



Marathon Oil Corporation

Second Quarter 2021

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August 4, 2021

Consolidated Statements of Income
Marathon Oil Corporation

<i>(In millions, except per share data)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
REVENUES AND OTHER INCOME:								
Revenues from contracts with customers	\$ 1,024	\$ 490	\$ 761	\$ 822	\$ 3,097	\$ 1,177	\$ 1,254	\$ 2,431
Net gain (loss) on commodity derivatives	202	(70)	(1)	(15)	116	(153)	(166)	(319)
Income (loss) from equity method investments	(12)	(152)	(10)	13	(161)	44	49	93
Net gain (loss) on disposal of assets	9	(2)	1	1	9	—	1	1
Other income	7	6	3	9	25	3	5	8
Total revenues and other income	1,230	272	754	830	3,086	1,071	1,143	2,214
COSTS AND EXPENSES:								
Production	160	129	129	137	555	121	126	247
Shipping, handling and other operating	144	105	183	164	596	152	167	319
Exploration	28	26	27	100	181	21	25	46
Depreciation, depletion and amortization	644	597	554	521	2,316	496	532	1,028
Impairments	97	—	1	46	144	1	46	47
Taxes other than income	66	30	49	55	200	74	74	148
General and administrative	76	88	53	57	274	89	68	157
Total costs and expenses	1,215	975	996	1,080	4,266	954	1,038	1,992
Income (loss) from operations	15	(703)	(242)	(250)	(1,180)	117	105	222
Net interest and other	(64)	(69)	(62)	(61)	(256)	(13)	(59)	(72)
Other net periodic benefit costs (credits)	—	7	(6)	(2)	(1)	3	(1)	2
Loss on early extinguishment of debt	—	—	—	(28)	(28)	—	(19)	(19)
Income (loss) before income taxes	(49)	(765)	(310)	(341)	(1,465)	107	26	133
Estimated income tax provision (benefit)								
Current	(2)	(2)	(6)	18	8	14	13	27
Deferred	(1)	(13)	13	(21)	(22)	(4)	(3)	(7)
Total provision (benefit) for income taxes	(3)	(15)	7	(3)	(14)	10	10	20
NET INCOME (LOSS)	\$ (46)	\$ (750)	\$ (317)	\$ (338)	\$ (1,451)	\$ 97	\$ 16	\$ 113
<i>Effective income tax rate</i>	6 %	2 %	(2)%	1 %	1 %	9 %	38 %	15 %
Per common share data:								
Basic:								
Weighted average shares (millions)	794	789	790	790	792	789	789	790
NET INCOME (LOSS)	\$ (0.06)	\$ (0.95)	\$ (0.40)	\$ (0.43)	\$ (1.83)	\$ 0.12	\$ 0.02	\$ 0.14
Diluted:								
Weighted average shares (millions)	794	789	790	790	792	789	789	791
NET INCOME (LOSS)	\$ (0.06)	\$ (0.95)	\$ (0.40)	\$ (0.43)	\$ (1.83)	\$ 0.12	\$ 0.02	\$ 0.14
Dividends paid per common share	\$ 0.05	\$ —	\$ —	\$ 0.03	\$ 0.08	\$ 0.03	\$ 0.04	\$ 0.07

Consolidated Balance Sheets
Marathon Oil Corporation

<i>(In millions)</i>	Mar. 31 2020	June 30 2020	Sept. 30 2020	Dec. 31 2020	Mar. 31 2021	June 30 2021
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 817	\$ 522	\$ 1,119	\$ 742	\$ 1,125	\$ 970
Receivables less allowance for doubtful accounts	703	620	643	747	921	1,008
Inventories	78	77	77	76	78	78
Derivative assets	193	79	61	23	—	—
Other current assets	118	107	22	24	26	19
Total current assets	1,909	1,405	1,922	1,612	2,150	2,075
Equity method investments	628	476	467	447	460	458
Property, plant and equipment, net	16,903	16,424	16,029	15,638	15,313	15,019
Other noncurrent assets	275	262	245	259	310	248
Total assets	\$ 19,715	\$ 18,567	\$ 18,663	\$ 17,956	\$ 18,233	\$ 17,800
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 1,104	\$ 696	\$ 730	\$ 837	\$ 918	\$ 937
Payroll and benefits payable	68	76	72	57	37	49
Accrued taxes	72	77	45	72	78	95
Other current liabilities	198	216	219	247	366	461
Long-term debt due within one year	—	—	500	—	500	33
Total current liabilities	1,442	1,065	1,566	1,213	1,899	1,575
Long-term debt	5,502	5,503	5,405	5,404	4,905	4,875
Deferred tax liabilities	185	171	184	163	160	156
Defined benefit postretirement plan obligations	172	194	182	180	176	151
Asset retirement obligations	236	242	236	241	251	272
Deferred credits and other liabilities	220	217	198	194	171	137
Total liabilities	7,757	7,392	7,771	7,395	7,562	7,166
TOTAL STOCKHOLDERS' EQUITY	11,958	11,175	10,892	10,561	10,671	10,634
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,715	\$ 18,567	\$ 18,663	\$ 17,956	\$ 18,233	\$ 17,800
Common stock issued	937	937	937	937	937	937
Common stock held in treasury	146	147	147	148	149	148
Net shares outstanding at balance sheet date	791	790	790	789	788	789

