November 21, 2016

The Board of Directors
Marathon Petroleum Corp.
539 South Main Street
Findlay, OH 45840
Attn: Gary R. Heminger, Chairman, President & CEO

Dear Gary and Members of the Board,

I am writing to you on behalf of Elliott Associates, L.P. and Elliott International, L.P. (together, “Elliott” or “we”), collectively the beneficial owners of approximately 4% of the common stock and equivalents¹ of Marathon Petroleum Corporation (the “Company” or “Marathon”), making us one of your largest shareholders. After extensive study and analysis which we detail in the accompanying presentation², we believe Marathon is severely undervalued and that there are readily available steps by which the Board can unlock $14 – $19 billion in value for shareholders (yielding a ~60 – 80+% increase to today’s stock price).

Marathon’s recent announcement of strategic actions around its midstream assets is an encouraging first step. Furthermore, we appreciate the constructive dialogue we have had to date with Gary and his team. However, much more should be done to unlock value for shareholders. We are making this letter and accompanying presentation publicly available in order to articulate the size of the opportunity available to Marathon and to share our thoughts on the right path forward.

Marathon shareholders today receive only a fraction of the value of Marathon’s businesses. Since 2011, Marathon has substantially grown its percentage of stable, non-refining cash flows through acquisitions and capital investment, such that today they represent ~56% of 2017 unconsolidated estimated EBITDA. Peer companies have this stable, non-refining EBITDA capitalized in the market at over 10x EBITDA, yet Marathon trades at the same valuation multiple (~5.7x EBITDA) as other merchant refiners located in PADD II & III.

Marathon’s undervaluation is most glaring when the value of its three businesses is summed together. In the accompanying presentation we lay out how public equity market valuations of comparable companies clearly support valuations of ~$10.5 billion for Speedway, ~$10.5 billion for Marathon’s refining operations, and ~$26 billion for Marathon’s midstream holdings (including cash proceeds from drop downs). This ~$47 billion total valuation, net of debt at Marathon, equals an equity valuation ~80+% higher than what Marathon shareholders receive today. We understand that the above sum of the parts analysis requires assumptions on valuation for three different sectors (Retail, Refining, and Midstream). But what is most striking about the undervaluation is that even if every single one of Marathon’s separate businesses traded at the lowest EBITDA multiple or highest yield of any relevant peer, the sum of Marathon’s businesses would still be ~$12 billion higher than today’s valuation (representing a 50+% increase in Marathon’s current share price).

¹ Elliott beneficially owns 21.27 million shares. Ownership percentage based on 3Q2016 10-Q share count of 527,815,189.
² Together with this letter we are today making available to Marathon shareholders a presentation that details the points set out below, including sources for our statements and analysis. That presentation and this letter are available at our website: www.elliottletters.com/marathon.
While we are encouraged to see Marathon begin to take steps to address the Company’s undervaluation, we believe the recent strategic announcement exacerbated the uncertainty surrounding MPLX thereby further weighing on its cost of capital while simultaneously driving a deeper discount in Marathon shares. We have observed that substantial concern and skepticism linger from how the MarkWest transaction was carried out including the handling of guidance and the valuation surrounding the drop down of the inland marine assets that followed. As a result, both Marathon shareholders and MPLX unitholders are concerned that asset drop downs and potential GP IPO or simplification transactions will be done on unfavorable terms. *For a business where cost of capital is vital to operations and competition, this uncertainty is harmful and counterproductive.* It is also easily addressed by the Board, as Marathon can drop all MLP-qualifying assets immediately to MPLX as well as simplify its GP, if it chooses to do so, in a manner that is value-accretive for all parties.

In the accompanying presentation, we lay out a clear path forward that the Board can readily achieve:

**Recommendation 1: “Drop Down” All MLP-Qualifying Assets to MPLX Immediately.**

Marathon can take direct, immediate action to simplify its midstream operations and structure that will result in a lower cost of capital for the midstream business and a forced revaluation for Marathon shareholders. Immediately dropping all MLP-qualifying assets to MPLX will remove the uncertainty that weighs on MPLX’s cost of capital today. Furthermore, after completing these drops, over 60+% of Marathon’s current market capitalization will be accounted for in publicly traded LP units and cash proceeds from the drops. If Marathon were to exchange its IDRs for LP units, then 110+% of Marathon’s current market capitalization would be accounted for in publicly traded LP units and cash proceeds. If investors ascribed a valuation of only 4.7x EBITDA for Speedway and refining, we believe Marathon’s stock price would rise over 40%.

