

# Second Quarter 2010 Earnings Conference Call and Web Cast

August 3, 2010

# MARATHON



# Forward-Looking Statement

Except for historical information, this presentation contains forward-looking information with respect to the timing and levels of the company's worldwide liquid hydrocarbon and natural gas production available for sale, integrated gas sales volumes, synthetic crude volumes, exploration expenses and the effective tax rate. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied from such information. In accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Marathon Oil Corporation has included in its Annual Report on Form 10-K for the year ended December 31, 2009, and subsequent Forms 10-Q and 8-K, cautionary language identifying important factors, though not necessarily all such factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements.

## Other Information

In addition to net income determined in accordance with generally accepted accounting principles (GAAP), Marathon has provided supplementally "adjusted net income," a non-GAAP financial measure which facilitates comparisons to earnings forecasts prepared by stock analysts and other third parties. Such forecasts generally exclude the effects of items that are difficult to predict or to measure in advance and are not directly related to Marathon's ongoing operations. A reconciliation between GAAP net income and "adjusted net income" is provided in a table on slide 16. "Adjusted net income" should not be considered a substitute for net income as reported in accordance with GAAP.

Management, as well as certain investors, uses "adjusted net income" to evaluate Marathon's financial performance between periods. Management also uses "adjusted net income" to compare Marathon's performance to certain competitors.

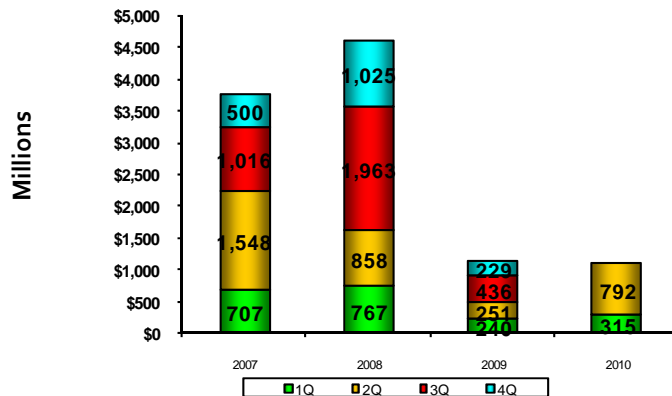
# 2Q-10 Earnings

	2Q 2010	1Q 2010	2Q 2009
Net Income	\$709 MM	\$457 MM	\$413 MM
Adjusted Net Income	\$792 MM	\$315 MM	\$251 MM
Net Income per Diluted Share	\$1.00	\$0.64	\$0.58
Adjusted Net Income per Diluted Share	\$1.11	\$0.44	\$0.35