Consolidated Statements of Cash Flows (YTD)

Marathon Oil Corporation

	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
	2020	2020	2020	2020	2021	2021
<i>(In millions)</i>						
OPERATING ACTIVITIES:						
Net income (loss)	\$ (46)	\$ (796)	\$ (1,113)	\$ (1,451)	\$ 97	\$ 113
Adjustments to reconcile to net cash provided by operating activities:						
Depreciation, depletion and amortization	644	1,241	1,795	2,316	496	1,028
Impairments	97	97	98	144	1	47
Exploratory dry well costs and unproved property impairments	22	40	63	159	17	39
Net gain on disposal of assets	(9)	(7)	(8)	(9)	—	(1)
Loss on early extinguishment of debt	—	—	—	28	—	19
Deferred income taxes	(1)	(14)	(2)	(22)	(4)	(7)
Unrealized (gain) loss on derivative instruments	(171)	(75)	(39)	27	82	157
Pension and other post retirement benefits, net	(11)	(31)	(35)	(43)	(7)	(14)
Stock-based compensation	15	28	43	57	6	17
Equity method investments, net	28	180	189	210	(14)	(17)
Changes in:						
Current receivables	407	489	467	367	(175)	(253)
Inventories	(6)	(5)	(5)	(4)	(2)	(2)
Current accounts payable and accrued liabilities	(234)	(456)	(478)	(381)	101	121
Other current assets and liabilities	(16)	46	83	75	61	73
All other operating, net	(18)	(27)	(3)	—	(37)	(43)
Net cash provided by operating activities	701	710	1,055	1,473	622	1,277
INVESTING ACTIVITIES:						
Additions to property, plant and equipment	(620)	(946)	(1,090)	(1,343)	(209)	(483)
Additions to other assets	(1)	12	15	15	—	—
Acquisitions, net of cash acquired	—	3	(1)	(1)	—	—
Disposal of assets, net of cash transferred to the buyer	3	9	9	18	3	15
Equity method investments - return of capital	7	7	7	7	—	6
All other investing, net	—	—	—	1	(1)	(1)
Net cash used in investing activities	(611)	(915)	(1,060)	(1,303)	(207)	(463)
FINANCING ACTIVITIES:						
Borrowings	—	—	400	400	—	—
Debt repayments	—	—	—	(500)	—	(500)
Debt extinguishment costs	—	—	—	(27)	—	(19)
Purchases of common stock	(92)	(92)	(92)	(92)	(9)	(9)
Dividends paid	(40)	(40)	(40)	(64)	(23)	(55)
All other financing, net	1	1	(2)	(3)	—	(3)
Net cash provided by (used in) financing activities	(131)	(131)	266	(286)	(32)	(586)
Net increase (decrease) in cash and cash equivalents	(41)	(336)	261	(116)	383	228
Cash and cash equivalents at beginning of period	858	858	858	858	742	742
Cash and cash equivalents at end of period	\$ 817	\$ 522	\$ 1,119	\$ 742	\$ 1,125	\$ 970

