



Marathon Oil Corporation

Third Quarter 2021

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November 3, 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 | 3rd Qtr 2021 | Year 2021 |
|--|------------------|------------------|------------------|------------------|-------------------|-----------------|-----------------|-----------------|----------------|
| REVENUES AND OTHER INCOME: | | | | | | | | | |
| Revenues from contracts with customers | \$ 1,024 | \$ 490 | \$ 761 | \$ 822 | \$ 3,097 | \$ 1,177 | \$ 1,254 | \$ 1,438 | \$ 3,869 |
| Net gain (loss) on commodity derivatives | 202 | (70) | (1) | (15) | 116 | (153) | (166) | (79) | (398) |
| Income (loss) from equity method investments | (12) | (152) | (10) | 13 | (161) | 44 | 49 | 86 | 179 |
| Net gain (loss) on disposal of assets | 9 | (2) | 1 | 1 | 9 | — | 1 | 7 | 8 |
| Other income | 7 | 6 | 3 | 9 | 25 | 3 | 5 | 1 | 9 |
| Total revenues and other income | 1,230 | 272 | 754 | 830 | 3,086 | 1,071 | 1,143 | 1,453 | 3,667 |
| COSTS AND EXPENSES: | | | | | | | | | |
| Production | 160 | 129 | 129 | 137 | 555 | 121 | 126 | 131 | 378 |
| Shipping, handling and other operating | 144 | 105 | 183 | 164 | 596 | 152 | 167 | 219 | 538 |
| Exploration | 28 | 26 | 27 | 100 | 181 | 21 | 25 | 63 | 109 |
| Depreciation, depletion and amortization | 644 | 597 | 554 | 521 | 2,316 | 496 | 532 | 522 | 1,550 |
| Impairments | 97 | — | 1 | 46 | 144 | 1 | 46 | 13 | 60 |
| Taxes other than income | 66 | 30 | 49 | 55 | 200 | 74 | 74 | 88 | 236 |
| General and administrative | 76 | 88 | 53 | 57 | 274 | 89 | 68 | 70 | 227 |
| Total costs and expenses | 1,215 | 975 | 996 | 1,080 | 4,266 | 954 | 1,038 | 1,106 | 3,098 |
| Income (loss) from operations | 15 | (703) | (242) | (250) | (1,180) | 117 | 105 | 347 | 569 |
| Net interest and other | (64) | (69) | (62) | (61) | (256) | (13) | (59) | (57) | (129) |
| Other net periodic benefit costs (credits) | — | 7 | (6) | (2) | (1) | 3 | (1) | — | 2 |
| Loss on early extinguishment of debt | — | — | — | (28) | (28) | — | (19) | (102) | (121) |
| Income (loss) before income taxes | (49) | (765) | (310) | (341) | (1,465) | 107 | 26 | 188 | 321 |
| Estimated income tax provision (benefit) | | | | | | | | | |
| Current | (2) | (2) | (6) | 18 | 8 | 14 | 13 | 29 | 56 |
| Deferred | (1) | (13) | 13 | (21) | (22) | (4) | (3) | (25) | (32) |
| Total provision (benefit) for income taxes | (3) | (15) | 7 | (3) | (14) | 10 | 10 | 4 | 24 |
| NET INCOME (LOSS) | \$ (46) | \$ (750) | \$ (317) | \$ (338) | \$ (1,451) | \$ 97 | \$ 16 | \$ 184 | \$ 297 |
| <i>Effective income tax rate</i> | 6 % | 2 % | (2)% | 1 % | 1 % | 9 % | 38 % | 2 % | 7 % |
| Per common share data: | | | | | | | | | |
| Basic: | | | | | | | | | |
| Weighted average shares (millions) | 794 | 789 | 790 | 790 | 792 | 789 | 789 | 789 | 791 |
| NET INCOME (LOSS) | \$ (0.06) | \$ (0.95) | \$ (0.40) | \$ (0.43) | \$ (1.83) | \$ 0.12 | \$ 0.02 | \$ 0.23 | \$ 0.38 |
| Diluted: | | | | | | | | | |
| Weighted average shares (millions) | 794 | 789 | 790 | 790 | 792 | 789 | 789 | 789 | 791 |
| NET INCOME (LOSS) | \$ (0.06) | \$ (0.95) | \$ (0.40) | \$ (0.43) | \$ (1.83) | \$ 0.12 | \$ 0.02 | \$ 0.23 | \$ 0.38 |
| Dividends paid per common share | \$ 0.05 | \$ — | \$ — | \$ 0.03 | \$ 0.08 | \$ 0.03 | \$ 0.04 | \$ 0.05 | \$ 0.12 |