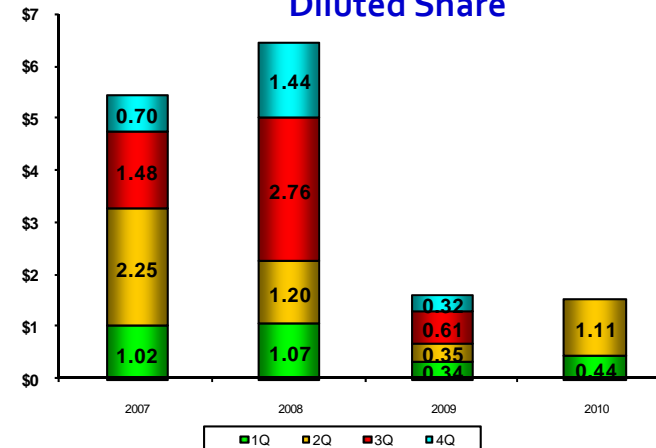
216%

151%

Adjusted Net Income

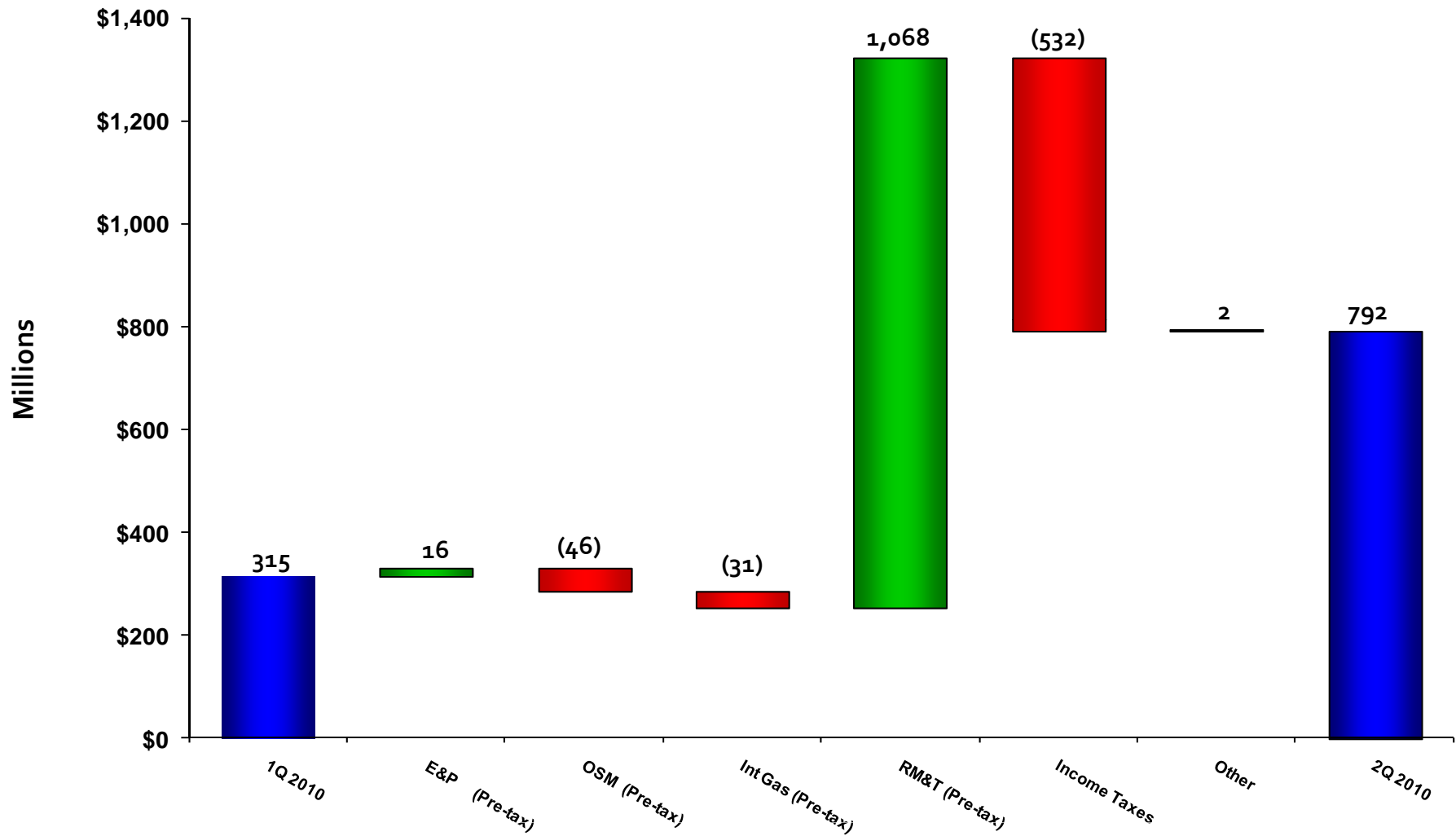


Adjusted Net Income per Diluted Share



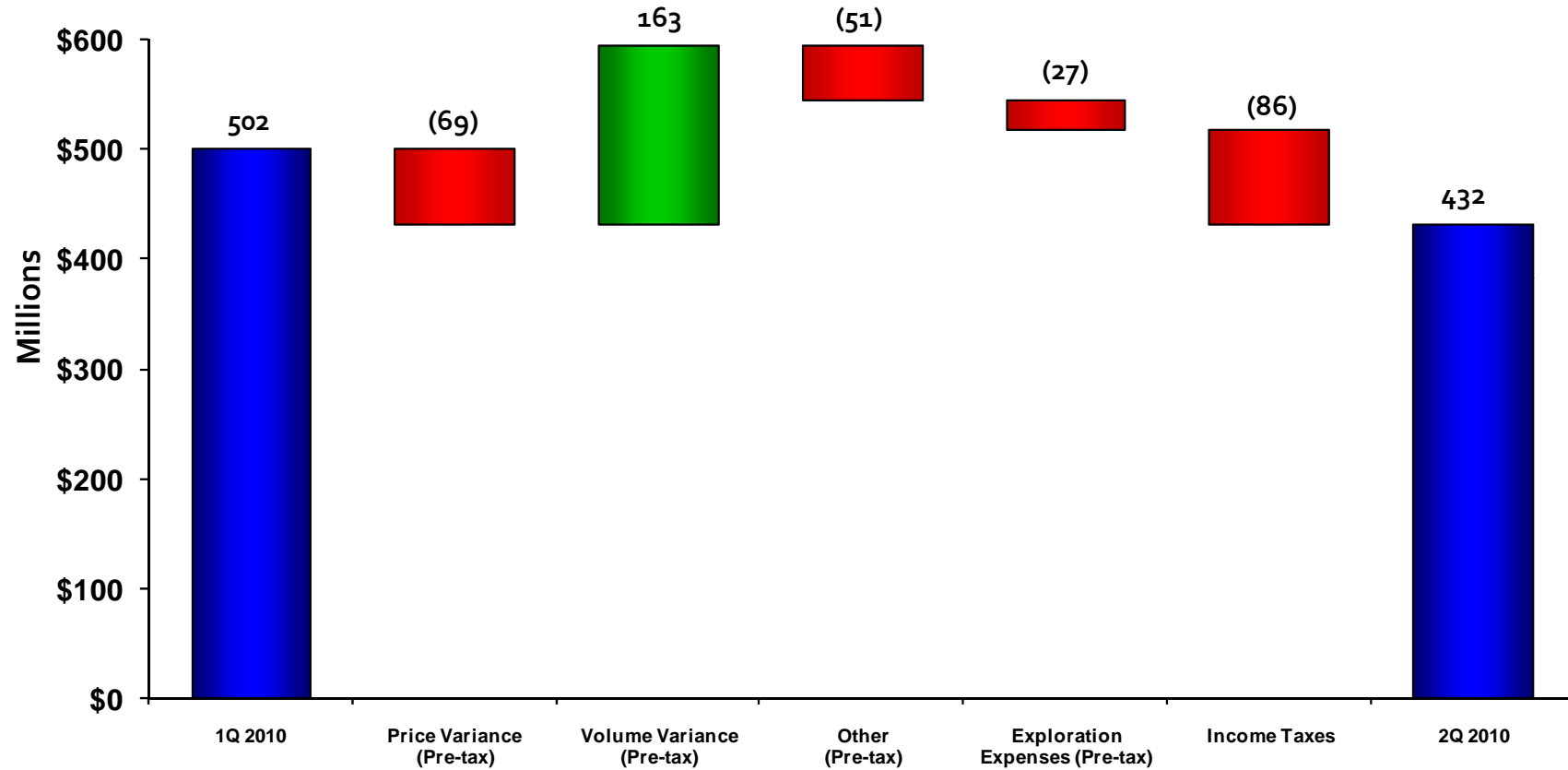
# Adjusted Net Income

## 2Q-10 vs. 1Q-10 Variance Analysis



# E&P Earnings

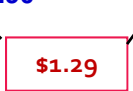
## 2Q-10 vs. 1Q-10 Variance Analysis



# E&P 2Q-10 Results

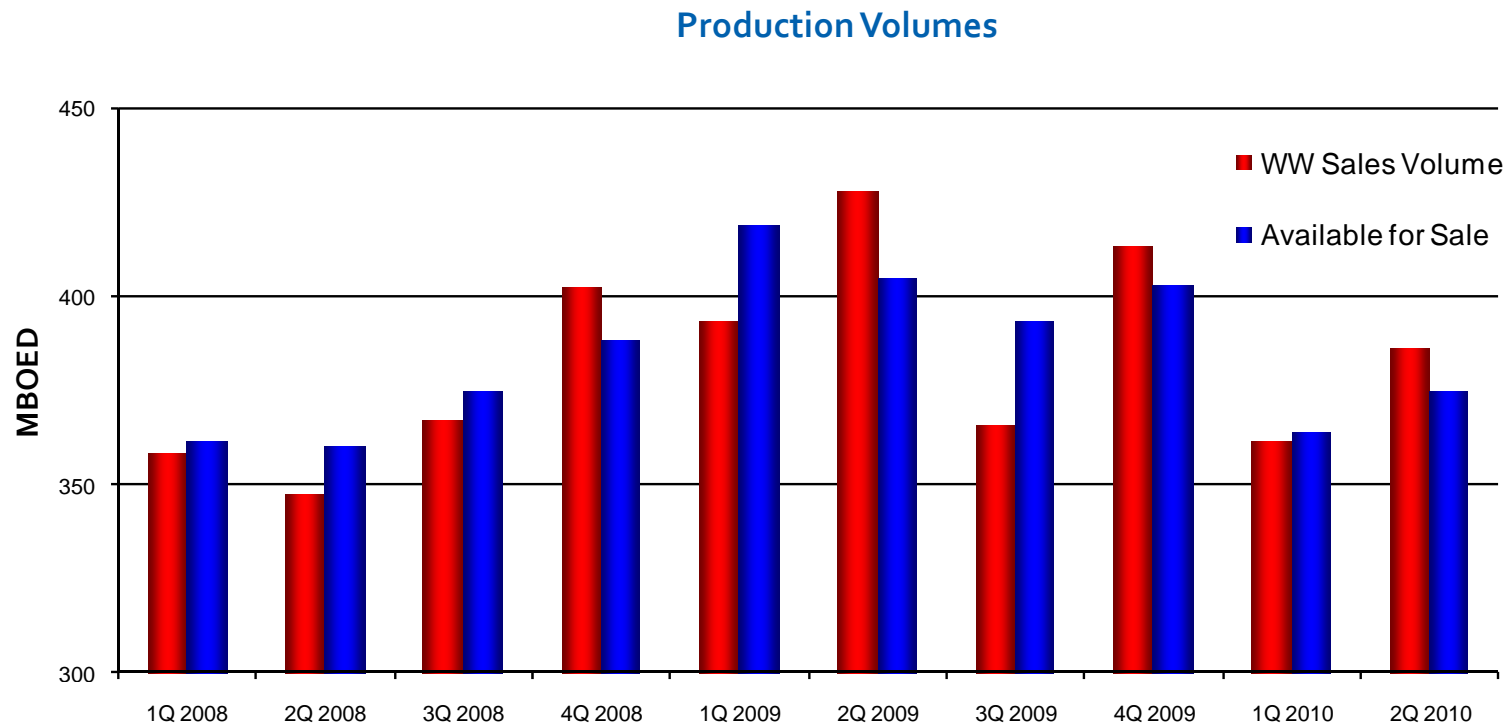
- Average realizations down \$1.29/BOE
  - Liquid hydrocarbon average realizations down \$0.67/BBL
  - Natural gas average realizations down \$0.70/MCF

<u>MRO Realized Prices</u>	<u>1Q 2009</u>	<u>2Q 2009</u>	<u>3Q 2009</u>	<u>4Q 2009</u>	<u>1Q 2010</u>	<u>2Q 2010</u>
Liquid hydrocarbons (\$/BBL)	\$40.20	\$55.88	\$64.12	\$70.34	\$74.35	\$73.68
Natural gas (\$/MCF)	\$2.82	\$2.19	\$2.20	\$2.64	\$3.31	\$2.61
<b>Average realizations (\$/BOE)</b>	<b>\$30.16</b>	<b>\$39.97</b>	<b>\$44.05</b>	<b>\$49.93</b>	<b>\$53.90</b>	<b>\$52.61</b>
<u>Market Indicators</u>						
NYMEX prompt WTI (\$/BBL)	\$43.31	\$59.79	\$68.24	\$76.13	\$78.88	\$78.05
Bid week natural gas (\$/MMBTU)	\$4.91	\$3.51	\$3.39	\$4.16	\$5.30	\$4.09



