COMPANY PROFILE
Marathon Oil Corporation
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COMPANY OVERVIEW

Marathon Oil Corporation (Marathon or the company) is an independent international energy company engaged in oil and gas exploration and production, oil sands mining, and natural gas liquefaction and degasification operations and methanol production operations. The company operates in the US, Angola, Canada, Equatorial Guinea, Indonesia, the Iraqi Kurdistan Region, Libya, Norway, and the UK. It is headquartered in Houston, Texas and employed 3,359 people as on December 31, 2013.

The company recorded revenues of $14,959 million during the financial year ended December 2013 (FY2013), a decrease of 7.8% compared to FY2012. The operating profit of the company was $9,755 million during FY2013, a decrease of 1.2% compared to FY2012. The net profit was $1,753 million in FY2013, an increase of 10.8% over FY2012.

KEY FACTS

| Head Office       | Marathon Oil Corporation  
|                   | 5555 San Felipe Road  
|                   | Houston  
|                   | Texas 77056 2723  
|                   | USA  
| Phone             | 1 713 629 6600  
| Fax               |               
| Web Address       | http://www.marathonoil.com  
| Revenue / turnover | 14,959.0  
| (USD Mn)          |               
| Financial Year End| December  
| Employees         | 3,359  
| New York Ticker   | MRO  

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SWOT ANALYSIS

Marathon is engaged in the exploration and production of oil and gas. Marathon operates through a strong portfolio of assets worldwide across the oil and gas upstream business, which provides it with a competitive edge. Intense competition, however, threatens to erode the market share of the company.

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**Strengths**

Strong portfolio of assets

The company has a strong portfolio of assets which are at various stages in their lifecycle: base, growth, or exploration. It has a stable group of base assets, which include assets belonging to the oil sands mining and integrated gas operating segments; and exploration and production assets in Norway, Equatorial Guinea, Libya, the UK, and the US. These assets generate much of the cash that will be available for investment in Marathon’s growth assets and exploration projects. Growth assets are expected to make significant investment in order to realize oil and gas production and increased reserve.

Marathon’s stable, oil-focused base assets around the world are the foundation for its production, as well as generating profit and free cash flow. The company's major areas of liquid hydrocarbon production are in: offshore Norway and the UK; Equatorial Guinea; the US Gulf of Mexico; onshore conventional plays in Wyoming, Oklahoma, and Texas; and the Athabasca Oil Sands Project (AOSP) in Canada. Marathon's primary base of natural gas assets is located in Equatorial Guinea and the UK, as well as Alaska, Wyoming, Oklahoma, Texas, the Gulf of Mexico, Colorado, and Louisiana.

In addition, Marathon is driving profitable production growth by developing strategic growth assets in the US unconventional liquids rich plays, the Gulf of Mexico, the Iraqi Kurdistan Region, and deepwater Angola. The company has also significantly increased its holdings in the US liquids rich
Marathon holds a strong portfolio of shale assets. The company has approximately 211,000 net acres in the Eagle Ford in south Texas and 655 gross (493 net) operated producing wells in the Eagle Ford, Austin Chalk, and Pearsall formations. For FY2013, Eagle Ford average net sales were 81 thousand barrels of oil equivalent per day (mboed), composed of 51 thousand barrels per day (mbbld) of crude oil and condensate, 14 mbbl of NGLs, and 94 million cubic feet per day (mmcfd) of natural gas. In FY2013, the company was able to transport approximately 70% of its Eagle Ford production by pipeline.

In addition to this, Marathon holds approximately 370,000 net acres in the Bakken shale oil play in North Dakota and eastern Montana. Similarly, the company holds 209,000 net acres in unconventional Oklahoma resource basins, namely the Anadarko Woodford shale (including the SCOOP), the Southern Mississippi Trend, and the Granite Wash, of which approximately 147,000 net acres are held by production.

Marathon's strong shale play position provides the company with low-risk, scalable, and profitable assets, which delivers immediate production and reserve additions resulting in strong economic returns and profitability.

Weaknesses

Concentration of operations in the US, particularly the Gulf of Mexico

For FY2013, Marathon generated 47% of its revenues from the US market. The company operates in the US, Angola, Canada, Equatorial Guinea, Indonesia, the Iraqi Kurdistan Region, Libya, Norway, and the UK, but major part of its operations are concentrated in the US. The concentration of operations in the US increases the company's exposure to local factors, such as natural disasters, threat of terrorism, severe weather conditions, and labor strikes.