Consolidated Balance Sheets
Marathon Oil Corporation

| <i>(In millions)</i> |
|---|
| ASSETS |
| Current assets: |
| Cash and cash equivalents |
| Receivables less allowance for doubtful accounts |
| Inventories |
| Derivative assets |
| Other current assets |
| Total current assets |
| Equity method investments |
| Property, plant and equipment, net |
| Other noncurrent assets |
| Total assets |
| LIABILITIES |
| Current liabilities: |
| Accounts payable |
| Payroll and benefits payable |
| Accrued taxes |
| Other current liabilities |
| Long-term debt due within one year |
| Total current liabilities |
| Long-term debt |
| Deferred tax liabilities |
| Defined benefit postretirement plan obligations |
| Asset retirement obligations |
| Deferred credits and other liabilities |
| Total liabilities |
| TOTAL STOCKHOLDERS' EQUITY |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY |
| Common stock issued |
| Common stock held in treasury |
| Net shares outstanding at balance sheet date |

| Mar. 31 2020 | June 30 2020 | Sept. 30 2020 | Dec. 31 2020 |
|-----------------|-----------------|------------------|-----------------|
| | | | |
| \$ 817 | \$ 522 | \$ 1,119 | \$ 742 |
| 703 | 620 | 643 | 747 |
| 78 | 77 | 77 | 76 |
| 193 | 79 | 61 | 23 |
| 118 | 107 | 22 | 24 |
| 1,909 | 1,405 | 1,922 | 1,612 |
| 628 | 476 | 467 | 447 |
| 16,903 | 16,424 | 16,029 | 15,638 |
| 275 | 262 | 245 | 259 |
| \$ 19,715 | \$ 18,567 | \$ 18,663 | \$ 17,956 |
| | | | |
| \$ 1,104 | \$ 696 | \$ 730 | \$ 837 |
| 68 | 76 | 72 | 57 |
| 72 | 77 | 45 | 72 |
| 198 | 216 | 219 | 247 |
| — | — | 500 | — |
| 1,442 | 1,065 | 1,566 | 1,213 |
| 5,502 | 5,503 | 5,405 | 5,404 |
| 185 | 171 | 184 | 163 |
| 172 | 194 | 182 | 180 |
| 236 | 242 | 236 | 241 |
| 220 | 217 | 198 | 194 |
| 7,757 | 7,392 | 7,771 | 7,395 |
| 11,958 | 11,175 | 10,892 | 10,561 |
| \$ 19,715 | \$ 18,567 | \$ 18,663 | \$ 17,956 |
| | | | |
| 937 | 937 | 937 | 937 |
| 146 | 147 | 147 | 148 |
| 791 | 790 | 790 | 789 |

| Mar. 31 2021 | June 30 2021 | Sept. 30 2021 |
|-----------------|-----------------|------------------|
| | | |
| \$ 1,125 | \$ 970 | \$ 485 |
| 921 | 1,008 | 1,068 |
| 78 | 78 | 77 |
| — | — | — |
| 26 | 19 | 25 |
| 2,150 | 2,075 | 1,655 |
| 460 | 458 | 489 |
| 15,313 | 15,019 | 14,734 |
| 310 | 248 | 283 |
| \$ 18,233 | \$ 17,800 | \$ 17,161 |
| | | |
| \$ 918 | \$ 937 | \$ 1,028 |
| 37 | 49 | 64 |
| 78 | 95 | 131 |
| 366 | 461 | 417 |
| 500 | 33 | 36 |
| 1,899 | 1,575 | 1,676 |
| 4,905 | 4,875 | 3,977 |
| 160 | 156 | 132 |
| 176 | 151 | 137 |
| 251 | 272 | 286 |
| 171 | 137 | 157 |
| 7,562 | 7,166 | 6,365 |
| 10,671 | 10,634 | 10,796 |
| \$ 18,233 | \$ 17,800 | \$ 17,161 |
| | | |
| 937 | 937 | 937 |
| 149 | 148 | 148 |
| 788 | 789 | 789 |