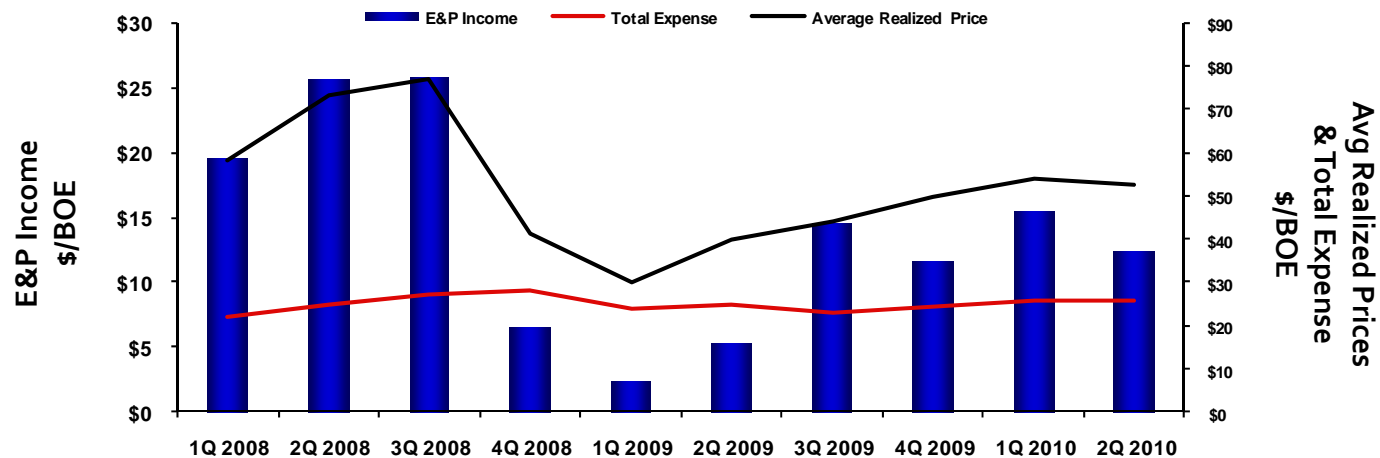
## 2Q-10 E&P Production Volumes

- Sales volumes up 7% vs 1Q-10
  - Overlifted in UK and Norway during 2Q
- Production available for sale up 3% vs 1Q-10

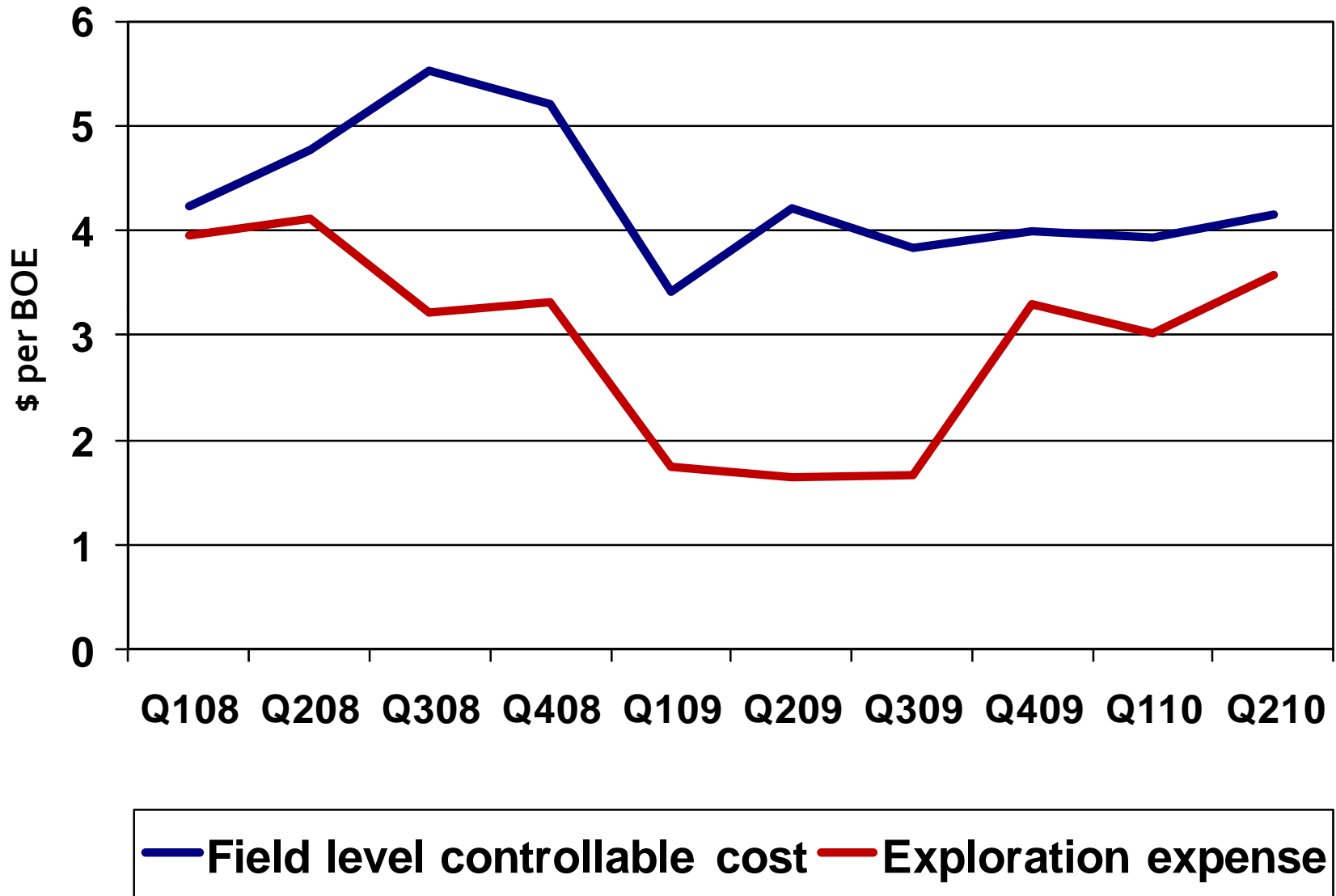


## 2Q-10 E&P Expenses and Profitability

- 2Q-10 income per BOE down 20% from 1Q-10, \$12.32/BOE vs \$15.42/BOE
  - Decrease due to lower per BOE revenues and higher income taxes
  - Total expense increased \$0.06/BOE from 1Q-10
    - Higher exploration and field level controllable costs per BOE
    - Lower DD&A and Other costs per BOE
- Total expenses excluding exploration: \$22.21/BOE
  - Exploration expenses: \$3.58/BOE (\$125 MM)

