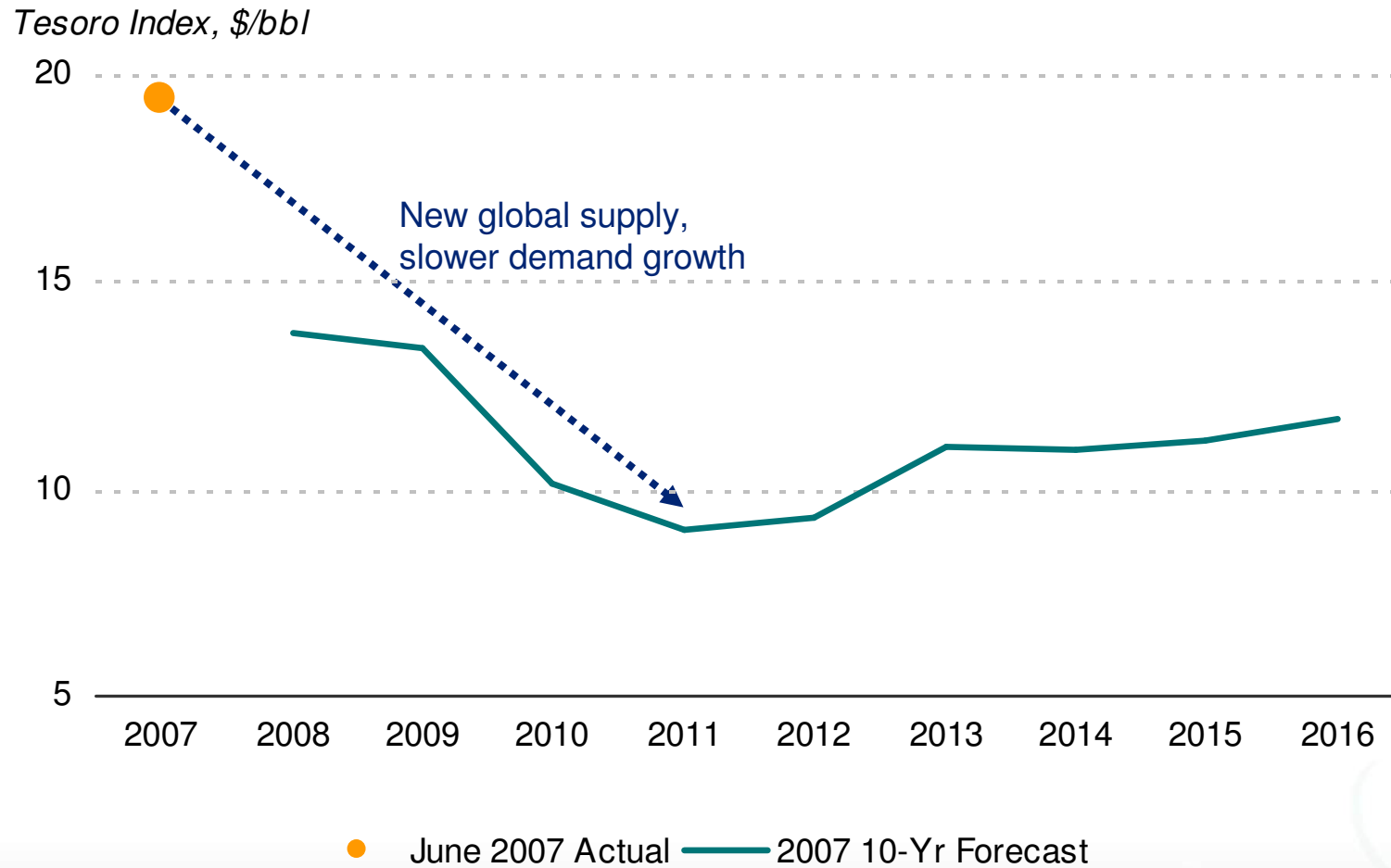
Major Points Of The 2007 Lehman Energy Conference

- LA refinery acquisition completed our West Coast system strategy
 - Another example of a refinery that had internal investment opportunities that had not been pursued by the previous owner
- Our value creation strategy was changing from external growth through acquisitions to reaping the benefits of an internal growth plan
 - Developed a five year capital plan to improve the yield and cost efficiencies of our refineries to ensure free cash flow in a low margin environment
 - Energy Costs
 - Maintenance Costs
 - Cost of Goods Sold (crude flexibility projects)
- Ultimate goal was to fully fund the capital program with internally generated cash flow but we recognized that other options existed

What Was The Outlook In September 2007?

