



Marathon Oil Corporation

First Quarter 2019

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May 1, 2019

Consolidated Statements of Income
Marathon Oil Corporation

<i>(Dollars in millions except per share data)</i>	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
REVENUES AND OTHER INCOME:						
Revenues from contracts with customers	\$ 1,537	\$ 1,447	\$ 1,538	\$ 1,380	\$ 5,902	\$ 1,200
Net gain (loss) on commodity derivatives	(102)	(152)	(70)	310	(14)	(91)
Income from equity method investments	37	60	64	64	225	11
Net gain (loss) on disposal of assets	257	50	16	(4)	319	42
Other income	4	12	119	15	150	35
Total revenues and other income	\$ 1,733	\$ 1,417	\$ 1,667	\$ 1,765	\$ 6,582	\$ 1,197
COSTS AND EXPENSES:						
Production	217	205	215	205	842	187
Shipping, handling and other operating	130	126	152	167	575	154
Exploration	52	65	56	116	289	59
Depreciation, depletion and amortization	590	612	626	613	2,441	554
Impairments	8	34	8	25	75	6
Taxes other than income	64	65	86	84	299	72
General and administrative	100	105	101	88	394	94
Total costs and expenses	1,161	1,212	1,244	1,298	4,915	1,126
Income from operations	572	205	423	467	1,667	71
Net interest and other	(45)	(65)	(58)	(58)	(226)	(49)
Other net periodic benefit costs	(3)	—	(8)	(3)	(14)	5
Income before income taxes	524	140	357	406	1,427	27
Estimated income tax provision (benefit)						
Current	199	19	35	26	279	(116)
Deferred	(31)	25	68	(10)	52	(31)
Total provision (benefit) for income taxes	168	44	103	16	331	(147)
NET INCOME	\$ 356	\$ 96	\$ 254	\$ 390	\$ 1,096	\$ 174
<i>Effective income tax expense (benefit) rate</i>	32%	31%	29%	4%	23%	(544)%
Per common share data:						
Basic:						
Weighted average shares (millions)	851	854	848	828	846	819
NET INCOME	\$ 0.42	\$ 0.11	\$ 0.30	\$ 0.47	\$ 1.30	\$ 0.21
Diluted:						
Weighted average shares (millions)	852	855	849	829	847	820
NET INCOME	\$ 0.42	\$ 0.11	\$ 0.30	\$ 0.47	\$ 1.29	\$ 0.21
Dividends paid per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.20	\$ 0.05

Consolidated Balance Sheets
Marathon Oil Corporation

<i>(In millions)</i>	Mar. 31 2018	June 30 2018	Sept. 30 2018	Dec. 31 2018	Mar. 31 2019
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,613	\$ 1,667	\$ 1,564	\$ 1,462	\$ 1,019
Receivables less allowance for doubtful accounts	1,100	1,176	1,335	1,079	1,086
Inventories	110	117	110	96	83
Other current assets	66	92	31	257	160
Current assets held for sale (a)	13	35	25	27	428
Total current assets	2,902	3,087	3,065	2,921	2,776
Equity method investments	806	788	757	745	719
Property, plant and equipment, net	16,931	16,881	16,899	16,804	16,714
Goodwill	98	98	97	97	97
Other noncurrent assets	849	860	912	723	440
Noncurrent assets held for sale (a)	48	157	48	31	664
Total assets	\$ 21,634	\$ 21,871	\$ 21,778	\$ 21,321	\$ 21,410
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,335	\$ 1,428	\$ 1,479	\$ 1,320	\$ 1,310
Payroll and benefits payable	85	109	127	154	76
Accrued taxes	128	99	128	181	149
Other current liabilities	359	405	405	170	220
Current liabilities held for sale (a)	2	3	3	7	103
Total current liabilities	1,909	2,044	2,142	1,832	1,858
Long-term debt	5,495	5,497	5,498	5,499	5,501
Deferred tax liabilities	221	237	215	199	192
Defined benefit postretirement plan obligations	331	311	286	195	179
Asset retirement obligations	1,445	1,364	1,243	1,081	192
Deferred credits and other liabilities	197	194	340	279	317
Noncurrent liabilities held for sale (a)	2	92	10	108	963
Total liabilities	9,600	9,739	9,734	9,193	9,202
TOTAL STOCKHOLDERS' EQUITY	12,034	12,132	12,044	12,128	12,208
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 21,634	\$ 21,871	\$ 21,778	\$ 21,321	\$ 21,410
Common stock issued	937	937	937	937	937
Common stock held in treasury	84	83	99	118	117
Net shares outstanding at balance sheet date	853	854	838	819	820