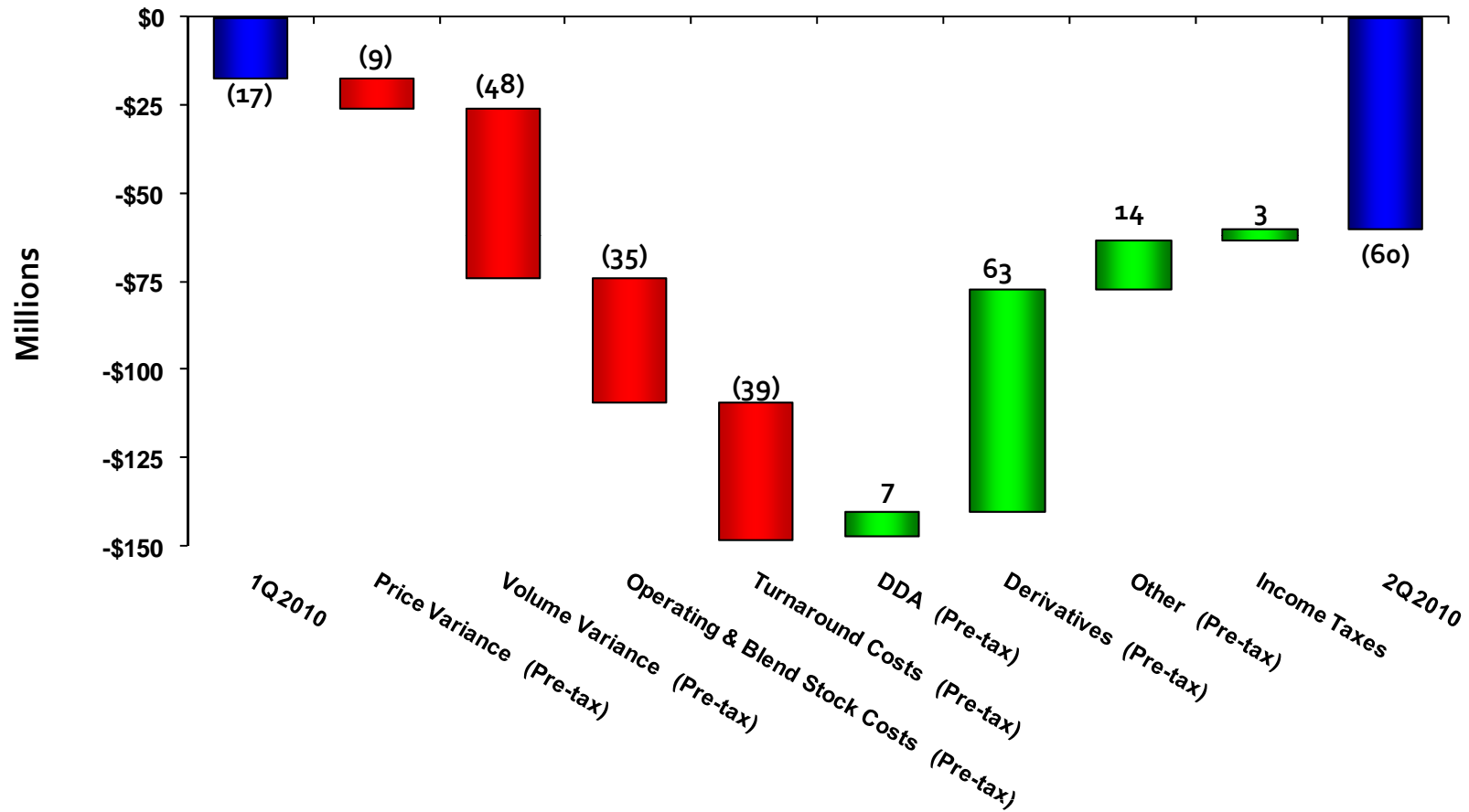


# E&P Cost per BOE Trend



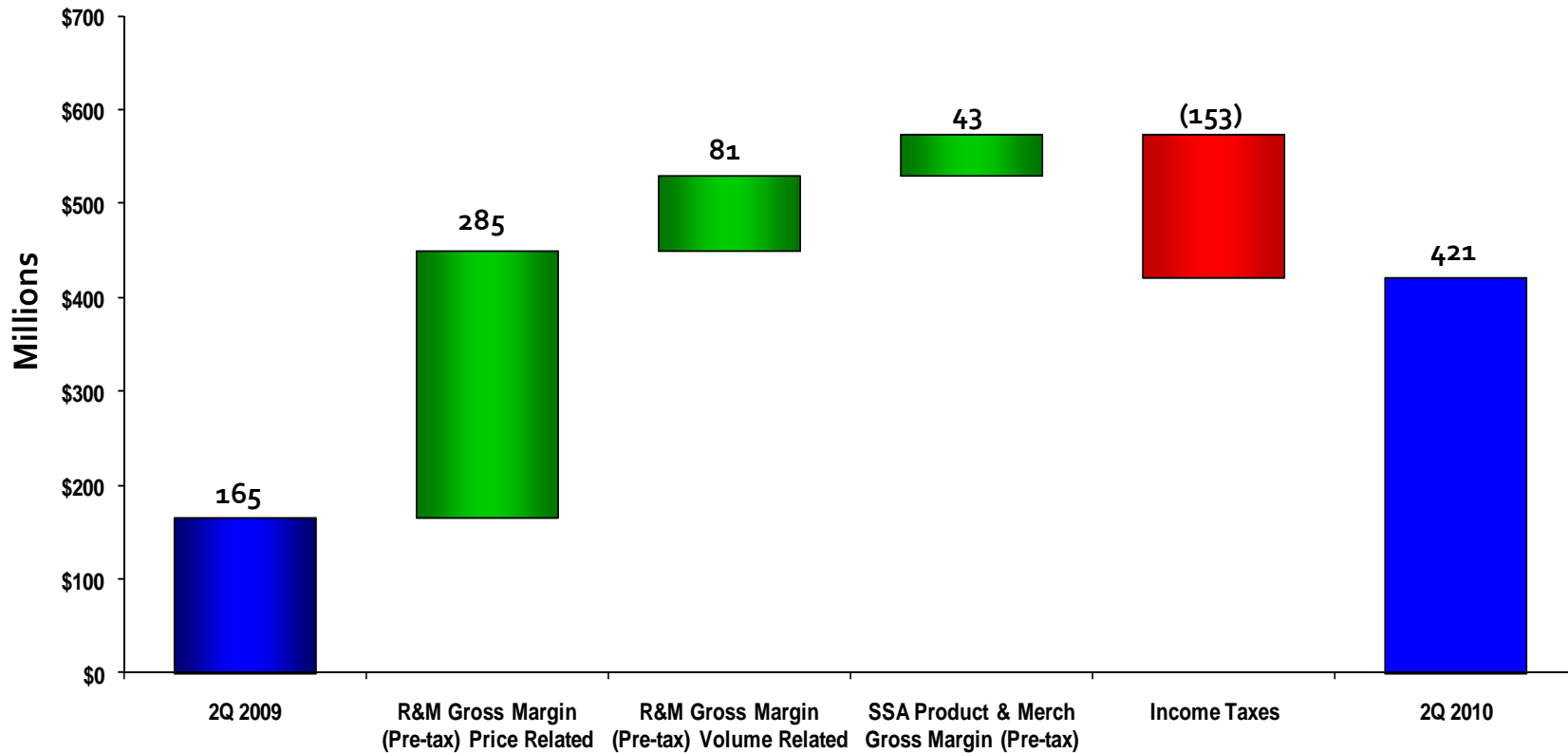
# Oil Sands Mining Earnings

## 2Q-10 vs. 1Q-10 Variance Analysis

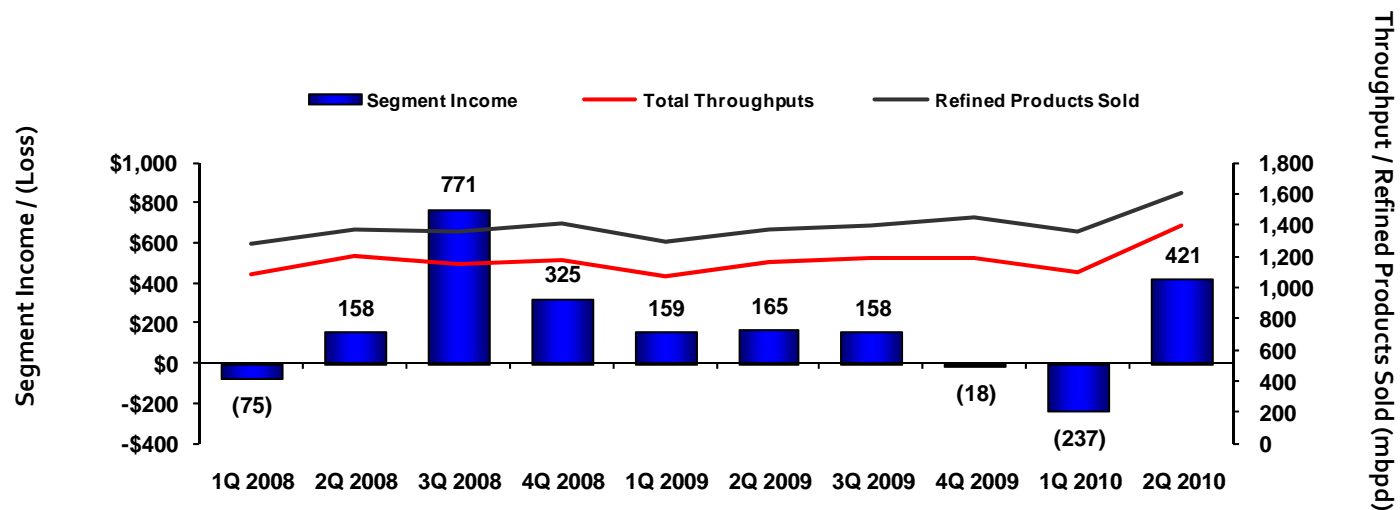


# RM&T Earnings

## 2Q-10 vs. 2Q-09 Variance Analysis



# 2Q-10 Downstream Results



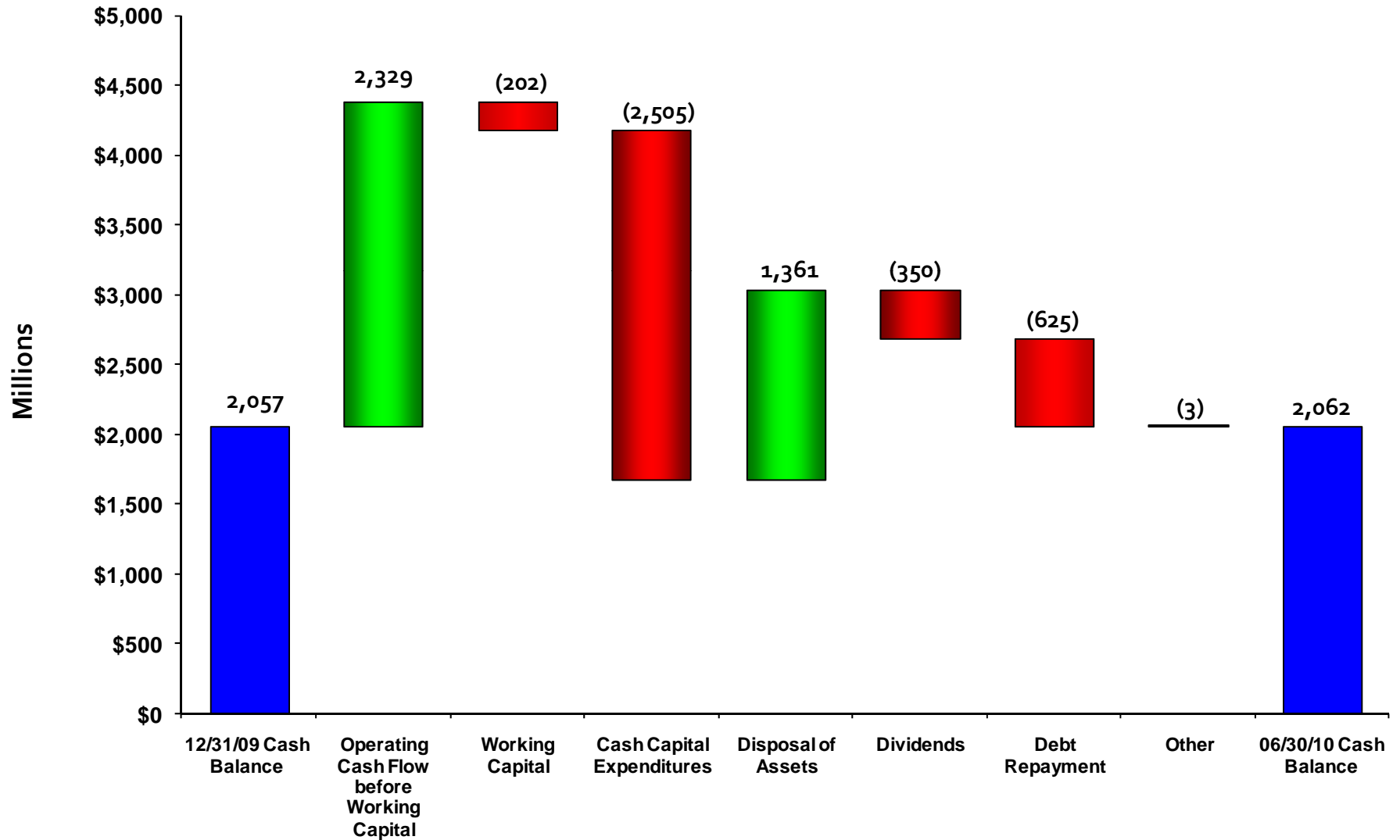