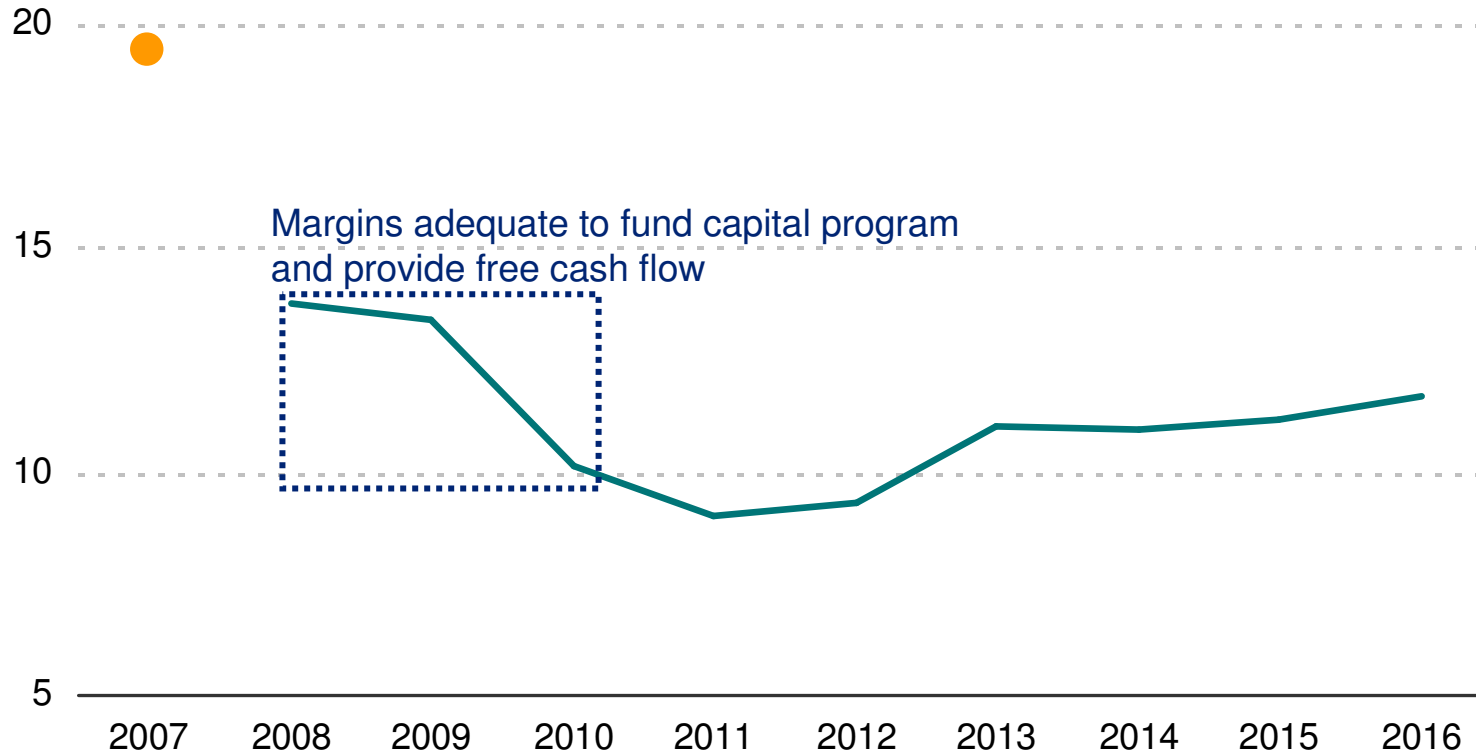
- Margins/Crude
 - Margins were generally expected to soften due to new supply
 - Crude was expected to be in the \$60 – \$65 range

