

3Q 2009 EARNINGS CONFERENCE CALL REMARKS

Howard J. Thill
Vice President, Investor Relations and Public Affairs

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Welcome to Marathon Oil Corporation's third quarter 2009 earnings Web cast and conference call. The synchronized slides that accompany this call can be found on our website, Marathon.com.

On the call today are Janet Clark, executive vice president and CFO, Gary Heminger, executive vice president downstream, and Garry Peiffer, senior vice president of finance and commercial services downstream.

Slide 2 contains a discussion of forward-looking statements and other information included in this presentation. Our remarks and answers to questions today will contain forward-looking statements subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.

In accordance with 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, 2008, and subsequent Forms 10-Q and 8-K, cautionary language identifying important factors, but not necessarily all factors, that could cause future outcomes to differ materially from those set forth in the forward-looking statements.

Please note that in the appendix to this presentation there is a reconciliation of quarterly net income to adjusted net income for 2008 and the first three quarters of 2009, preliminary balance sheet information, fourth quarter and full-year 2009 operating estimates and other data that you may find useful.

Slide 3 provides net income and adjusted net income data both on an absolute and per share basis. Our third quarter 2009 adjusted net income of \$436 million reflects a 74 percent increase from the second quarter of 2009 and a 78 percent decrease from the third quarter of 2008.

The increase from the second quarter was largely driven by the improvement in liquids prices and lower E&P expenses, which more than offset a decrease in E&P sales volumes.

The decrease from the third quarter of 2008 reflects income declines across all segments, the largest of which was in our downstream operations as a result of lower refining and wholesale marketing gross margins.

Slide 4 steps through the changes from the second quarter 2009 adjusted net income of \$251 million to the \$436 million earned in the third quarter. As shown in the waterfall chart, pre-tax income increased for all segments. Please note that the activities of our Irish and Gabon operations are reported as discontinued operations and have been excluded from E&P results for all periods.

As shown on slide 5, we had a 136% quarter-to-quarter increase in E&P segment income, growing from \$208 million in the second quarter to \$491 million in the third quarter. Higher crude oil prices, together with decreases in DD&A and other costs, more than offset the impact of the lower liftings in the third quarter. Additionally during the third quarter, we began to credit certain foreign taxes that were previously deducted. Partially offsetting this positive effect was a valuation allowance recorded on certain deferred tax assets that we do not expect to realize. These items contributed to the 38% E&P effective tax rate for the third quarter.

Slide 6 shows our historical E&P realizations and highlights the \$4.08 per BOE increase in our average realizations, which moved from \$39.97 per BOE in the second quarter to \$44.05 per BOE in the third quarter, driven by an \$8.24 per barrel increase in liquids realizations, while natural gas realizations remained relatively flat quarter to quarter.

Moving to slide 7, production volumes sold in the third quarter decreased 14% from the second quarter, to 366,000 BOE per day as a result of the overlifts we discussed in the second quarter compared to third quarter underlifts in Europe and Libya and increased natural gas storage in Alaska. Property dispositions also contributed to the decline. Third quarter production available-for-sale decreased 3% from the second quarter to 393,000 BOE per day, primarily a result of the planned EG turnaround, as well as property dispositions during the quarter, but increased 5% compared to last year's third quarter.

Slide 8 shows the trend over the last seven quarters for field level controllable costs and exploration expenses per BOE. While exploration expenses were flat on a per BOE basis during the third quarter, field level controllable costs per BOE decreased 9% from the second quarter. This decrease was primarily driven by lower liftings in the UK, as well as in Norway, and the resulting change in sales volume mix compared to the second quarter.

We have continued to focus on controlling costs and as a result, we achieved a 10% reduction in operating costs per BOE for the first nine months of 2009 compared to the same period in 2008, excluding production taxes and DD&A.

Turning to Slide 9, third quarter E&P segment income was \$14.56 per BOE, a 172% increase compared to the second quarter of 2009, again primarily due to the higher liquids realizations, lower costs and lower income taxes. Total E&P expenses per BOE decreased 7% from the second quarter, driven primarily by lower domestic DD&A, mainly for Neptune, and lower field level controllable costs due to the previously discussed change in sales volume mix. Also as discussed last quarter, the second quarter included certain expenses that did not recur in the third quarter.