Moreover, the Gulf of Mexico continues to be a core area of the US operations of Marathon with over 18 prospects. At year-end 2013, the company held material interests in 11 producing fields in the Gulf of Mexico, four of which are company-operated. However, the Deepwater Horizon oil spill in the Gulf of Mexico has increased technological challenges and operating risks, primarily associated with the marine environment, in the region. As evident from the Deepwater Horizon oil spill,
environmental remediation and other costs resulting from oil spills or releases of hazardous materials may result in substantial liabilities and could materially and adversely affect a company’s business, financial condition, and results of operations.

Hence, the limitation of Marathon’s operations in terms of geography increases its business risks and could have a negative impact on its growth potential.

Partnership arrangements

Marathon enters into arrangements to conduct certain business operations, such as oil and gas exploration and production, oil sands mining, or pipeline transportation, with partners in order to share risks associated with those operations. These arrangements may decrease its ability to manage risks and costs, particularly where the company is not the operator. This limits Marathon’s control on the performance of these operations. This can impact its operational performance and financial position.

Opportunities

Strategic divestitures

The company, in FY2013, divested some of its non-core assets. For instance, in February 2013, Marathon sold its 34% stake in Louisiana's Neptune Gas Processing Plant to the investment arm of South Korean gas distributor Samchully Group. In June 2014, Marathon announced that it has entered into a definitive agreement with Det norske oljeselskap (Det norske) under which Det norske will purchase Marathon’s wholly-owned subsidiary, Marathon Oil Norge, for a total transaction value of $2.7 billion.

Divesting non-core assets gives a chance to the company to focus on the development of its core assets. Develop the core assets e strong operation for the company and also gives a chance of expansion of operation in different geographies.

Project expansions

In recent years, Marathon has gradually expanded the volume of its projects. The company’s expansion strategy is based on three key elements; acquisition; development of unexplored assets; and successful drilling of wells. In accordance with its strategy, the company, in September 2013, announced the acquisition of approximately 4,800 net acres in the core of its south Texas Eagle Ford position. Later in October 2013, Marathon and its partners received approval from the Kurdistan Regional Government for the first phase in the oil development of the Atrush block in the Kurdistan Region of Iraq. Further around the same time, the company’s Mirawa-1 exploration well discovered multiple stacked oil and natural gas producing zones on the company's operated Harir Block in the Kurdistan Region of Iraq.
The company, by these expansions, could spread its operations in various geographies. These expansions would also enhance Marathon’s capacity to finance profitable growth initiatives in the future.

Threats

Intense competition

The company faces intense competition in all sectors of the oil and gas industry. It also faces competition in the exploration for and development of new reserves. It competes with major integrated and independent oil and gas companies, as well as national oil companies. Many of its competitors have financial and other resources greater than those available with the company. Some of its competitors include Anadarko Petroleum Corporation, BG Group, Chevron Corporation, ConocoPhillips, Exxon Mobil Corporation, and Royal Dutch Shell, among others.

Marathon also competes with other producers of synthetic and conventional crude oil for the sale of its synthetic crude oil to refineries in North America. Intense competition threatens to erode the market share of the company.

Environment regulation

The company is bound to several environmental regulations, compliance to which incurs additional cost to the company. For instance, in August 2012, the US Environmental Protection Agency (EPA) published the final New Source Performance Standards (NSPS) and National Emissions Standards for Hazardous Air Pollutants (NESHAP) that amended existing NSPS and NESHAP standards for oil and gas facilities as well as created a new NSPS for oil and gas production, transmission, and distribution facilities. These rules, which were updated in August 2013, have been challenged, and negotiations with the US EPA over proposed changes to the rules continue. Compliance with these new rules will result in an increase in the costs of control equipment and labor and require additional notification, monitoring, reporting, and recordkeeping for some of Marathon’s facilities.

Risk related to offshore operations

Offshore exploration and development operations present technological challenges and operating risks because of the marine environment. Activities in deepwater areas may pose incrementally greater risks because of water depths that limit intervention capability and the physical distance to oilfield service infrastructure and service providers. Environmental remediation and other costs resulting from spills or releases may result in substantial liabilities. This may also result in ceasing some of the company’s operations that may be considered as harmful for aquatic or marine environment.

Marathon may incur extended operational cost in the remediation of such processes or in winding up the operation.