## Sweet/Sour Differentials & LLS 6-3-2-1 Crack Spreads (\$/bbl)

	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010
<b>Sweet/sour differential</b>	12.82	13.74	11.38	10.03	7.28	3.98	5.64	6.43	5.23	8.78
<b>Chicago</b>	0.07	2.71	7.81	2.31	2.91	5.73	3.93	1.48	2.68	3.86
<b>USGC</b>	1.39	1.99	6.32	(0.01)	2.89	3.59	2.50	1.18	3.50	2.33
<b>*Blended Chicago/USGC</b>	0.51	2.47	7.32	1.54	2.90	5.02	3.46	1.38	3.03	3.20

\$4.80 / 42 x ~ 50% = ~\$0.057 per gallon

\*Blended Chicago/USGC spread 67%/33% prior to 1Q2010, 57%/43% thereafter

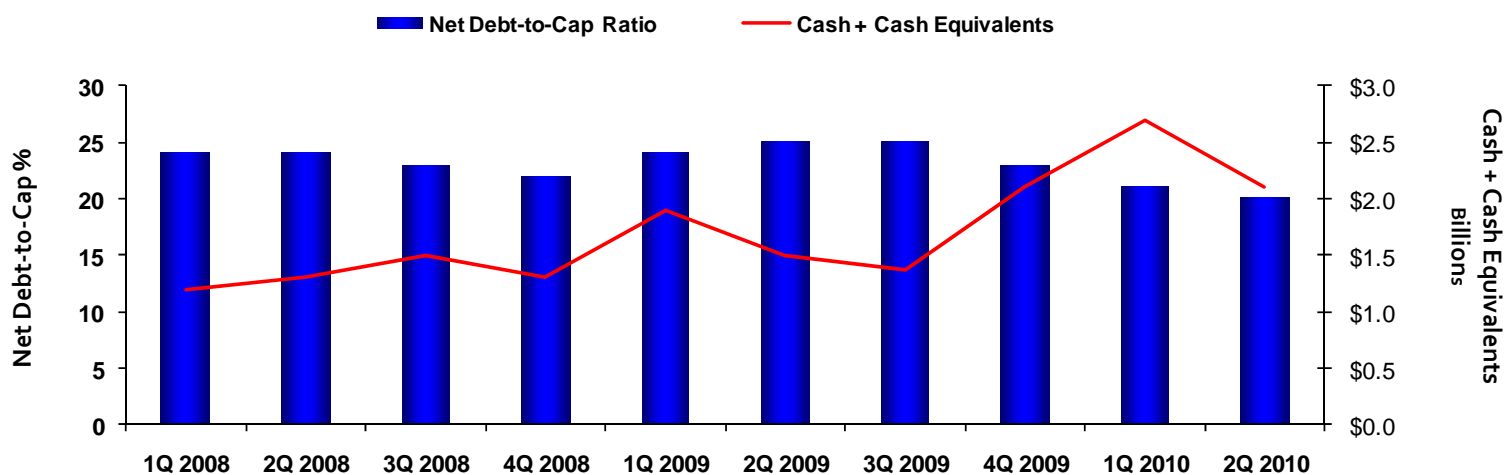
# Total Company Preliminary Cash Flow 2010 YTD



