

# III. Financial Report 2004

Important general note for this section: \*) 2003 figure adjusted for comparison purposes

# Staatsolie Maatschappij Suriname N.V.

## 1. Balance sheet as of

<b>x US\$ 1,000</b>			
<b>A s s e t s</b>	<b>Notes</b>	<u><b>2004</b></u>	<u>2003</u>
<b>Current assets</b>			
Cash and cash equivalents	4.2.1	46,529	50,301
Short-term investments	4.2.2	6,371	5,767
Accounts receivable	4.2.3	17,656	10,144
Inventories	4.2.4	11,628	10,268
Prepaid expenses and other current assets		<u>1,891</u>	<u>824</u>
		84,075	77,304
<b>Investments *)</b>	4.2.5	2,441	2,125
<b>Property, plant and equipment</b>			
Oil properties – successful efforts method:			
Evaluated properties	4.2.6	240,857	209,488
Pipelines		16,291	16,158
Less: accumulated depreciation *)		<u>(167,668)</u>	<u>(155,106)</u>
		89,480	70,540
Refinery (net of accumulated depreciation)		39,426	43,614
Other fixed assets (net of accumulated depreciation)		<u>13,660</u>	<u>13,553</u>
		142,566	127,707
Projects in progress		<u>9,979</u>	<u>8,599</u>
		152,545	136,306
Goodwill	4.2.7	2,000	-
<b>Total assets</b>		<u><u>241,061</u></u>	<u><u>215,735</u></u>

Paramaribo, March 16, 2005

The Board of Executive Officers:

S.E. Jharap  
I.E. Kortram  
B.F. Nuboer  
M.C. Waaldijk

# Financial Statements

## December 31, 2004 (after distribution of earnings)

x US\$ 1,000			
<b>Liabilities</b>	<b>Notes</b>	<u><b>2004</b></u>	<u>2003</u>
<b>Current liabilities</b>			
Accounts payable	4.2.8	7,108	3,239
Short-term bank credit	4.2.9	4,419	4,407
Accrued liabilities*)	4.2.10	19,307	18,606
Income and other taxes*)	4.2.11	<u>7,000</u>	<u>6,688</u>
		37,834	32,940
<b>Long-term liabilities</b>			
Long-term debt	4.2.12	4,292	8,710
Deferred income taxes	4.2.13	26,184	27,211
Provision for dismantlement and abandonment	4.2.14	31,938	26,525
Provision for pensions & other postretirement benefits *)	4.2.15	<u>1,877</u>	<u>1,128</u>
		64,291	63,574
<b>Stockholders' equity</b>			
Share capital (SRD 1 par value 5,000,000 shares issued and outstanding)	4.2.16	12,104	12,104
General reserve*)		123,805	104,694
Unrealized gains and losses short-term investments		<u>3,027</u>	<u>2,423</u>
		138,936	119,221
<b>Total liabilities</b>		<u><u>241,061</u></u>	<u><u>215,735</u></u>

Paramaribo, March 16, 2005

The Board of Supervisory Commissioners:

S. Marica	Acting Chairman
R.S. Adhin	Member
F.T. Kasantaroeno	Member
J.R. Kross	Member
R.K. Pahladsingh	Member

## 2. Income Statement 2004

x US\$ 1,000	Notes	<u>2004</u>	<u>2003</u>
<b>Oil revenues</b>			
Production & Refining		117,719	114,686
Trading activities		15,206	-
Other revenues		<u>2,376</u>	<u>652</u>
		135,301	115,338
Less: export-, transport- and sales costs		<u>(4,536)</u>	<u>(4,379)</u>
<b>Net revenues</b>	4.3.1	<u>130,765</u>	<u>110,959</u>
Exploration expenses including dry holes		(906)	(419)
Production expenses		(15,715)	(16,573)
Refinery expenses *)		(6,372)	(5,539)
Depreciation	4.3.2	(20,158)	(23,071)
Other operational costs*)	4.3.3	(18,430)	(172)
<b>Operating income</b>		<u>69,184</u>	<u>65,185</u>
General and administrative expenses		(11,047)	(10,787)
Interest income/(expenses)		207	(170)
Other income/(expense)		<u>1,400</u>	<u>(1,114)</u>
<b>Earnings before extraordinary items</b>		59,744	53,114
Income tax charge		<u>(21,271)</u>	<u>(24,432)</u>
<b>Results after income taxes</b>		38,473	28,682
Extraordinary expenses		(71)	(463)
Tax charges on extraordinary items		<u>26</u>	<u>213</u>
<b>Extraordinary result after taxes</b>		<u>(46)</u>	<u>(250)</u>
<b>Net income</b>		<u><u>38,428</u></u>	<u><u>28,432</u></u>

Paramaribo, March 16, 2005

The Board of Executive Officers:

S.E. Jharap  
I.E. Kortram  
B.F. Nuboer  
M.C. Waaldijk

The Board of Supervisory Commissioners:

S. Marica                      Acting Chairman  
R.S. Adhin                     Member  
F.T. Kasantaroeno           Member  
J.R. Kross                      Member  
R.K. Pahladsingh             Member

### 3. Cash Flow Statement 2004

x US\$ 1,000

	<u>2004</u>	<u>2003</u>
<b>Cash flow from operational activities</b>		
Net earnings	38,428	28,432
Depreciation	20,158	23,071
Distribution of earnings excl. addition to general reserve	(21,227)	(15,827)
Increase in income and other taxes*)	311	5,148
In(de)crease in accounts payable	3,869	(27)
Increase in short-term bank credit	13	12
Increase in accrued liabilities*)	700	3,798
De(in)crease in receivables	(8,580)	9,158
Decrease in inventories	(1,359)	811
Increase in pension plan*)	(317)	(2,124)
Cash flow from operational activities	<u>31,996</u>	<u>52,452</u>
<b>Cash flow from investment activities</b>		
Investment in property, plant and equipment*)	(36,537)	(27,625)
Disinvestment in property, plant and equipment	141	2,022
Increase in goodwill	(2,000)	-
Increase in short-term investments	(604)	(1,038)
Cash flow from investment activities	<u>(39,000)</u>	<u>(26,641)</u>
<b>Cash flow from financial activities</b>		
Decrease in long-term debt	(4,419)	(4,406)
Increase in provision for dismantlement and abandonment	5,413	4,425
Increase in provision for post- employment benefits *)	749	742
In(de)crease in deferred income taxes	(1,027)	2,924
In(de)crease in general reserve *)	1,912	(100)
Increase in unrealized gains and losses short-term investment	604	1,038
Cash flow from financial activities	<u>3,232</u>	<u>4,623</u>
Net cash flow	(3,772)	30,434
Cash and cash equivalents at end of previous year	<u>50,301</u>	<u>19,867</u>
Cash and cash equivalents at end of current year	<u><u>46,529</u></u>	<u><u>50,301</u></u>

## 4. Notes to the financial statements

### 4.1 Accounting principles – balance sheet and income statement

#### General

The financial statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America for the oil and gas industries in particular.

#### Changes in accounting principles

##### Pension plans and other postretirement benefits

Staatsolie maintains 3 plans with regard to pensions and other postretirement benefits:

- The pension plan for employees, which is managed by the ‘Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.’;
- The insured pension plan for the Board of Executive Officers;
- The unfunded health care benefit plan for retired personnel.

In 2004 further adjustments were made to comply with the US-GAAP application for these plans.

In this respect a liability or an asset is recognized in the financial statement if net periodic pension cost recognized pursuant to US-GAAP guidelines exceeds or is less than the amounts contributed to the plan. The 2003 figures were adjusted accordingly.