Segment Income Summary
Marathon Oil Corporation

<i>(Dollars in millions)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Segment income (loss)								
United States	\$ (20)	\$ (365)	\$ (135)	\$ (33)	\$ (553)	\$ 212	\$ 207	\$ 419
International	(1)	(6)	8	29	30	50	68	118
Segment income (loss)	(21)	(371)	(127)	(4)	(523)	262	275	537
Not allocated to segments - Corporate items:								
Net interest and other	(64)	(69)	(62)	(68)	(263)	(54)	(67)	(121)
Other net periodic benefit costs (credits)	—	7	(6)	(2)	(1)	3	(1)	2
General and administrative	(40)	(40)	(23)	(25)	(128)	(40)	(36)	(76)
Other income and costs	(2)	(8)	4	1	(5)	(5)	—	(5)
Income tax (provision) benefit	2	4	(4)	—	2	—	2	2
Not allocated to segments - Adjustments for special items:								
Net gain (loss) on disposal of assets	9	(2)	1	1	9	—	1	1
Proved property impairments	(2)	—	(1)	(46)	(49)	(1)	(46)	(47)
Exploratory dry well costs, unproved property impairments and other	—	—	(6)	(78)	(84)	—	(7)	(7)
Goodwill impairment	(95)	—	—	—	(95)	—	—	—
Pension settlement	(2)	(14)	(9)	(5)	(30)	—	(5)	(5)
Pension curtailment	—	17	—	—	17	—	—	—
Unrealized gain (loss) on derivative instruments	171	(96)	(36)	(66)	(27)	(82)	(75)	(157)
Unrealized gain on interest rate swaps (a)	—	—	—	12	12	41	8	49
Reduction in workforce (b)	—	(13)	(2)	(2)	(17)	(11)	(1)	(12)
Impairment of equity method investment	—	(152)	(18)	(1)	(171)	—	—	—
Loss on early extinguishment of debt	—	—	—	(28)	(28)	—	(19)	(19)
Other (c)	(2)	(13)	(28)	(27)	(70)	(16)	(13)	(29)
Total special items	79	(273)	(99)	(240)	(533)	(69)	(157)	(226)
Not allocated to segments - Total	(25)	(379)	(190)	(334)	(928)	(165)	(259)	(424)
Net income (loss)	\$ (46)	\$ (750)	\$ (317)	\$ (338)	\$ (1,451)	\$ 97	\$ 16	\$ 113

(a) Included within Net interest and other on our consolidated statements of income.

(b) Included within General and administrative on our consolidated statements of income.

(c) For the first quarter and year ended 2021, balances include \$13 million related to the termination of an aircraft lease agreement, which is included within General and administrative on our consolidated statements of income.

United States Supplemental Financial Data
Marathon Oil Corporation

<i>(In millions, except per BOE statistics)</i>
Revenues from contracts with customers (a)
Net gain (loss) on commodity derivatives
Other income
Less Costs and Expenses:
Production
Shipping, handling and other operating (b)
Exploration
DD&A
Taxes other than income
General and administrative
Income (loss) before taxes
Income tax provision (benefit)
Segment income (loss)
Effective tax rate
Net sales volumes (mboed)

1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020
\$ 970	\$ 462	\$ 722	\$ 770	\$ 2,924
31	26	35	51	143
4	3	1	7	15
143	114	118	119	494
140	91	154	149	534
28	26	21	22	97
617	569	530	495	2,211
66	30	48	49	193
32	32	25	26	115
(21)	(371)	(138)	(32)	(562)
(1)	(6)	(3)	1	(9)
\$ (20)	\$ (365)	\$ (135)	\$ (33)	\$ (553)
5 %	2 %	2 %	(3)%	2 %
338	308	297	280	306

1st Qtr 2021	2nd Qtr 2021	Year 2021
\$ 1,132	\$ 1,189	\$ 2,321
(71)	(91)	(162)
1	3	4
111	113	224
144	153	297
21	18	39
472	506	978
74	76	150
23	27	50
217	208	425
5	1	6
\$ 212	\$ 207	\$ 419
2 %	— %	1 %
275	283	279

Costs and Expenses per BOE (c)
Production
Shipping, handling and other operating (d)
Exploration
DD&A
Taxes other than income
General and administrative

\$ 4.63	\$ 4.09	\$ 4.32	\$ 4.62	\$ 4.42
3.88	2.86	4.63	4.94	4.05
0.91	1.20	0.77	0.84	0.86
20.03	20.28	19.39	19.25	19.76
2.13	1.07	1.77	1.91	1.73
1.04	1.13	0.93	1.01	1.03

\$ 4.46	\$ 4.41	\$ 4.43
5.43	4.81	5.12
0.86	0.69	0.78
19.05	19.65	19.36
2.97	2.98	2.97
0.92	1.04	0.98

- (a) Includes marketing revenue.
- (b) Includes marketing expense.
- (c) Costs and expenses per BOE are based upon volumes sold.
- (d) Excludes marketing expense.