Turning to Slide 10 and Oil Sands Mining, segment income for the third quarter was \$25 million, compared to \$2 million in the second quarter of 2009. This improvement was primarily driven by a \$7.06 per barrel increase in our synthetic crude oil price realizations, increased sales volumes and lower DD&A, partially offset by higher costs primarily related to blendstocks and planned maintenance during the third quarter.

Net bitumen production for the quarter was 27,000 barrels per day and net synthetic crude oil sales volumes amounted to 33,000 barrels per day.

Moving to our Downstream business, as noted on Slide 11, third quarter 2009 segment income was \$158 million, compared to \$771 million in the same quarter last year. Because of the seasonality of the downstream business, I will compare third quarter results against the same quarter in 2008.

The year-over-year decline was primarily a result of an almost \$900 million decrease in our refining and wholesale marketing gross margin, which was consistent with the decreases in crack spreads in our markets and the narrowing of the sweet/sour differential over the same period. SSA's margins declined slightly, primarily as a result of lower gasoline and distillate margins; however our same-store gasoline sales volumes increased 3% and our same-store merchandise sales increased 12% compared to the third quarter of last year. The reduction in all other items was primarily the result of the disposition of our 50 percent interest in Pilot Travel Centers in October 2008.

Despite the decline in segment income, Marathon's refining and marketing operations once again out-performed our peers in the domestic market. We've also been focused on controlling downstream costs, achieving operating cost reductions of approximately 9% for the first nine months of 2009 compared to the same period in 2008, excluding changes in crude oil and refined product purchases, depreciation, energy prices and other variable expenses.

As shown on Slide 12, total refinery throughputs for the quarter of 1,190,000 barrels per day were up 4% compared to third quarter 2008 throughputs.

Turning to Slide 13 and Integrated Gas, segment income was flat at \$13 million compared to the second quarter 2009.

Slide 14 provides an analysis of preliminary cash flows for the first nine months of 2009. Operating cash flow from continuing operations before changes in our working capital was slightly over \$3.5 billion. Our cash balance was reduced by working capital changes from continuing operations of \$683 million. Year-to-date, capital expenditures have been \$4.4 billion and dividends paid totaled \$510 million, while asset disposals generated proceeds of \$573 million.

Through the third quarter, we have spent \$4.6 billion against the total projected 2009 capital, investment and exploration spending of approximately \$6 billion. With respect to project costs for the Garyville Major Expansion, we now expect this project to cost between \$3.8 and \$3.9 billion primarily due to adverse weather conditions affecting construction productivity during the third quarter. As of the end of October, the project is approximately 98% complete and remains on schedule for a fourth quarter start-up. It is important to note that we plan an extended turnaround at the base plant early next year and therefore we expect the entire facility, including both the base refinery and the expansion, to reach full capacity by the second quarter of 2010.

As shown on slide 15, at the end of the third quarter of 2009, our cash-adjusted debt-to-total capital ratio remained 25%. As a reminder, the net debt-to-capital ratio includes about \$470 million of debt serviced by U.S. Steel.

Also shown on slide 15, we expect the overall corporate effective income tax rate from continuing operations to be between 54 and 59% for the full year 2009, excluding special items and the effect of foreign currency remeasurement of our tax balances. For the third quarter, our income tax provision included a \$114 million foreign currency remeasurement loss, which by definition is an after-tax number. This loss, together with the tax items that we previously discussed in the E&P segment, basically offset in our third quarter consolidated tax provision.

Before we open the call to questions, I'd like to remind you of our analyst meeting to be held in New York on Thursday, November 19. If you wish to attend but have not yet responded, please call Bonnie Chisum at 713-296-4171 to register.

To accommodate all who wish to ask questions, we ask that you limit yourself to two questions. You may re-prompt as time permits. With that we will now open the call to questions.