Tesoro Anticipated Lower Margins



Tesoro Anticipated Lower Margins

Tesoro Index, \$/bbl

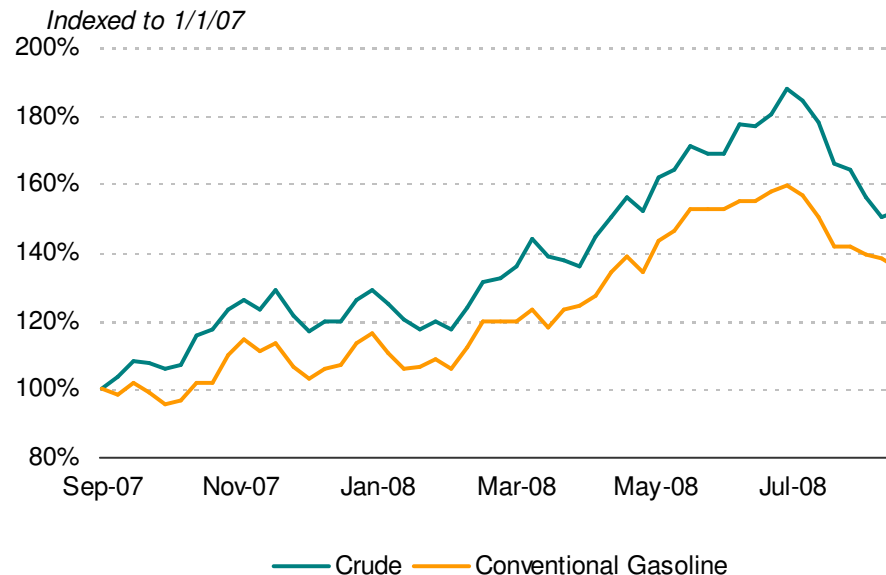


● June 2007 Actual — 2007 10-Yr Forecast



It Was A Good Plan, What Happened?

- Greater financial uncertainty, capital market tightness and economic decline
- Product prices fail to reflect the value of higher crude costs