## 2Q-10 Select Financial Data

- 2Q-10 Net debt-to-total cap ratio 20%
  - Qtr end cash and cash equivalents: \$2.1B
- 2Q-10 Effective tax rate: 51%
  - Expect full-year effective tax rate 49-54%

Net Debt-to-Cap Ratio &  
Cash + Cash Equivalents



# Appendix

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# Reconciliation

## Net Income to Adjusted Net Income (\$MM)

	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net Income	282	413	413	355	457	709		
UK Gas Contracts	(42)	(2)	7					
Loss/(Gain) On Sale		(160)	16	(171)	(449)			
Impairments				45	262	26		
Loss on early extinguishment of debt						57		
Deferred income taxes – tax legislation changes					45			
Adjusted Net Income*	240	251	436	229	315	792		

\* See slide 2 of this presentation for a discussion of the use of the non-GAAP measure adjusted net income.

# Net Income

(\$MM unless otherwise noted)

	2009				2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
E&P Segment Income	83	208	491	439	502	432		
Oil Sands Mining Segment Income (Loss)	(24)	2	25	41	(17)	(60)		
Integrated Gas Segment Income	27	13	13	37	44	24		
RM&T Segment Income (Loss)	<u>159</u>	<u>165</u>	<u>158</u>	<u>(18)</u>	<u>(237)</u>	<u>421</u>		
Total Segment Income	245	388	687	499	292	817		
Unallocated Administrative Expense (Before income tax)	(78)	(89)	(92)	(84)	(82)	(101)		
Net Interest and other financing costs (Before income tax)	(16)	(12)	(35)	(86)	(30)	(18)		
Unallocated Income Taxes	72	(83)	(146)	(137)	135	85		
Discontinued Operations, net of tax*	17	85	21	156	-	-		
Gain (Loss) on dispositions	-	122	(15)	7	449	-		
Impairments	-	-	-	-	(262)	(17)		
Loss on early extinguishment of debt						(57)		
Deferred income taxes – tax legislation changes	-	-	-	-	(45)	-		
Gain (Loss) on U.K. Natural Gas Contracts	<u>42</u>	<u>2</u>	<u>(7)</u>	-	-	-		
Net Income	282	413	413	355	457	709		
Effective Tax Rate	49%	68%	60%	78%	53%	51%		

\*The effective tax rates shown have been calculated in accordance with GAAP.

## Select Balance Sheet / Cash Flow Data Preliminary

(\$B unless otherwise noted)

	2009				2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
As of quarter ended:								
Cash and cash equivalents	1.9	1.5	1.4	2.1	2.7	2.1		
Total Debt	8.7	8.6	8.7	8.5	8.5	7.9		
Cash-adjusted total debt	6.8	7.1	7.3	6.4	5.8	5.9		
Stockholders' equity	21.5	21.8	22.1	21.9	22.2	22.8		
Cash-adjusted debt-to-capital ratio	24%	25%	25%	23%	21%	20%		
Year-to-date:								
Net cash provided from operations	0.8	2.0	3.2	5.2	0.8	2.1		
Net cash provided from operations before changes in working capital	1.1	2.3	3.5	4.8	0.8	2.3		

# Capital, Investment & Exploration Spending

## Reconciliation

\$MM

	2010 Budget	2Q 2010 Preliminary
Capital expenditures	4,863	2,277
Investments in equity method investees & others	8	4
Exploration costs other than well costs	277	115
Capital, Investment & Exploration Spending	5,148	2,396

# 2010 Estimates

	2010				
	1QA	2QA	3QE	4QE	Year Est*
Domestic E&P Net Sales Volumes*:					
Liquid Hydrocarbons (MBD)	58	57	75-82		
Natural Gas (MMCFD)	351	334	340-355		
Domestic Total (MBOED)	116	112	132-141		
International E&P Net Sales Volumes*:					
Liquid Hydrocarbons (MBD)	168	189	170-175		
Natural Gas (MMCFD)	462	506	500-530		
International Total (MBOED)	245	274	253-263		
Total E&P Net Sales (MBOED)	361	386			
E&P Available for Sale (MBOED)*	364	375	385-405		390-410
Oil Sands Mining Net Volumes:					
Synthetic Crude Production (MBD) **	21	15	20-25		22-28
Integrated Gas Net Sales Volumes:					
Worldwide LNG (metric tonnes/day)	5,792	6,556	6,500-7,000		5,500-6,500
Exploration Expense (Pre-tax):					
Domestic (\$ millions)	46	112	50-70		
International (\$ millions)	52	13	50-120		

\*Estimated volumes are based upon production available for sale. Production available for sale may vary materially from production sold in any given period based on the timing of liquids liftings and natural gas sales, primarily in international operations.

\*\*Estimates reflect projections after royalties.

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