International Supplemental Financial Data
Marathon Oil Corporation

<i>(In millions, except per BOE statistics)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Revenues from contracts with customers	\$ 54	\$ 28	\$ 39	\$ 52	\$ 173	\$ 45	\$ 65	\$ 110
Income (loss) from equity method investments	(12)	—	8	14	10	44	49	93
Other income	2	2	1	2	7	1	2	3
Less Costs and Expenses:								
Production	17	15	11	16	59	10	13	23
Shipping, handling and other operating	3	1	1	3	8	4	2	6
DD&A	21	22	19	20	82	19	18	37
General and administrative	4	3	3	4	14	2	4	6
Income (loss) before taxes	(1)	(11)	14	25	27	55	79	134
Income tax provision (benefit)	—	(5)	6	(4)	(3)	5	11	16
Segment income (loss)	\$ (1)	\$ (6)	\$ 8	\$ 29	\$ 30	\$ 50	\$ 68	\$ 118
Effective tax rate	— %	45 %	43 %	(16)%	(11)%	9 %	14 %	12 %
Net sales volumes (mboed)	81	84	71	73	77	66	65	66
Costs and Expenses per BOE (a)								
Production	\$ 2.35	\$ 1.88	\$ 1.76	\$ 2.49	\$ 2.12	\$ 1.68	\$ 2.17	\$ 1.93
Shipping, handling and other operating	0.43	0.09	0.15	0.51	0.29	0.72	0.34	0.53
DD&A	2.86	2.86	2.89	2.95	2.89	3.09	3.08	3.09
General and administrative	0.53	0.42	0.41	0.57	0.48	0.46	0.46	0.46
Equatorial Guinea								
EG - Income (loss) from equity method investments	\$ (12)	\$ —	\$ 8	\$ 14	\$ 10	\$ 44	\$ 49	\$ 93
EG - Net income (loss) excluding equity method investments	9	(5)	7	12	23	8	16	24
EG Total Net Income (Loss)	\$ (3)	\$ (5)	\$ 15	\$ 26	\$ 33	\$ 52	\$ 65	\$ 117
EG Net Income before DD&A, Tax, and Exploration (EBITDAX) (b)	\$ 34	\$ 22	\$ 48	\$ 59	\$ 163	\$ 94	\$ 118	\$ 212

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

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

Non-GAAP Reconciliations
Marathon Oil Corporation

Marathon Oil Corporation (“Marathon”) supplements its use of GAAP financial measures with non-GAAP financial measures as described on the following pages:

<i>(In millions)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Net income (loss)	\$ (46)	\$ (750)	\$ (317)	\$ (338)	\$ (1,451)	\$ 97	\$ 16	\$ 113
Adjustments for special items (pre-tax):								
Net (gain) loss on disposal of assets	(9)	2	(1)	(1)	(9)	—	(1)	(1)
Proved property impairments	2	—	1	46	49	1	46	47
Exploratory dry well costs, unproved property impairments and other	—	—	6	78	84	—	7	7
Goodwill impairment	95	—	—	—	95	—	—	—
Pension settlement	2	14	9	5	30	—	5	5
Pension curtailment	—	(17)	—	—	(17)	—	—	—
Unrealized (gain) loss on derivative instruments	(171)	96	36	66	27	82	75	157
Unrealized (gain) on interest rate swaps	—	—	—	(12)	(12)	(41)	(8)	(49)
Reduction in workforce	—	13	2	2	17	11	1	12
Impairment of equity method investment	—	152	18	1	171	—	—	—
Loss on early extinguishment of debt	—	—	—	28	28	—	19	19
Other	2	13	28	27	70	16	13	29
Benefit for income taxes related to special items	—	—	(1)	—	(1)	—	—	—
Adjustments for special items	(79)	273	98	240	532	69	157	226
Adjusted net income (loss) (a)	\$ (125)	\$ (477)	\$ (219)	\$ (98)	\$ (919)	\$ 166	\$ 173	\$ 339

<i>(In millions, except per share data)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Per common share data:								
Diluted:								
Weighted average shares (millions)	794	789	790	790	792	789	789	791
Adjusted net income (loss) (a)	\$ (125)	\$ (477)	\$ (219)	\$ (98)	\$ (919)	\$ 166	\$ 173	\$ 339
Adjusted net income (loss) per share (a)	\$ (0.16)	\$ (0.60)	\$ (0.28)	\$ (0.12)	\$ (1.16)	\$ 0.21	\$ 0.22	\$ 0.43

(a) Non-GAAP financial measure.