(a) The following summarizes our held for sale activity: Our U.K. business as of March 31, 2019; our Atrush block in Kurdistan from June 30, 2018 to March 31, 2019; our working interest in the Droszky field in the Gulf of Mexico at December 31, 2018; and our Sarsang block in Kurdistan from March 31, 2018 to June 30, 2018.

Consolidated Statements of Cash Flows (YTD)
Marathon Oil Corporation

<i>(In millions)</i>	Mar. 31 2018	June 30 2018	Sept. 30 2018	Dec. 31 2018	Mar. 31 2019
OPERATING ACTIVITIES:					
Net income	\$ 356	\$ 452	\$ 706	\$ 1,096	\$ 174
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation, depletion and amortization	590	1,202	1,828	2,441	554
Impairments	8	42	50	75	6
Exploratory dry well costs and unproved property impairments	42	93	144	255	49
Net gain on disposal of assets	(257)	(307)	(323)	(319)	(42)
Deferred income taxes	(31)	(6)	62	52	(31)
Net loss on derivative instruments	102	254	324	14	91
Net settlements of derivative instruments	(59)	(166)	(255)	(281)	22
Pension and other post retirement benefits, net	(34)	(51)	(60)	(65)	(25)
Stock-based compensation	14	28	40	53	14
Equity method investments, net	32	27	42	45	14
Changes in:					
Current receivables	(130)	(256)	(389)	(133)	(73)
Inventories	(9)	(17)	(11)	(1)	4
Current accounts payable and accrued liabilities	81	133	334	179	(102)
Other current assets and liabilities	(25)	(8)	21	(22)	14
All other operating, net	(31)	(4)	(134)	(155)	(154)
Net cash provided by operating activities	649	1,416	2,379	3,234	515
INVESTING ACTIVITIES:					
Additions to property, plant and equipment	(662)	(1,300)	(2,069)	(2,753)	(615)
Additions to other assets	(72)	(129)	(135)	(26)	14
Acquisitions, net of cash acquired	(4)	(25)	(25)	(25)	—
Disposal of assets, net of cash transferred to the buyer	1,180	1,183	1,249	1,264	13
Equity method investments - return of capital	9	32	48	57	12
All other investing, net	(2)	7	11	13	12
Net cash provided by (used in) investing activities	449	(232)	(921)	(1,470)	(564)
FINANCING ACTIVITIES:					
Purchases of common stock	(9)	(11)	(349)	(713)	(30)
Dividends paid	(42)	(85)	(128)	(169)	(41)
All other financing, net	2	18	22	23	(1)
Net cash used in financing activities	(49)	(78)	(455)	(859)	(72)
Effect of exchange rate on cash and cash equivalents	1	(2)	(2)	(2)	1
Net increase (decrease) in cash and cash equivalents	1,050	1,104	1,001	903	(120)
Cash held for sale	—	—	—	(4)	—
Cash and cash equivalents at beginning of period	563	563	563	563	1,462
Cash and cash equivalents at end of period (a)	\$ 1,613	\$ 1,667	\$ 1,564	\$ 1,462	\$ 1,342

(a) As of March 31, 2019, cash and cash equivalents at end of period include \$323 million of cash held for sale for our U.K. business.