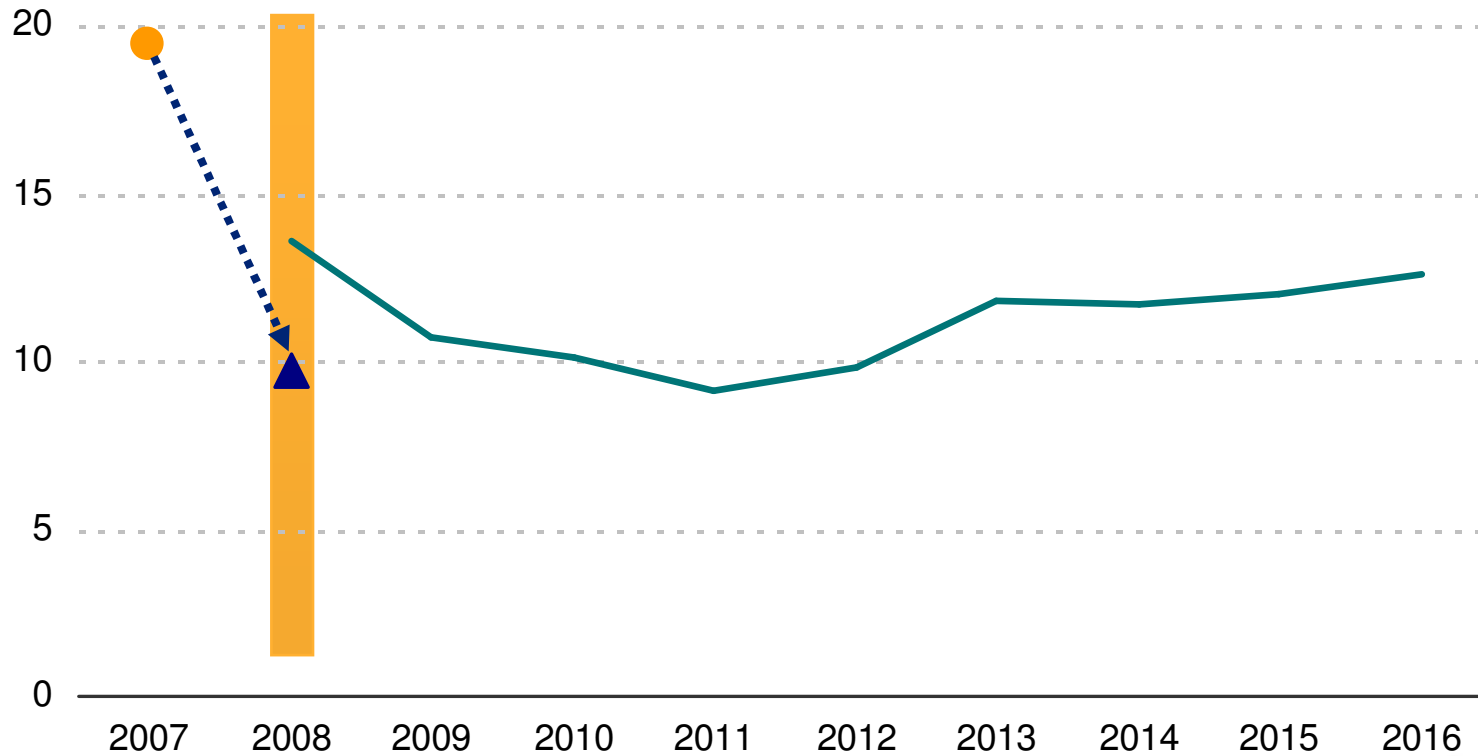


Source: DOE

- High gasoline prices, rising unemployment and low consumer confidence cause demand to decline

Lower Margins Due To Reduced Demand

Tesoro Index, \$/bbl

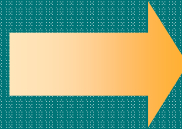


● June 2007 Actual ▲ 2008 YTD — 2007 10-Yr Forecast
■ 2008 Range



What Has The Sector Done In Response?

Supply adjusts to demand



US refinery utilization:

- 92% in 2007
- 85% so far in 2008

US Gasoline Inventory:

- 20+ million barrel draw since the middle of July

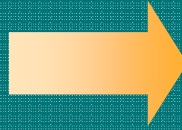
The peaks and troughs don't last forever



West Coast gasoline cracks:

- \$4/bbl in July
- \$13/bbl so far in August

Rational global markets



Low US imports,
high production of diesel,
declining utilization

What has Tesoro done to manage risk and respond to uncertainty?

Tesoro's Response To Changed Market Conditions

Rebalance risk/reward to reflect greater volatility and uncertainty

2007

2008

Operations

- Safe and reliable
 - Focus on maximum utilization
- Safe and reliable
 - Focus on more profitable marginal barrel

Tesoro's Response To Changed Market Conditions

Rebalance risk/reward to reflect greater volatility and uncertainty

2004 - 2007

Total capacity is profitable

Competing against foreign/imported barrel that must be shipped

Willing to incur higher costs to maximize production

2008

Optimizing production around the last profitable barrel

Competing against the next marginal refiner

Created leadership roles to intensify focus on yields, energy and maintenance

Tesoro's Response To Changed Market Conditions

Rebalance risk/reward to reflect greater volatility and uncertainty

2007

2008

Operations

- Safe and reliable
 - Focus on maximum utilization
- Safe and reliable
 - Focus on more profitable marginal barrel
 - Maximized diesel production,
 - Commissioned delayed coker
 - Implemented improvement plans for Anacortes, LA and Hawaii

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Inventory

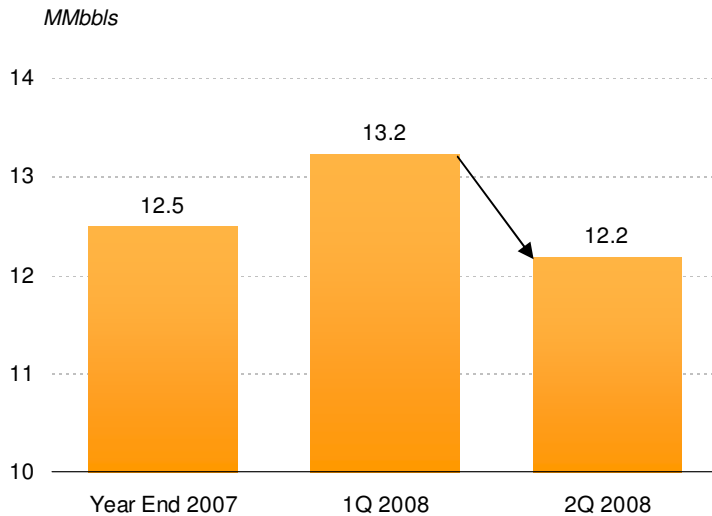
- Maintain higher levels to maximize production and sales
- Hedging strategy manages long haul crude price risk