Our presentation of adjusted net income (loss) and adjusted net income (loss) per share is a non-GAAP measure. Adjusted net income (loss) is defined as net income (loss) adjusted for gains/losses on dispositions, impairments of proved and certain unproved properties, goodwill and equity method investments, unrealized derivative gain/loss on commodity and interest rate derivative instruments, effects of pension settlements and curtailments and other items that could be considered “non-operating” or “non-core” in nature. Management believes this is useful to investors as another tool to meaningfully represent our operating performance and to compare Marathon to certain competitors. Adjusted net income (loss) and adjusted net income (loss) per share should not be considered in isolation or as an alternative to, or more meaningful than, net income (loss) or net income (loss) per share as determined in accordance with U.S. GAAP.

Non-GAAP Reconciliations
Marathon Oil Corporation

<i>(In millions)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Cash additions to Property, Plant, and Equipment	\$ 620	\$ 326	\$ 144	\$ 253	\$ 1,343	\$ 209	\$ 274	\$ 483
Change in working capital associated with PP&E	(52)	(187)	33	14	(192)	(25)	15	(10)
Additions to other assets	1	(13)	(3)	—	(15)	—	—	—
Total Capital Expenditures (a)	\$ 569	\$ 126	\$ 174	\$ 267	\$ 1,136	\$ 184	\$ 289	\$ 473

<i>(In millions)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Free Cash Flow								
Net cash flow provided by operating activities	\$ 701	\$ 9	\$ 345	\$ 418	\$ 1,473	\$ 622	\$ 655	\$ 1,277
Adjustments:								
Changes in working capital	(151)	77	7	10	(57)	15	46	61
Capital expenditures	(569)	(126)	(174)	(267)	(1,136)	(184)	(289)	(473)
EG return of capital and other	1	—	—	—	1	(10)	8	(2)
Free Cash Flow (a)	\$ (18)	\$ (40)	\$ 178	\$ 161	\$ 281	\$ 443	\$ 420	\$ 863

(a) Non-GAAP financial measure.

Our presentation of total capital expenditures is a non-GAAP measure. Total capital expenditures is defined as cash additions to property, plant and equipment adjusted for the change in working capital associated with property, plant and equipment and additions to other assets. Management believes this is useful to investors as an indicator of Marathon's commitment to capital expenditure discipline by eliminating differences caused by the timing of certain working capital and other items. Total capital expenditures should not be considered in isolation or as an alternative to, or more meaningful than, cash additions to property, plant and equipment as determined in accordance with U.S. GAAP.

Our presentation of free cash flow is a non-GAAP measure. Free cash flow before dividend ("free cash flow" is defined as net cash provided by operating activities adjusted for working capital, capital expenditures, and EG return of capital and other. Management believes this is useful to investors as a measure of Marathon's ability to fund its capital expenditure programs, service debt, and other distributions to stockholders. Free cash flow should not be considered in isolation or as an alternative to, or more meaningful than, net cash provided by operating activities as determined in accordance with U.S. GAAP.

Non-GAAP Reconciliations
Marathon Oil Corporation

<i>(In millions)</i>	Mar. 31 2020	June 30 2020	Sept. 30 2020	Dec. 31 2020	Mar. 31 2021	June 30 2021
Cash Flows (QTD)						
Changes in Working Capital						
Current receivables	\$ 407	\$ 82	\$ (22)	\$ (100)	\$ (175)	\$ (78)
Inventories	(6)	1	—	1	(2)	—
Current accounts payable and accrued expenses	(234)	(222)	(22)	97	101	20
Other current assets and liabilities	(16)	62	37	(8)	61	12
Total changes in operating working capital	\$ 151	\$ (77)	\$ (7)	\$ (10)	\$ (15)	\$ (46)
Changes in investing working capital	(52)	(187)	33	14	(25)	15
Total changes in working capital	\$ 99	\$ (264)	\$ 26	\$ 4	\$ (40)	\$ (31)
Net cash provided by operating activities	\$ 701	\$ 9	\$ 345	\$ 418	\$ 622	\$ 655
Total changes in operating working capital	151	(77)	(7)	(10)	(15)	(46)
Net cash provided by operating activities before changes in operating working capital (a)	\$ 550	\$ 86	\$ 352	\$ 428	\$ 637	\$ 701

(a) Non-GAAP financial measure.

