

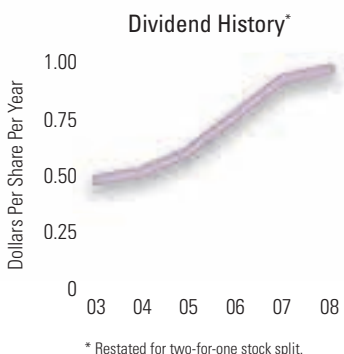
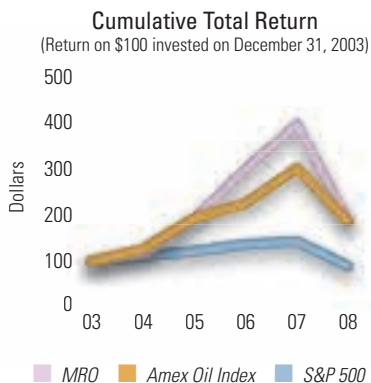
Dear Fellow Shareholders:

2008 was a year of unprecedented volatility in the crude oil and natural gas markets, and dramatic change in the global economy. Yet despite this uncertainty and volatility, Marathon continued to deliver on our long-term strategic commitments, with solid performance across each of our business segments.

**Financial Responsibility is at the Core of Every Decision, Initiative and Action**

Regardless of market conditions, creating and delivering shareholder value remains paramount. No drop in stock price is ever welcome, and while our share price decreased approximately 55 percent during 2008, Marathon remains in a solid financial position with substantial defined growth opportunities ahead. In 2008, we:

- Maintained our track record of paying a competitive dividend and returned excess cash to shareholders through our stock repurchase program.
- Ended the year with a cash-adjusted debt-to-capital ratio of 22 percent and \$4.3 billion in liquidity, comprised of a \$1.3 billion cash balance and \$3 billion in available credit facility capacity.
- Continued our ongoing asset review program, including the announced sale of \$1.3 billion in non-core assets, which will enhance financial flexibility.
- Exercised financial discipline to sustain operations and fund future growth programs amid volatile price environments.
- Placed eighth in total shareholder return among the 13 companies in the Amex Oil Index for the three-year period ended December 2008.



**A Robust Capital, Investment and Exploration Program**

Marathon’s \$7.6 billion capital, investment and exploration (CAPEX) program in 2008 — a 58 percent increase from 2007 — funded our base business, as well as key growth projects. Among these were significant Upstream investments, including new developments in Norway, the Gulf of Mexico, onshore U.S. and Angola, and the long-life Athabasca Oil Sands Project in Canada. CAPEX in 2008 also funded the expansion of our world-class Garyville, Louisiana, refinery. When completed in late 2009, this project will add much-needed U.S. refining capacity to meet future demand growth.

We announced a \$5.7 billion CAPEX budget for 2009, which represents a 24 percent decrease from 2008. This CAPEX program demonstrates a balanced approach that will maintain solid production performance, enhance our strong Downstream business, and provide necessary capital investments in profitable mid- and long-term growth projects. Our balanced approach to investing is designed to maintain our solid financial position, deliver a competitive dividend and enhance shareholder value.

**Significant Achievements and Developments**

Across all our operations, high standards of safety and environmental performance are the foundation for our success. Our performance in 2008 demonstrated the real improvements and progress we are making in both these areas.

Marathon’s Upstream business is strong in terms of our total resource base and reserve potential, and a clear, well-defined production growth profile. We also have a high quality portfolio of exploration and other growth opportunities.

The Alvhheim development and the Vilje tie-back offshore Norway achieved first production in mid-2008. With several surrounding prospects potentially available for tie-back, the Alvhheim facility will provide sustained production capacity for many years and will add significantly to Marathon’s profitability. In the deepwater Gulf of Mexico, Marathon’s Neptune development achieved first production of oil and natural gas in July.

Marathon announced three new developments in 2008 — the Droszky and Ozona developments in the Gulf of Mexico and the PSVM development in Angola, which is the first of several anticipated developments on Blocks 31 and 32 — that will allow us to continue to grow our production through 2012 and beyond.

Our exploration program positions the Company for long-term success. In 2008, Marathon announced two additional discoveries in Angola and one in the Gulf of Mexico, and we continue to progress our exploration plans in those areas as well as Norway and Indonesia.

The Integrated Gas business contributed meaningfully to our 2008 growth as we benefited from the first full year of operations at the Equatorial Guinea liquefied natural gas plant, which operated at 92 percent of capacity.

In the Downstream segment, our Garyville expansion reached approximately 75 percent completion at year-end and is on target for completion by the end of 2009. Marathon also began construction on the Detroit heavy oil upgrading project mid-year 2008. These projects illustrate strategic investments we are making across our Downstream business to increase coking capacity, lower feedstock costs, enhance efficiency and heighten flexibility as the Company seeks to provide competitive returns in a challenging downstream environment.

As part of Marathon's commitment to enhance shareholder value, the Company evaluated a potential separation of Marathon into two publicly traded companies — with one entity focused on exploration and production, integrated gas and oil sands mining, and the other on refining, marketing and transportation. The global financial crisis and significant swings in commodity prices served to demonstrate the value of scale and financial diversity. In February 2009, we announced the conclusion of the study and the decision that it is in the best interests of shareholders for Marathon to remain a fully integrated energy company.

### Board and Management Changes

In April, we welcomed Gregory H. Boyce, chairman and CEO of publicly traded Peabody Energy Corporation, to Marathon's Board of Directors. Just after the fiscal year-end, Michael E. J. Phelps, founder and chairman of privately held Dornoch Capital, Inc., joined the Board. Marathon also made several organizational changes and additions to our senior management team to better align the Company's organizational structure with the business portfolio and create maximum value in each business segment.

### Positioned for Success amid Uncertainty

We remain steadfast in our commitment to our corporate values, which guide how we make business decisions; the way we treat our employees, customers and partners; and the care we take in communities where we operate. These values are the backbone of our Company and we will not waver from them.

With financial and operational strength on our side, Marathon is poised to provide shareholders with long-term sustainable value growth. This year and beyond, Marathon will set our priorities around financial discipline, funding value-accretive growth projects that yield solid rates of return, optimizing our portfolio, controlling costs, maintaining financial flexibility and paying competitive dividends.

Along with our 30,000 Marathon employees around the world, we offer our appreciation for your continued confidence and support.

Respectfully,

Thomas J. Usher  
Chairman

Clarence P. Cazalot Jr.  
President and Chief Executive Officer



**Clarence P. Cazalot Jr.**  
President and  
Chief Executive Officer



**Thomas J. Usher**  
Chairman of the Board