##### Correction of errors

In addition, several other adjustments were made through the shareholder’s equity account. These are the result of changes in the turnover tax law as of December 2002; the provisions for payroll taxes and social contributions; and the correct use of US-GAAP for the depreciation of acquired land rights.

##### Change of estimates

In 2004 the method for determining the allowance for doubtful accounts receivable has been changed. Formerly the computation was done on an individual basis. As from 2004 the percentage-of-sales method is used whereby the computation is based on the historical relationship between bad debts and gross sales. With the historic information available this method provides a better basis to estimate the allowance for doubtful accounts receivable.

##### Currency translation

The US-dollar is the reporting currency since 1995. Foreign currency transactions as well as Surinamese dollar (SRD) transactions are translated at applicable buying rates derived from exchange rates published by the ‘Centrale Bank van Suriname’. At the end of the fiscal year, monetary items in foreign currency are translated into US-dollars at the applicable year-end exchange rate. The year-end exchange rate for the Surinamese dollar and the Euro in the year under review was US\$ 1 = SRD 2.68 and US\$ 1 = Euro 1.35.

##### Exploration and production development

The company utilizes the successful efforts method to account for expenditure incurred on exploration and production. On this basis, exploration costs incurred (drilling costs and material fixed assets) are initially capitalized, pending the outcome of technical findings of the exploration effort. If the drilling operation is not commercially successful, the capitalized costs are charged in full to the expense account after deduction of any residual value. All other exploration costs, including geological and geophysical expenses, are charged to the expense account as incurred.

Capitalized costs relating to investments in the oil field, including productive land properties, are depreciated based on the Unit of Production Method (UPM). The UPM factor is derived from the year oil production and the related proven developed oil reserves.

## Specific principles

### Balance sheet

#### Current Assets

##### Short-term investments

Short-term investments are stated at market value. The market value of shares is derived from the value quoted by the 'Effectenbeurs van Suriname' (Stock Exchange of Suriname), while the value of the 'Powisie Goldcertificates' is derived from the selling and buying price quoted by the 'Centrale Bank van Suriname' (Central Bank of Suriname).

##### Accounts receivable

Receivables are recorded at their nominal value and, if necessary, an allowance is made for doubtful accounts.

##### Inventories

Crude oil and refined products' inventories at year-end are valued at the lower of either cost or market value. Cost comprises all direct purchase costs, attributable operating expenses – including depreciation - and allocated overhead.

Drilling supplies and other materials are recorded at the weighted average cost price or lower market value.

The cost price consists of the purchase price plus a surcharge for import and transportation costs.

If necessary, a provision for obsolete inventory is taken into consideration and deducted from the inventory. Ordered goods have been recorded at purchase value and only the goods that are in transit at balance date are recorded on the balance sheet.

##### Investments

Equity investments are accounted for using the equity method.

The investment in the pension plan regards the prepaid pension benefit related to the pension plan managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.'. The determination of the prepaid pension benefit is based on an independent actuarial evaluation using the US-GAAP guidelines.

In addition, investments in pension plan also comprise the prior service costs related to the insured pension plan recorded at contract value and to be amortized over the participants' remaining service period.

##### Property, plant and equipment

###### Oil properties

The costs of production development such as drilling, testing and completion of development wells are capitalized, notwithstanding if these wells are successful or not. Capitalized costs consist of the purchase price of materials and services, including the company's internal services. Capitalized costs for wells, equipment and production facilities are depreciated using the Unit of Production Method.

###### Refinery and other fixed assets

The refinery and other fixed assets are valued at cost or acquisition price. The capitalized costs of these assets are depreciated on a straight-line basis, taking into account the estimated economic lifetime of the assets.

##### Goodwill

To the extent that the cost of acquiring an equity investment exceeds the fair value of the net assets acquired, the excess is recorded as goodwill. Assessment of impairment of goodwill is performed on an annual basis.

#### Current liabilities

This relates to short-term obligations of less than one year, which are recorded at their nominal values.