Consolidated Statements of Cash Flows (YTD)

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 | Sept. 30 2021 |
|--|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|------------------|
| OPERATING ACTIVITIES: | | | | | | | |
| Net income (loss) | \$ (46) | \$ (796) | \$ (1,113) | \$ (1,451) | \$ 97 | \$ 113 | \$ 297 |
| Adjustments to reconcile to net cash provided by operating activities: | | | | | | | |
| Depreciation, depletion and amortization | 644 | 1,241 | 1,795 | 2,316 | 496 | 1,028 | 1,550 |
| Impairments | 97 | 97 | 98 | 144 | 1 | 47 | 60 |
| Exploratory dry well costs and unproved property impairments | 22 | 40 | 63 | 159 | 17 | 39 | 101 |
| Net gain on disposal of assets | (9) | (7) | (8) | (9) | — | (1) | (8) |
| Loss on early extinguishment of debt | — | — | — | 28 | — | 19 | 121 |
| Deferred income taxes | (1) | (14) | (2) | (22) | (4) | (7) | (32) |
| Unrealized (gain) loss on derivative instruments | (171) | (75) | (39) | 27 | 82 | 157 | 130 |
| Pension and other post retirement benefits, net | (11) | (31) | (35) | (43) | (7) | (14) | (25) |
| Stock-based compensation | 15 | 28 | 43 | 57 | 6 | 17 | 29 |
| Equity method investments, net | 28 | 180 | 189 | 210 | (14) | (17) | (57) |
| Changes in: | | | | | | | |
| Current receivables | 407 | 489 | 467 | 367 | (175) | (253) | (313) |
| Inventories | (6) | (5) | (5) | (4) | (2) | (2) | (1) |
| Current accounts payable and accrued liabilities | (234) | (456) | (478) | (381) | 101 | 121 | 228 |
| Other current assets and liabilities | (16) | 46 | 83 | 75 | 61 | 73 | 66 |
| All other operating, net | (18) | (27) | (3) | — | (37) | (43) | (53) |
| Net cash provided by operating activities | 701 | 710 | 1,055 | 1,473 | 622 | 1,277 | 2,093 |
| INVESTING ACTIVITIES: | | | | | | | |
| Additions to property, plant and equipment | (620) | (946) | (1,090) | (1,343) | (209) | (483) | (772) |
| 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 | 29 |
| Equity method investments - return of capital | 7 | 7 | 7 | 7 | — | 6 | 15 |
| All other investing, net | — | — | — | 1 | (1) | (1) | — |
| Net cash used in investing activities | (611) | (915) | (1,060) | (1,303) | (207) | (463) | (728) |
| FINANCING ACTIVITIES: | | | | | | | |
| Borrowings | — | — | 400 | 400 | — | — | — |
| Debt repayments | — | — | — | (500) | — | (500) | (1,400) |
| Debt extinguishment costs | — | — | — | (27) | — | (19) | (117) |
| Purchases of common stock | (92) | (92) | (92) | (92) | (9) | (9) | (10) |
| Dividends paid | (40) | (40) | (40) | (64) | (23) | (55) | (94) |
| All other financing, net | 1 | 1 | (2) | (3) | — | (3) | (1) |
| Net cash provided by (used in) financing activities | (131) | (131) | 266 | (286) | (32) | (586) | (1,622) |
| Net increase (decrease) in cash and cash equivalents | (41) | (336) | 261 | (116) | 383 | 228 | (257) |
| Cash and cash equivalents at beginning of period | 858 | 858 | 858 | 858 | 742 | 742 | 742 |
| Cash and cash equivalents at end of period | \$ 817 | \$ 522 | \$ 1,119 | \$ 742 | \$ 1,125 | \$ 970 | \$ 485 |