Segment Income Summary
Marathon Oil Corporation

<i>(Dollars in millions)</i>	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
Segment income before taxes						
United States	\$ 128	\$ 123	\$ 203	\$ 133	\$ 587	\$ 130
International	302	168	146	129	745	50
Segment income before taxes	430	291	349	262	1,332	180
Not allocated to segments - Corporate items:						
Net interest and other	(45)	(65)	(58)	(58)	(226)	(49)
Other net periodic benefit costs	(1)	—	(1)	—	(2)	3
General and administrative	(55)	(61)	(57)	(43)	(216)	(57)
Other income and costs	(7)	(2)	(6)	(11)	(26)	39
Adjustments for special items not allocated to segments, before income taxes:						
Net gain (loss) on dispositions	257	50	16	(4)	319	42
Proved property impairments	(8)	(34)	(8)	(25)	(75)	(6)
Exploratory dry well costs, unproved property impairments and other	—	—	—	(40)	(40)	—
Pension settlement	(4)	(2)	(10)	(5)	(21)	—
Unrealized gain (loss) on derivative instruments	(43)	(45)	19	336	267	(113)
Reduction of U.K. ARO estimated costs	—	8	113	—	121	—
Other	—	—	—	(6)	(6)	(12)
Income before income taxes	\$ 524	\$ 140	\$ 357	\$ 406	\$ 1,427	\$ 27

United States Supplemental Financial Data
Marathon Oil Corporation

<i>(Dollars in millions except per BOE statistics)</i>	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
Revenues from contracts with customers	\$ 1,125	\$ 1,221	\$ 1,347	\$ 1,193	\$ 4,886	\$ 1,062
Net gain (loss) on commodity derivatives	(59)	(107)	(89)	(26)	(281)	22
Other income	3	2	2	9	16	1
Less Costs and Expenses:						
Production	151	153	172	149	625	139
Shipping, handling and other operating	111	117	136	135	499	140
Exploration	51	64	55	76	246	59
DD&A	528	556	571	562	2,217	514
Taxes other than income	64	68	86	83	301	74
General and administrative	36	35	37	38	146	29
Income before taxes	128	123	203	133	587	130
Income tax provision (benefit)	3	—	2	(26)	(21)	(2)
Segment income	\$ 125	\$ 123	\$ 201	\$ 159	\$ 608	\$ 132
<i>Effective tax rate</i>	2%	—%	1%	(20)%	(4)%	(2)%
Capital expenditures (a)	611	641	691	677	2,620	606
Net sales volumes (mboed)	284	298	303	305	298	297
Costs and Expenses per BOE (b)						
Production	\$ 5.89	\$ 5.66	\$ 6.14	\$ 5.31	\$ 5.75	\$ 5.21
Shipping, handling and other operating	4.39	4.29	4.88	4.78	4.59	5.22
Exploration	1.98	2.35	1.99	2.66	2.25	2.20
DD&A	20.66	20.48	20.47	19.98	20.39	19.27
Taxes other than income	2.49	2.53	3.05	3.00	2.77	2.78
General and administrative	1.41	1.29	1.29	1.38	1.34	1.11

(a) Includes accruals.

(b) Costs and expenses per BOE are based upon volumes sold.