- Reduced to meet marginal profitable barrel
- Managing long haul crude price risk by shortening crude supply chain significantly reduces hedge impact

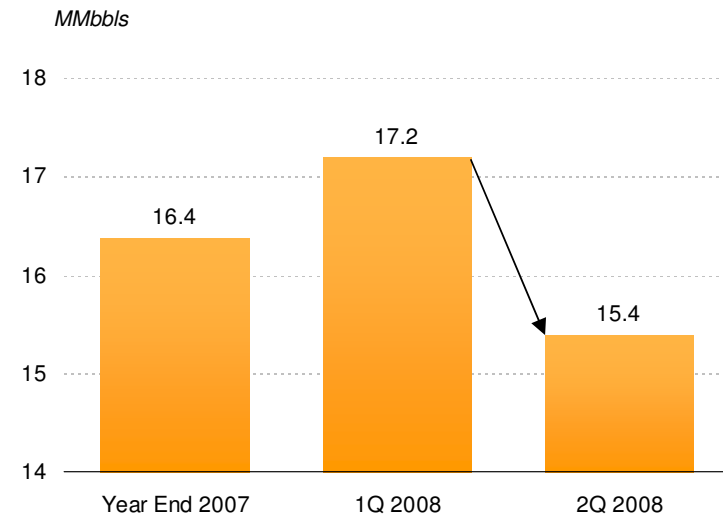
Inventory Optimization

Managing risk in a lower demand environment

Feedstocks



Products



- Shorten the supply chain

- Meet contractual commitments
- Match production to lower demand

Tesoro's Response To Changed Market Conditions

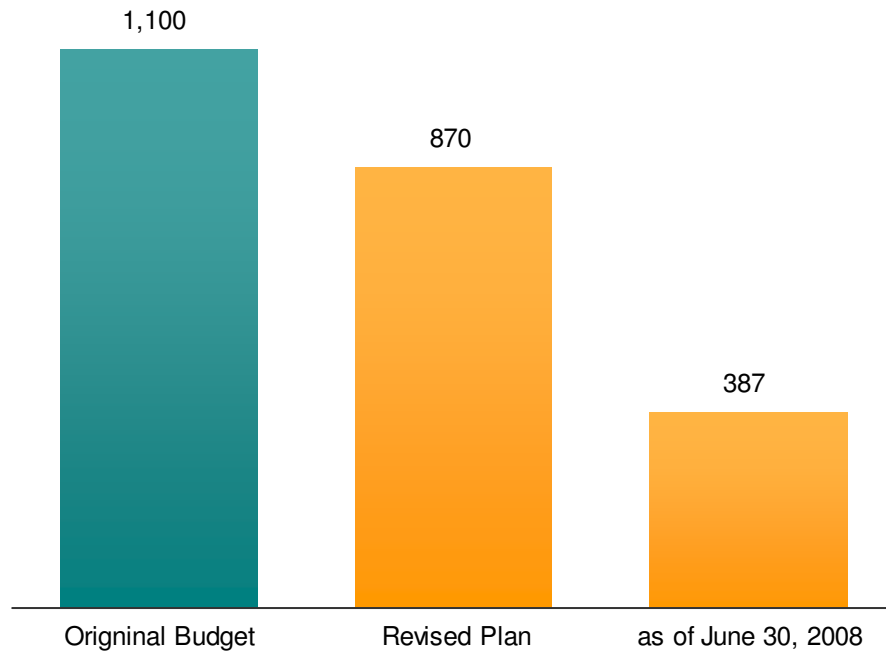
Rebalance risk/reward to reflect greater volatility and uncertainty