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 | 3rd Qtr 2021 | Year 2021 |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|-----------------|-----------------|-----------------|---------------|
| Segment income (loss) | | | | | | | | | |
| United States | \$ (20) | \$ (365) | \$ (135) | \$ (33) | \$ (553) | \$ 212 | \$ 207 | \$ 305 | \$ 724 |
| International | (1) | (6) | 8 | 29 | 30 | 50 | 68 | 93 | 211 |
| Segment income (loss) | (21) | (371) | (127) | (4) | (523) | 262 | 275 | 398 | 935 |
| Not allocated to segments - Corporate items: | | | | | | | | | |
| Net interest and other | (64) | (69) | (62) | (68) | (263) | (54) | (67) | (65) | (186) |
| Other net periodic benefit (costs) credits | 3 | 4 | 3 | 3 | 13 | 3 | 4 | 3 | 10 |
| General and administrative | (40) | (40) | (23) | (25) | (128) | (40) | (36) | (38) | (114) |
| Other income and costs | (5) | (5) | (6) | (4) | (20) | (5) | (5) | (5) | (15) |
| Income tax (provision) benefit | 2 | 4 | (4) | — | 2 | — | 2 | 17 | 19 |
| Not allocated to segments - Adjustments for special items: | | | | | | | | | |
| Net gain (loss) on disposal of assets | 9 | (2) | 1 | 1 | 9 | — | 1 | 7 | 8 |
| Proved property impairments | (2) | — | (1) | (46) | (49) | (1) | (46) | (13) | (60) |
| Exploratory dry well costs, unproved property impairments and other | — | — | (6) | (78) | (84) | — | (7) | (48) | (55) |
| Goodwill impairment | (95) | — | — | — | (95) | — | — | — | — |
| Pension settlement | (2) | (14) | (9) | (5) | (30) | — | (5) | (3) | (8) |
| Pension curtailment | — | 17 | — | — | 17 | — | — | — | — |
| Unrealized gain (loss) on derivative instruments | 171 | (96) | (36) | (66) | (27) | (82) | (75) | 27 | (130) |
| Unrealized gain on interest rate swaps (a) | — | — | — | 12 | 12 | 41 | 8 | 8 | 57 |
| 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) | (102) | (121) |
| Other (c) | (2) | (13) | (28) | (27) | (70) | (16) | (13) | (2) | (31) |
| Benefit for income taxes related to special items | — | — | 1 | — | 1 | — | — | — | — |
| Total special items | 79 | (273) | (98) | (240) | (532) | (69) | (157) | (126) | (352) |
| Not allocated to segments - Total | (25) | (379) | (190) | (334) | (928) | (165) | (259) | (214) | (638) |
| Net income (loss) | \$ (46) | \$ (750) | \$ (317) | \$ (338) | \$ (1,451) | \$ 97 | \$ 16 | \$ 184 | \$ 297 |

(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 Segment Supplemental Financial Data
Marathon Oil Corporation

| <i>(In millions, except per BOE statistics)</i> |
|---|
| Revenues from contracts with customers (a) |
| Net realized 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 | 3rd Qtr 2021 | Year 2021 |
|-----------------|-----------------|-----------------|--------------|
| \$ 1,132 | \$ 1,189 | \$ 1,375 | \$ 3,696 |
| (71) | (91) | (106) | (268) |
| 1 | 3 | — | 4 |
| 111 | 113 | 119 | 343 |
| 144 | 153 | 209 | 506 |
| 21 | 18 | 15 | 54 |
| 472 | 506 | 499 | 1,477 |
| 74 | 76 | 88 | 238 |
| 23 | 27 | 29 | 79 |
| 217 | 208 | 310 | 735 |
| 5 | 1 | 5 | 11 |
| \$ 212 | \$ 207 | \$ 305 | \$ 724 |
| 2 % | — % | 2 % | 1 % |
| 275 | 283 | 281 | 280 |

| 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 | \$ 4.59 | \$ 4.49 |
| 5.43 | 4.81 | 5.69 | 5.31 |
| 0.86 | 0.69 | 0.57 | 0.71 |
| 19.05 | 19.65 | 19.29 | 19.33 |
| 2.97 | 2.98 | 3.37 | 3.11 |
| 0.92 | 1.04 | 1.15 | 1.04 |