These drop downs can be value accretive for all parties. In the accompanying presentation, we detail how carrying out drops today allows Marathon to receive ~$6 billion in cash and $5 billion in LP units, while increasing 2017 GP cash flows to ~$650 million and increasing MPLX’s LP unit dividend by 28.5%. These steps can all be done while keeping MPLX’s pro forma leverage at or below its target of 4.0x and not changing distribution coverage.

One rationale for phasing drops over time is to manage the growth of the underlying MLP. If organic growth slows in any given period, LP distribution growth can be maintained by accelerating drops of assets that may not have been dropped for five or ten years. While one can debate the merits of this idea, it is not applicable to Marathon. The Company has already committed to dropping all assets in the next three years (well within the investment community’s forecast period). Therefore, any acceleration of drops would merely result in the investment community lowering its estimates for the following year. Marathon must now speak clearly to its organic growth potential and lay out a clear vision for MPLX. In the accompanying presentation, we show that pro forma for the drop downs, MPLX would still have peer comparable EBITDA and distribution growth.

Another rationale for phasing drops over time could be a hope that MPLX units will trade up over time and be issuable at lower yields. We believe the best way to lower MPLX’s cost of capital is by providing certainty to the market around the drops. Furthermore, the transaction as laid out in the presentation does not call for third party equity. Rather, it calls for Marathon to take back all units issued in connection with the drops, which results in Marathon benefiting from any yield tightening in MPLX units and MPLX benefiting from not having to issue units to the public market at a discount to current prices.

In conjunction with the drops, Marathon could elect to exchange its IDR for additional LP units in MPLX. In the accompanying presentation we show precedent transactions illustrating that while these transactions could result in Marathon giving up its IDRs for less than full value, there are reasons that this could make sense for Marathon to do: (1) Marathon will be able to recoup a substantial amount of any value transferred from the GP to LP unitholders as Marathon will hold a large number of LP units after
completing the drop downs and IDR simplification, (2) MPLX will have by definition the lowest cost of capital it can have, which could open up value creating opportunities and likely result in LP units trading at a premium valuation, and (3) Marathon appears to receive no value today for its GP units and simplification will result in Marathon holding additional publicly traded LP units in place of the IDR.

Dropping assets immediately is readily executable, in the best long term interests of both Marathon shareholders and MPLX unitholders, and can be meaningfully value accretive to all parties.

Recommendation 2: Conduct a Full Strategic Review to Reassess Marathon’s Current Structure.

We believe the extent and severity of Marathon’s undervaluation warrants a fundamental reassessment of whether the Company’s current structure maximizes value for shareholders. The Board should not ask whether Marathon’s current structure merely maximizes the value of Marathon’s refining assets or the flexibility of its refineries. Rather, its goal must be to maximize the value of the overall Marathon enterprise. Marathon should evaluate whether a tax-free separation of Speedway or a full tax-free separation of the Company into three separate standalone businesses (Speedway, RefiningCo, and MidstreamCo) best serves shareholders over the long term. To be clear, we are not asking the Company to contemplate selling any portion of its business. Rather, we are asking the Board to evaluate whether Marathon shareholders would be better served by holding the three businesses separately via tax-free spinoffs to shareholders. The valuation uplift from such an action is compelling—as we have detailed above, peer valuations show that such an action would result in an 80+% increase to Marathon’s stock price.

Given the 80+% valuation uplift from a tax-free separation of the Company’s three businesses, can the Company justify remaining integrated? We have worked extensively to attempt to understand the merits of integration for Marathon, and we, along with our advisors, have not been able to quantify any significant benefits. As we detail in the accompanying presentation, operating results from Marathon’s refineries establish that they are equivalent in profitability, utilization, and inventory management to merchant peers. Speedway’s reported fuel margins are also equivalent to retail peers. Furthermore, we have devoted substantial resources to evaluating the Company’s publicly stated rationales for integration and, as detailed in our presentation, we find them insufficient and in need of a more thorough assessment by the Company. We do, however, see and lay out in detail strong operational and strategic merits to separating the businesses.

Marathon’s Undervaluation Is an Opportunity for the Board

As outlined above and detailed in the accompanying presentation, we present our thoughts on a clear pathway to delivering material value to shareholders in a manner that strengthens the Company’s long term prospects. While we regularly see companies trade at substantial discounts to the sum of their parts, we believe the opportunity at Marathon is unique, both in the amount of value that can be unlocked and how readily it can be achieved by the Board. We look forward to working constructively together to realize value for Marathon shareholders.

Sincerely,

Quentin Koffey
Portfolio Manager
Elliott Management Corporation
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