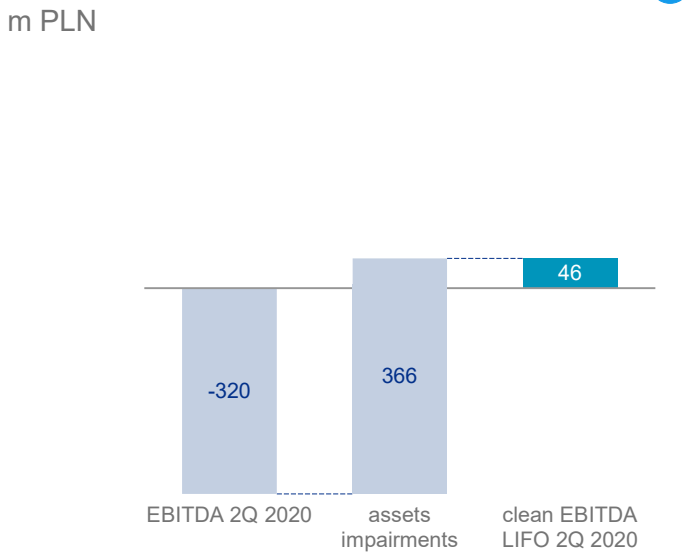
Estimates of LOTOS Group's Q2 2020 consolidated operating results

Current report attachment no 22/2020

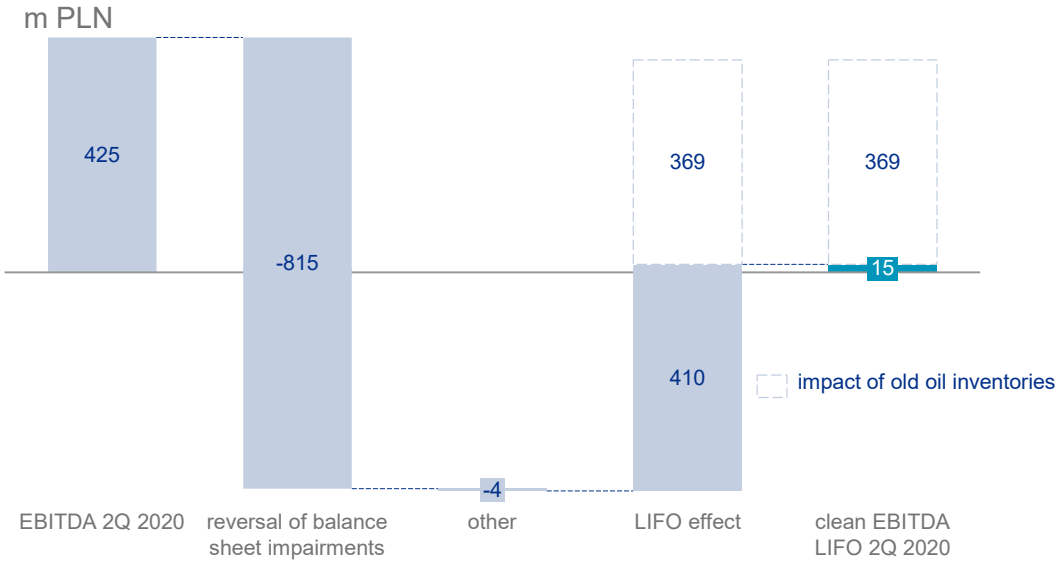
24 July 2020

Impact of balance sheet impairments reversal, assets impairments, LIFO effect and effect of old oil inventories for LIFO result