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

International Segment 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 | 3rd Qtr 2021 | Year 2021 |
|--|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|-----------------|-----------------|---------------|
| Revenues from contracts with customers | \$ 54 | \$ 28 | \$ 39 | \$ 52 | \$ 173 | \$ 45 | \$ 65 | \$ 63 | \$ 173 |
| Income (loss) from equity method investments | (12) | — | 8 | 14 | 10 | 44 | 49 | 86 | 179 |
| Other income | 2 | 2 | 1 | 2 | 7 | 1 | 2 | — | 3 |
| Less Costs and Expenses: | | | | | | | | | |
| Production | 17 | 15 | 11 | 16 | 59 | 10 | 13 | 12 | 35 |
| Shipping, handling and other operating | 3 | 1 | 1 | 3 | 8 | 4 | 2 | 7 | 13 |
| DD&A | 21 | 22 | 19 | 20 | 82 | 19 | 18 | 17 | 54 |
| General and administrative | 4 | 3 | 3 | 4 | 14 | 2 | 4 | 3 | 9 |
| Income (loss) before taxes | (1) | (11) | 14 | 25 | 27 | 55 | 79 | 110 | 244 |
| Income tax provision (benefit) | — | (5) | 6 | (4) | (3) | 5 | 11 | 17 | 33 |
| Segment income (loss) | \$ (1) | \$ (6) | \$ 8 | \$ 29 | \$ 30 | \$ 50 | \$ 68 | \$ 93 | \$ 211 |
| Effective tax rate | — % | 45 % | 43 % | (16)% | (11)% | 9 % | 14 % | 15 % | 14 % |
| Net sales volumes (mboed) | 81 | 84 | 71 | 73 | 77 | 66 | 65 | 61 | 64 |
| Costs and Expenses per BOE (a) | | | | | | | | | |
| Production | \$ 2.35 | \$ 1.88 | \$ 1.76 | \$ 2.49 | \$ 2.12 | \$ 1.68 | \$ 2.17 | \$ 2.17 | \$ 2.00 |
| Shipping, handling and other operating | 0.43 | 0.09 | 0.15 | 0.51 | 0.29 | 0.72 | 0.34 | 1.23 | 0.75 |
| DD&A | 2.86 | 2.86 | 2.89 | 2.95 | 2.89 | 3.09 | 3.08 | 3.12 | 3.10 |
| General and administrative | 0.53 | 0.42 | 0.41 | 0.57 | 0.48 | 0.46 | 0.46 | 0.60 | 0.51 |
| Equatorial Guinea | | | | | | | | | |
| EG - Income (loss) from equity method investments | \$ (12) | \$ — | \$ 8 | \$ 14 | \$ 10 | \$ 44 | \$ 49 | \$ 86 | \$ 179 |
| EG - Net income (loss) excluding equity method investments | 9 | (5) | 7 | 12 | 23 | 8 | 19 | 8 | 35 |
| EG Total Net Income (Loss) | \$ (3) | \$ (5) | \$ 15 | \$ 26 | \$ 33 | \$ 52 | \$ 68 | \$ 94 | \$ 214 |
| EG Net Income before DD&A, Tax, and Exploration (EBITDAX) (b) | \$ 34 | \$ 22 | \$ 48 | \$ 59 | \$ 163 | \$ 94 | \$ 118 | \$ 155 | \$ 367 |

(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 | 3rd Qtr 2021 | Year 2021 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| Net income (loss) | \$ (46) | \$ (750) | \$ (317) | \$ (338) | \$ (1,451) | \$ 97 | \$ 16 | \$ 184 | \$ 297 |
| Adjustments for special items (pre-tax): | | | | | | | | | |
| Net (gain) loss on disposal of assets | (9) | 2 | (1) | (1) | (9) | — | (1) | (7) | (8) |
| Proved property impairments | 2 | — | 1 | 46 | 49 | 1 | 46 | 13 | 60 |
| Exploratory dry well costs, unproved property impairments and other | — | — | 6 | 78 | 84 | — | 7 | 48 | 55 |
| Goodwill impairment | 95 | — | — | — | 95 | — | — | — | — |
| Pension settlement | 2 | 14 | 9 | 5 | 30 | — | 5 | 3 | 8 |
| Pension curtailment | — | (17) | — | — | (17) | — | — | — | — |
| Unrealized (gain) loss on derivative instruments | (171) | 96 | 36 | 66 | 27 | 82 | 75 | (27) | 130 |
| Unrealized (gain) on interest rate swaps | — | — | — | (12) | (12) | (41) | (8) | (8) | (57) |
| 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 | 102 | 121 |
| Other | 2 | 13 | 28 | 27 | 70 | 16 | 13 | 2 | 31 |
| Benefit for income taxes related to special items | — | — | (1) | — | (1) | — | — | — | — |
| Adjustments for special items | (79) | 273 | 98 | 240 | 532 | 69 | 157 | 126 | 352 |
| Adjusted net income (loss) (a) | \$ (125) | \$ (477) | \$ (219) | \$ (98) | \$ (919) | \$ 166 | \$ 173 | \$ 310 | \$ 649 |