Our presentation of net cash provided by operations before changes in operating working capital is a non-GAAP measure. Management believes this is useful to investors as an indicator of Marathon's ability to generate cash quarterly or year-to-date by eliminating differences caused by the timing of certain working capital items. Net cash provided by operations before changes in working capital should not be considered in isolation or as an alternative to, or more meaningful than, net cash provided by operating activities as determined in accordance with U.S. GAAP.

<i>(In millions)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Equatorial Guinea EBITDAX								
EG - Income (loss) from equity method investments	\$ (12)	\$ —	\$ 8	\$ 14	\$ 10	\$ 44	\$ 49	\$ 93
EG - Net income (loss) excluding equity method investments	9	(5)	7	12	23	8	16	24
EG Total Net Income (Loss)	(3)	(5)	15	26	33	52	65	117
Adjustments to EG total net income (loss):								
DD&A	37	30	29	28	124	27	29	56
Tax	—	(3)	4	5	6	15	24	39
EG Net Income before DD&A, Tax, and Exploration (EBITDAX) (a)	\$ 34	\$ 22	\$ 48	\$ 59	\$ 163	\$ 94	\$ 118	\$ 212

(a) Non-GAAP financial measure.

Our presentation of E.G. EBITDAX is a non-GAAP measure. E.G. EBITDAX is defined as E.G. net income (loss) excluding net interest expense, taxes, depreciation, depletion and amortization ("DD&A"), and exploration. Management believes this is useful to investors as a measure of E.G.'s ability to contribute to Marathon's funding for its capital expenditure programs as well as for dividend payments, servicing debt, and other distributions to stockholders. E.G. EBITDAX should not be considered in isolation or as an alternative to, or more meaningful than, E.G. net income (loss), which is a component of our International segment income (loss) as determined in accordance with U.S. GAAP.

Non-GAAP Reconciliations
Marathon Oil Corporation

<i>(In millions)</i>	1st Qtr 2020	2nd Qtr 2020	3rd Qtr 2020	4th Qtr 2020	Year 2020	1st Qtr 2021	2nd Qtr 2021	Year 2021
Net income (loss)	\$ (46)	\$ (750)	\$ (317)	\$ (338)	\$ (1,451)	\$ 97	\$ 16	\$ 113
Adjustments to net income (loss):								
DD&A	644	597	554	521	2,316	496	532	1,028
Tax	(3)	(15)	7	(3)	(14)	10	10	20
Exploration	28	26	27	100	181	21	25	46
Net interest and other	64	69	62	61	256	13	59	72
EBITDAX	687	(73)	333	341	1,288	637	642	1,279
EBITDAX special items adjustments:								
Net (gain) loss on disposal of assets	(9)	2	(1)	(1)	(9)	—	(1)	(1)
Proved property impairments	2	—	1	46	49	1	46	47
Goodwill impairment	95	—	—	—	95	—	—	—
Pension settlement	2	14	9	5	30	—	5	5
Pension curtailment	—	(17)	—	—	(17)	—	—	—
Unrealized (gain) loss on derivative instruments	(171)	96	36	66	27	82	75	157
Reduction in workforce	—	13	2	2	17	11	1	12
Impairment of equity method investment	—	152	18	1	171	—	—	—
Loss on early extinguishment of debt	—	—	—	28	28	—	19	19
Other	2	13	28	16	59	16	13	29
Adjustments for special items	(79)	273	93	163	450	110	158	268
Adjusted EBITDAX (a)	\$ 608	\$ 200	\$ 426	\$ 504	\$ 1,738	\$ 747	\$ 800	\$ 1,547

(a) Non-GAAP financial measure.

Our presentation of Adjusted EBITDAX is a non-GAAP measure. Adjusted EBITDAX is defined as net income (loss) excluding net interest expense, taxes, DD&A, and exploration, further adjusted for gains/losses on dispositions, impairments of proved and certain unproved properties, goodwill and equity method investments, unrealized derivative gain/loss on commodity derivative instruments, effects of pension settlements and curtailments and other items that could be considered “non-operating” or “non-core” in nature. Management believes this provides useful information to investors in evaluating our operating and financial performance because it eliminates the impact of certain items affecting comparability from period to period. Adjusted EBITDAX should not be considered in isolation or as an alternative to, or more meaningful than, net income (loss) as determined in accordance with U.S. GAAP.