International Supplemental Financial Data
Marathon Oil Corporation

<i>(Dollars in millions except per BOE statistics)</i>	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
Revenues from contracts with customers	\$ 412	\$ 226	\$ 191	\$ 187	\$ 1,016	\$ 138
Income from equity method investments	37	60	64	64	225	11
Other income	1	2	4	5	12	3
Less Costs and Expenses:						
Production	67	52	43	53	215	50
Shipping, handling and other operating	19	10	16	25	70	13
Exploration	1	1	1	—	3	—
DD&A	54	50	49	44	197	34
General and administrative	9	9	7	7	32	7
Other net periodic benefit costs	(2)	(2)	(3)	(2)	(9)	(2)
Income before taxes	302	168	146	129	745	50
Income tax provision (benefit)	170	26	30	46	272	(11)
Segment income	\$ 132	\$ 142	\$ 116	\$ 83	\$ 473	\$ 61
<i>Effective tax rate</i>	56%	15%	21%	36%	37%	(22)%
Capital expenditures (a)	6	16	6	11	39	5
Net sales volumes (mboed)	147	121	112	108	122	88
Costs and Expenses per BOE (b)						
Production	\$ 5.07	\$ 4.71	\$ 4.22	\$ 5.40	\$ 4.86	\$ 6.22
Shipping, handling and other operating	1.45	0.87	1.51	2.52	1.56	1.68
Exploration	0.09	0.08	0.09	0.04	0.08	0.03
DD&A	4.13	4.53	4.71	4.49	4.44	4.22
General and administrative	0.67	0.81	0.70	0.62	0.70	0.86
Equatorial Guinea						
EG - Income from equity method investments	\$ 37	\$ 60	\$ 64	\$ 64	\$ 225	\$ 11
EG - Net income excl. equity method investments	20	44	38	8	110	6
EG Total Net Income	\$ 57	\$ 104	\$ 102	\$ 72	\$ 335	\$ 17
EG Net Income before DD&A, Tax, and Exploration (EBITDAX) (c)	\$ 124	\$ 192	\$ 190	\$ 153	\$ 659	\$ 69

(a) Includes accruals.

(b) Costs and expenses per BOE are based upon volumes sold.

(c) See "Non-GAAP Reconciliations", for further detail.

**Non-GAAP Reconciliations
Marathon Oil Corporation**

<i>(Dollars in millions)</i>
Net income
Adjustments for special items (pre-tax):
Net (gain) loss on disposal of assets
Proved property impairments
Exploratory dry well costs, unproved property impairments and other
Pension settlement
Unrealized (gain) loss on derivative instruments
Reduction of U.K. ARO estimated costs
Other
Provision (benefit) for income taxes related to special items
Adjustments for special items
Adjusted net income (a)

1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
\$ 356	\$ 96	\$ 254	\$ 390	\$ 1,096	\$ 174
(257)	(50)	(16)	4	(319)	(42)
8	34	8	25	75	6
—	—	—	40	40	—
4	2	10	5	21	—
43	45	(19)	(336)	(267)	113
—	(8)	(113)	—	(121)	—
—	—	—	6	6	12
—	7	76	(13)	70	(7)
\$ (202)	\$ 30	\$ (54)	\$ (269)	\$ (495)	\$ 82
\$ 154	\$ 126	\$ 200	\$ 121	\$ 601	\$ 256

<i>(Dollars in millions except per share data)</i>
Per common share data:
Diluted:
Weighted average shares (millions)
Adjusted net income (a)
Adjusted net income per share (a)

1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
852	855	849	829	847	820
\$ 154	\$ 126	\$ 200	\$ 121	\$ 601	\$ 256
\$ 0.18	\$ 0.15	\$ 0.24	\$ 0.15	\$ 0.71	\$ 0.31

(a) Non-GAAP financial measure.

Non-GAAP Reconciliations
Marathon Oil Corporation

<i>(Dollars in millions)</i>	1st Qtr 2019		
Cash additions to Property, Plant, and Equipment	\$		615
Minus: Working Capital associated with PPE			(1)
Property, Plant and Equipment Additions	\$		614
(Dollars in millions)			
United States			
Property, Plant and Equipment Additions	\$	565	\$ 606
Additions to other assets and acquisitions		—	(14)
M&S Inventory		(4)	(4)
Exploration costs other than well costs		—	10
Total Development and REx Capital Expenditures	\$	561	\$ 598
(Dollars in millions)			
International			
Property, Plant and Equipment Additions	\$	5	\$ 5
Total Development and REx Capital Expenditures	\$	5	\$ 5
(Dollars in millions)			
Not allocated to segments			
Property, Plant and Equipment Additions	\$	3	\$ 3
Total Development and REx Capital Expenditures	\$	3	\$ 3
Total Capital Expenditures			
	\$		606
(Dollars in millions)			
Organic Free Cash Flow			
Net cash flow provided by operating activities	\$		515
Less: Changes in working capital			(157)
Less: Exploration costs other than well costs			(10)
Add: Development capital expenditures			(569)
Add: Dividends			(41)
Add: EG LNG return of capital and other			8
Organic Free Cash Flow (a)	\$		80
(Dollars in millions)			
Cash and cash equivalents at end of period			
U.K. cash held for sale	\$		1,019
Less:			323
Disposal of assets, net of cash transferred to buyer			13
Share Buy-back			(14)
REx Capital Expenditures			(37)
Total Working Capital			(162)
Cash and cash equivalents at end of period before Dispositions, REx CAPEX, Financing, and Working Capital (a)	\$		1,542