| <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 | 3rd Qtr 2021 | Year 2021 |
|---|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|----------------|
| Per common share data: | | | | | | | | | |
| Diluted: | | | | | | | | | |
| Weighted average shares (millions) | 794 | 789 | 790 | 790 | 792 | 789 | 789 | 789 | 791 |
| Adjusted net income (loss) (a) | \$ (125) | \$ (477) | \$ (219) | \$ (98) | \$ (919) | \$ 166 | \$ 173 | \$ 310 | \$ 649 |
| Adjusted net income (loss) per share (a) | \$ (0.16) | \$ (0.60) | \$ (0.28) | \$ (0.12) | \$ (1.16) | \$ 0.21 | \$ 0.22 | \$ 0.39 | \$ 0.82 |

(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 | 3rd Qtr 2021 | Year 2021 |
|--|---------------|---------------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|
| Cash additions to Property, Plant, and Equipment | \$ 620 | \$ 326 | \$ 144 | \$ 253 | \$ 1,343 | \$ 209 | \$ 274 | \$ 289 | \$ 772 |
| Change in working capital associated with PP&E | (52) | (187) | 33 | 14 | (192) | (25) | 15 | 19 | 9 |
| Additions to other assets | 1 | (13) | (3) | — | (15) | — | — | — | — |
| Total Capital Expenditures (a) | \$ 569 | \$ 126 | \$ 174 | \$ 267 | \$ 1,136 | \$ 184 | \$ 289 | \$ 308 | \$ 781 |

| <i>(In millions)</i> | 1st Qtr 2020 | 2nd Qtr 2020 | 3rd Qtr 2020 | 4th Qtr 2020 | Year 2020 | 1st Qtr 2021 | 2nd Qtr 2021 | 3rd Qtr 2021 | Year 2021 |
|--|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Free Cash Flow | | | | | | | | | |
| Net cash flow provided by operating activities | \$ 701 | \$ 9 | \$ 345 | \$ 418 | \$ 1,473 | \$ 622 | \$ 655 | \$ 816 | \$ 2,093 |
| Adjustments: | | | | | | | | | |
| Changes in working capital | (151) | 77 | 7 | 10 | (57) | 15 | 46 | (41) | 20 |
| Capital expenditures | (569) | (126) | (174) | (267) | (1,136) | (184) | (289) | (308) | (781) |
| EG return of capital and other | 1 | — | — | — | 1 | (10) | 8 | 11 | 9 |
| Free Cash Flow (a) | \$ (18) | \$ (40) | \$ 178 | \$ 161 | \$ 281 | \$ 443 | \$ 420 | \$ 478 | \$ 1,341 |

(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 | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 | Sept. 30 |
|--|---------------|-----------------|---------------|----------------|----------------|----------------|---------------|
| <i>Cash Flows (QTD)</i> | 2020 | 2020 | 2020 | 2020 | 2021 | 2021 | 2021 |
| Changes in Working Capital | | | | | | | |
| Current receivables | \$ 407 | \$ 82 | \$ (22) | \$ (100) | \$ (175) | \$ (78) | \$ (60) |
| Inventories | (6) | 1 | — | 1 | (2) | — | 1 |
| Current accounts payable and accrued expenses | (234) | (222) | (22) | 97 | 101 | 20 | 107 |
| Other current assets and liabilities | (16) | 62 | 37 | (8) | 61 | 12 | (7) |
| Total changes in operating working capital | \$ 151 | \$ (77) | \$ (7) | \$ (10) | \$ (15) | \$ (46) | \$ 41 |
| Changes in investing working capital | (52) | (187) | 33 | 14 | (25) | 15 | 19 |
| Total changes in working capital | \$ 99 | \$ (264) | \$ 26 | \$ 4 | \$ (40) | \$ (31) | \$ 60 |
| Net cash provided by operating activities | \$ 701 | \$ 9 | \$ 345 | \$ 418 | \$ 622 | \$ 655 | \$ 816 |
| Total changes in operating working capital | 151 | (77) | (7) | (10) | (15) | (46) | 41 |
| Net cash provided by operating activities before changes in operating working capital (a) | \$ 550 | \$ 86 | \$ 352 | \$ 428 | \$ 637 | \$ 701 | \$ 775 |