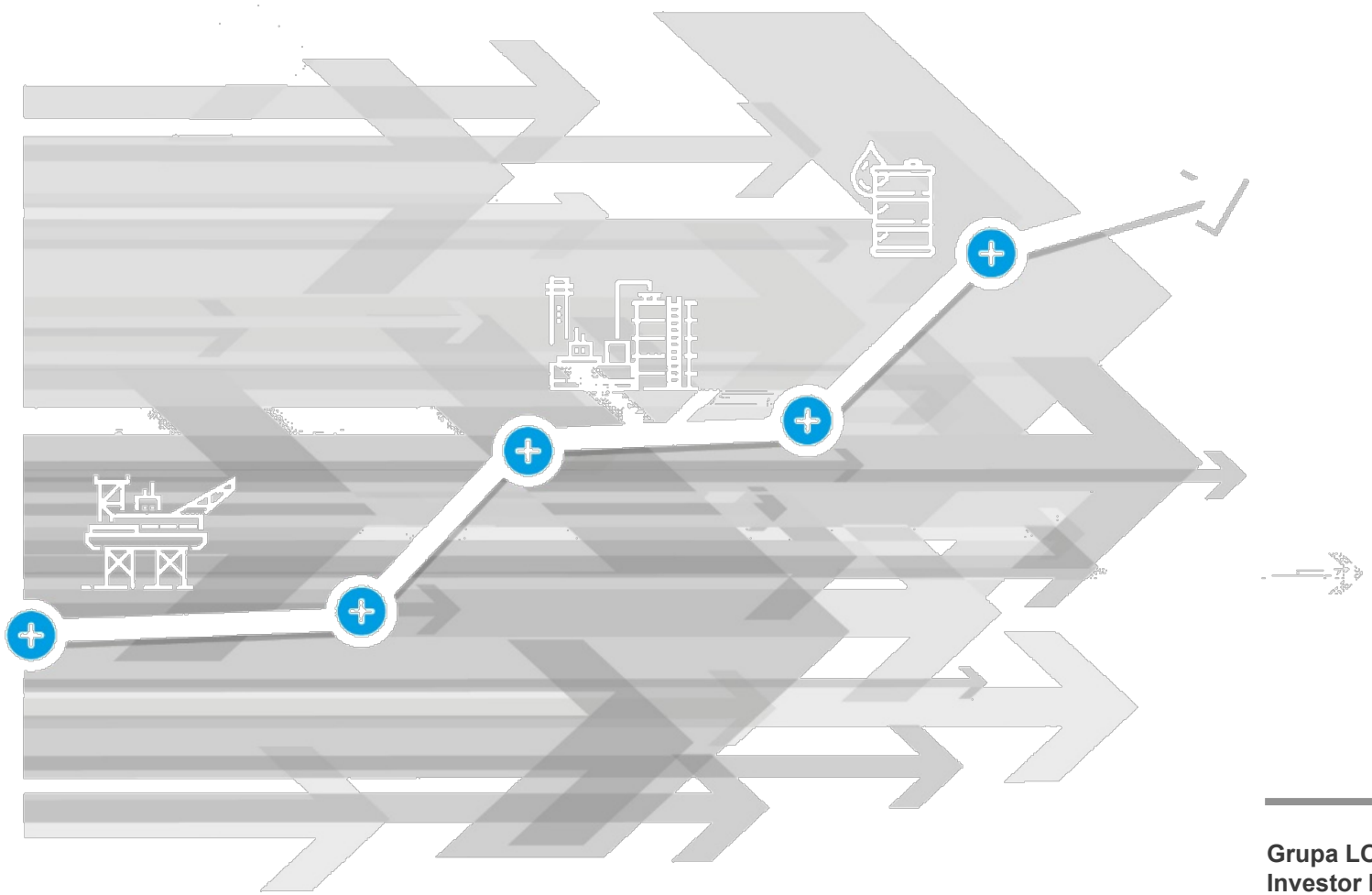
Exploration and Production segment



Refining and Marketing segment



- Fluctuations in its oil inventories and differences between the volumes purchased and processed during Q2 2020 resulted in the cost of crude oil processed, based on the LIFO (First in First out) inventory method, being calculated at a higher unit cost than the currently prevailing price, as the effect of old (significantly more expensive) oil inventories.
- This effect reflects a shortcoming of the adopted inventory measurement model, which – in the context of a steep decline in crude oil prices – distorted the Group's LIFO-based result for the period, without affecting its cash flows from operating activities.
- This negative effect on the LIFO-based result is estimated at approximately PLN 369m:
  - LIFO effect down by approximately PLN 369m,
  - normalised LIFO-based EBITDA down by approximately PLN 369m.



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