## **Long-term liabilities**

### **Long-term debts**

The long-term debts consist of debt obligations of longer than one year and are recorded at their nominal values.

### **Deferred income taxes**

This relates to the difference between the commercial and fiscal calculation of profits and the resulting difference in tax position.

### **Provision for dismantlement and abandonment**

This provision regards the expected costs of the dismantlement of the production field, and of the related production facilities as well as of the pipelines (Saramacca-Tout Lui Faut-Paranam) and the refinery (Tout Lui Faut). The calculation of this provision is based on the cash value of the estimated full cost, taking into account an adjustment for inflation.

Annually, a portion of the expected costs of dismantlement and abandonment is expensed. The allocation of the cost for related production facilities, for example production fields, is based on the Unit of Production Method. The allocation of the costs for the other tangible fixed assets is based on the straight-line method. The period for allocation is based on the expected moment of dismantling.

### **Provision for pensions and other postretirement benefits**

This provision covers the unfunded accrued pension benefit related to the health care plan and the insured pension plan. The determination of this provision is based on an independent actuarial evaluation using the US-GAAP guidelines.

## **Income statement**

### **Oil revenues**

Net oil revenues consist of the sales of goods and trade activities after deduction of discounts, export charges, etc. Revenues are recognized in the year in which the goods are delivered and services have been rendered. The costs of the trade activities are recorded as other operational costs.

The difference between the opening and closing inventory balance of finished products and the production for internal use is recorded as inventory variation oil stock under 'Oil revenues'.

Profits are taken into consideration at the moment they are realized; losses are taken into consideration in the year in which they are foreseen.

### **Expenditures**

Expenditures are valued according to the above mentioned valuation principles and are expensed in the year incurred.

All costs relating to production, including maintenance and repair of production equipment, are accounted for as production costs ('lifting cost') and are expensed as incurred.

### **Taxes**

Taxes are computed on the financial results as shown in the income statement.

## 4.2 Notes to the balance sheet as of December 31, 2004 (x US\$ 1,000)

### Current assets

#### 4.2.1 Cash and cash equivalents consist of the following:

	<u>2004</u>	<u>2003</u>
Cash at local banks	6,010	4,836
Cash at foreign banks	40,493	45,438
Total bank balance	46,503	50,274
Petty cash	26	27
	<u>46,529</u>	<u>50,301</u>

#### 4.2.2 Short term investments consist of the following:

	<u>2004</u>	<u>2003</u>
Powisie Gold certificates	6,051	5,494
Shares	320	273
	<u>6,371</u>	<u>5,767</u>

#### 4.2.3 Accounts receivable consist of the following:

	<u>2004</u>	<u>2003</u>
Accounts receivable in Surinamese dollars (net)	4,696	2,518
Accounts receivable in foreign currency (net)	12,960	7,626
	<u>17,656</u>	<u>10,144</u>

#### 4.2.4 Inventories comprise the following:

	<u>2004</u>	<u>2003</u>
Products	4,805	4,266
Materials and supplies	3,509	4,680
Ordered Goods	3,373	1,466
	11,687	10,412
Less: Provision for obsolete supplies	(59)	(144)
	<u>11,628</u>	<u>10,268</u>

#### 4.2.5 Investments consist of the following:

	<u>2004</u>	<u>2003*)</u>
Prepaid pension benefits employees	1,971	1,312
Backservice insured pension plan	470	813
Equity in investment	-	-
	<u>2,441</u>	<u>2,125</u>

Equity in investment regards a 30% interest in Ventrin Petroleum Company limited. The company is incorporated in Trinidad and Tobago and commenced operations in November 2002. Taken into account the negative net equity value of the company, the investment has been valued at nil. The excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill.