(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 | 2nd Qtr | 3rd Qtr | 4th Qtr | Year | 1st Qtr | 2nd Qtr | 3rd Qtr | Year |
|--|--------------|--------------|--------------|--------------|---------------|--------------|---------------|---------------|---------------|
| | 2020 | 2020 | 2020 | 2020 | 2020 | 2021 | 2021 | 2021 | 2021 |
| Equatorial Guinea EBITDAX | | | | | | | | | |
| EG - Income (loss) from equity method investments (a) | \$ (12) | \$ — | \$ 8 | \$ 14 | \$ 10 | \$ 44 | \$ 49 | \$ 86 | \$ 179 |
| EG - Net income (loss) excluding equity method investments | 9 | (5) | 7 | 12 | 23 | 8 | 19 | 8 | 35 |
| EG Total Net Income (Loss) | (3) | (5) | 15 | 26 | 33 | 52 | 68 | 94 | 214 |
| Adjustments to EG total net income (loss): | | | | | | | | | |
| DD&A | 37 | 30 | 29 | 28 | 124 | 27 | 28 | 28 | 83 |
| Tax | — | (3) | 4 | 5 | 6 | 15 | 22 | 33 | 70 |
| EG Net Income before DD&A, Tax, and Exploration (EBITDAX) (b) | \$ 34 | \$ 22 | \$ 48 | \$ 59 | \$ 163 | \$ 94 | \$ 118 | \$ 155 | \$ 367 |

(a) Excludes impairments of our investment in equity method investments, which are presented in the not allocated to segments column of the segment footnote within our 10-Q.

(b) 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 | 3rd Qtr 2021 | Year 2021 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net income (loss) | \$ (46) | \$ (750) | \$ (317) | \$ (338) | \$ (1,451) | \$ 97 | \$ 16 | \$ 184 | \$ 297 |
| Adjustments to net income (loss): | | | | | | | | | |
| DD&A | 644 | 597 | 554 | 521 | 2,316 | 496 | 532 | 522 | 1,550 |
| Tax | (3) | (15) | 7 | (3) | (14) | 10 | 10 | 4 | 24 |
| Exploration | 28 | 26 | 27 | 100 | 181 | 21 | 25 | 63 | 109 |
| Net interest and other | 64 | 69 | 62 | 61 | 256 | 13 | 59 | 57 | 129 |
| EBITDAX | 687 | (73) | 333 | 341 | 1,288 | 637 | 642 | 830 | 2,109 |
| EBITDAX special items adjustments: | | | | | | | | | |
| Net (gain) loss on disposal of assets | (9) | 2 | (1) | (1) | (9) | — | (1) | (7) | (8) |
| Proved property impairments | 2 | — | 1 | 46 | 49 | 1 | 46 | 13 | 60 |
| Goodwill impairment | 95 | — | — | — | 95 | — | — | — | — |
| Pension settlement | 2 | 14 | 9 | 5 | 30 | — | 5 | 3 | 8 |
| Pension curtailment | — | (17) | — | — | (17) | — | — | — | — |
| Unrealized (gain) loss on derivative instruments | (171) | 96 | 36 | 66 | 27 | 82 | 75 | (27) | 130 |
| 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 | 102 | 121 |
| Other | 2 | 13 | 28 | 16 | 59 | 16 | 13 | 3 | 32 |
| Adjustments for special items | (79) | 273 | 93 | 163 | 450 | 110 | 158 | 87 | 355 |
| Adjusted EBITDAX (a) | \$ 608 | \$ 200 | \$ 426 | \$ 504 | \$ 1,738 | \$ 747 | \$ 800 | \$ 917 | \$ 2,464 |

(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.