(a) Non-GAAP financial measure.

**Non-GAAP Reconciliations
Marathon Oil Corporation**

<i>(Dollars in millions)</i>	Mar. 31 2018	June 30 2018	Sept. 30 2018	Dec. 31 2018	Mar. 31 2019
Cash Flows (YTD)					
Net cash provided by operating activities	\$ 649	\$ 1,416	\$ 2,379	\$ 3,234	\$ 515
Changes in:					
Current receivables	(130)	(256)	(389)	(133)	(73)
Inventories	(9)	(17)	(11)	(1)	4
Current accounts payable and accrued expenses	81	133	334	179	(102)
Other current assets and liabilities	(25)	(8)	21	(22)	14
Total changes in working capital	(83)	(148)	(45)	23	(157)
Net cash provided by operating activities before changes in working capital (a)	\$ 732	\$ 1,564	\$ 2,424	\$ 3,211	\$ 672

<i>(Dollars in millions)</i>	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
Equatorial Guinea EBITDAX						
EG - Income from equity method investments	\$ 37	\$ 60	\$ 64	\$ 64	\$ 225	\$ 11
EG - Net income excl. equity method investments	20	44	38	8	110	6
EG Total Net Income	57	104	102	72	335	17
All Other International Segment Income	75	38	14	11	138	33
Total International Segment Income	132	142	116	83	473	50
EG Total Net Income	57	104	102	72	335	17
+Depreciation, Depletion and Amortization	46	54	52	49	201	44
+Tax	20	33	36	31	120	8
+Exploration	1	—	—	1	2	—
+Net interest	—	1	—	—	1	—
EG Net Income before DD&A, Tax, and Exploration (EBITDAX) (a)	\$ 124	\$ 192	\$ 190	\$ 153	\$ 659	\$ 69

	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
Total Company provision (benefit) for income taxes	\$ 168	\$ 44	\$ 103	\$ 16	\$ 331	\$ (147)
Minus: Segment provision (benefit) for income taxes	173	26	32	20	251	(13)
Minus: Provision (benefit) for income taxes related to special items	—	7	76	(13)	70	(7)
Provision (benefit) for income taxes not allocated to segments excluding impacts of special items (a)	\$ (5)	\$ 11	\$ (5)	\$ 9	\$ 10	\$ (127)

	1st Qtr 2018	2nd Qtr 2018	3rd Qtr 2018	4th Qtr 2018	Year 2018	1st Qtr 2019
Consolidated effective tax expense rate	32 %	31%	29%	4%	23 %	(544)%
Adjustments to consolidated effective tax rate:						
Impact of Libyan operations (b)	(30)%	—%	—%	—%	(9)%	— %
Consolidated effective tax expense rate excluding Libya (a) (c)	2 %	31%	29%	4%	14 %	(544)%

(a) Non-GAAP financial measure.

(b) The Company closed on the sale of its Libya subsidiary in first quarter of 2018.

(c) 1Q19 tax rate influenced by \$126MM U.S. benefit from 2010-2011 Federal Tax Audit and \$18MM non-cash deferred tax benefit from U.K. restructuring.