	2007	2008
Operations	<ul style="list-style-type: none">• Safe and reliable• Focus on maximum utilization	<ul style="list-style-type: none">• Safe and reliable• Focus on more profitable marginal barrel• Maximized diesel production,• Commissioned delayed coker• Implemented improvement plans for Anacortes, LA and Hawaii
Inventory	<ul style="list-style-type: none">• Maintain higher levels to maximize production and sales• Hedging strategy manages long haul crude price risk	<ul style="list-style-type: none">• Reduced to meet marginal profitable barrel• Managing long haul crude price risk by shortening crude supply chain significantly reduces hedge impact
Capital	<ul style="list-style-type: none">• Accelerated timing for large cost reduction projects• Use internally generated funds• Don't compromise the balance sheet	<ul style="list-style-type: none">• Don't compromise the balance sheet• Use internally generated funds• Cut capital

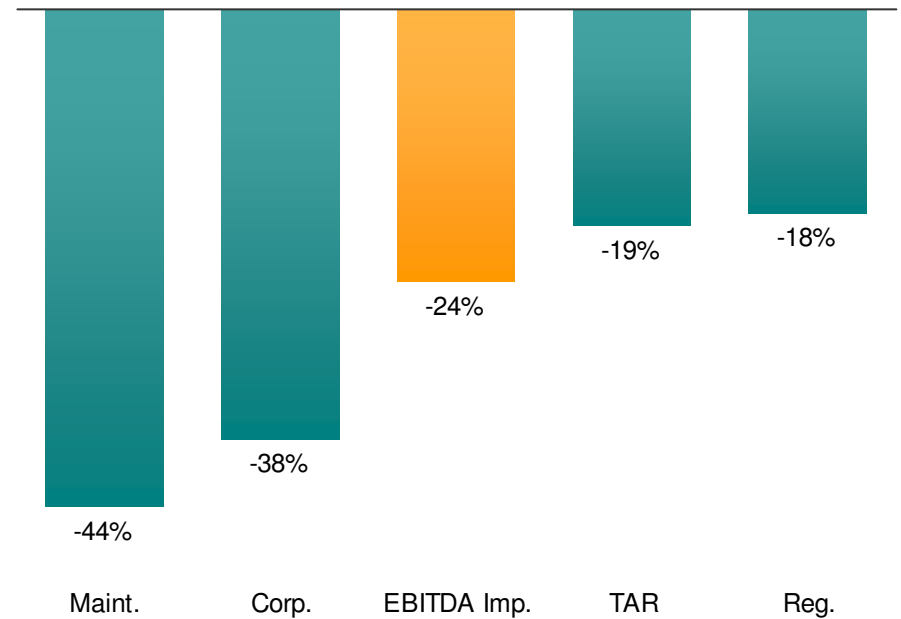
2008 Capital Program

2008 Capital Program*

\$ in millions



2008E Capex Reductions



* Includes deferred turnaround expense

The last twelve months have been interesting. Where do we go from here?

Tesoro's Value Proposition

Creating shareholder value in a 2008 margin environment

Phase 1: (2008)

Adapted to New Risk Environment To Remain Cash Positive and Financially Strong

- Reduce capital spend
- Reduce working capital requirements
- Optimize our system for lower demand
- Lower controllable expenses



Phase 2: (2009+)

Sustainable Value

- Sustain expense improvements
- Manage capital and cash flow to maintain balance sheet integrity
- Target smaller, 2-3 year payback projects
- Improve yield and crude flexibility
- Attack 4th quartile cost opportunities
- Attack energy usage to reduce \$1.5B+ annual energy bill

Tesoro Offers Significant Upside

- Negative market factors and recent financial underperformance are reflected in our current stock price
- Phase 1 initiatives are improving profitability and cash flow
- Phase 2 initiatives are being developed for 4th Quarter review and approval
 - All planning anticipates a low margin environment in 2009
- Rebalancing of supply demand could positively impact margins
 - Crude and product price trend may stimulate demand
 - Lower margins and higher costs could delay planned supply additions
 - Ethanol debate continues and raises question about mandates



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