## 4.2.6 Property, plant and equipment

Movements in 2004 in property, plant and equipment are as follows:

	2004						2003	
	Wells & equipment	Pipelines	Total production investments	Refinery	Other fixed assets	Projects in progress	Total tangible fixed assets	Total tangible fixed assets
Investments January 1*)	209,488	16,159	225,647	72,159	41,108	8,599	347,513	325,601
Disinvestments current year	(2)		(2)		(1,138)		(1,140)	(5,479)
Investments current year	31,371	132	31,503	397	3,257	1,380	36,537	27,391
Total investments December 31	240,857	16,291	257,148	72,556	43,227	9,979	382,910	347,513
Total depreciation January 1*)	(145,990)	(9,115)	(155,105)	(28,545)	(27,555)		(211,205)	(191,593)
Depr. disinvestments current year	1		1		997		998	3,457
Depreciation current year	(11,382)	(1,182)	(12,564)	(4,585)	(3,009)		(20,158)	(23,071)
Total depreciation value Dec. 31	(157,371)	(10,297)	(167,668)	(33,130)	(29,567)		(230,365)	(211,207)
Book value as of December 31	83,486	5,994	89,480	39,426	13,660	9,979	152,545	136,306

### Investment in wells and equipment

The depreciation rate of 0.16 (2003: 0.22), based on the Unit of Production Method, is calculated using the quotient of the annual production of 4.1 mmbbls and the proven developed reserve of 21.0 mmbbls plus the production in the current fiscal year.

Staatsolie's oil producing properties, are primarily obtained through concessions provided by the Surinamese government. They have also been acquired through a decree in lease/long lease or through the purchase of the right to lease/long lease. Regarding these concessions, the government decided by decree in June 1988, there will be no retribution on the produced oil from the Staatsolie oil fields.

Total number of wells, related investments and book values:

Investment Year	Number of wells	Original Investment	Book value 01-01-04	Investment/ Disinvestment 2004	Depreciation <sup>1)</sup> 2004	Book value 12-31-04
1980 – 1995	631	84,472	4,341		695	3,646
1996	32	9,326	1,129		181	948
1997	30	12,265	1,831		292	1,539
1998	23	7,316	1,326		212	1,114
1999	15	4,195	942		151	791
2000	25	18,680	4,410		706	3,704
2001	44	20,123	8,608		1,377	7,231
2002	83	33,537	21,650		3,464	18,186
2003	86	20,317	19,261		3,082	16,179
2004*)	103			31,369	1,221	30,148
	1072	210,231	63,498	31,369	11,381	83,486

<sup>1)</sup>Includes reversal of disinvestments

\*)Movements in 2004 in wells and equipment are as follows:

	Investments	Depreciation	Book value
Wells and equipment	26,266	699	25,567
Capitalized cost for dismantlement	5,103	522	4,581
	31,369	1,221	30,148

## Pipelines

The pipeline facilities through which crude oil is transported from the Saramacca field to the Tout Lui Faut export terminal are depreciated on a straight-line basis over a period of 15 years. At the end of 2004 the remaining depreciable lifetime is approximately 2.5 years. The pipeline facilities that transport fuel oil from Tout Lui Faut to Paranam were put into use in July 2000. This pipeline is also depreciated on a straight-line basis over a period of 15 years.

## Refinery

The refinery assets are depreciated on a straight-line basis. The refinery units and land improvement are depreciated at a rate of 6% per year, while the Distributed Control System and the crude storage tanks are depreciated at respectively 8% and 20% annually.

Refinery assets comprise the following:

	<u>2004</u>	<u>2003</u>
Land and land improvement	1,666	1,666
Crude desalting and vacuum unit		
Visbreaker unit, tankfarm en utilities	62,770	62,606
Distributed Control System	1,822	1,768
Crude storage tanks	3,307	3,307
Capitalized cost for dismantling	<u>2,991</u>	<u>2,812</u>
	72,556	72,159
Less: Accumulated depreciation	<u>(33,130)</u>	<u>(28,545)</u>
Total refinery assets	<u><u>39,426</u></u>	<u><u>43,614</u></u>

### Other fixed assets

Properties outside the production field are being amortized on a straight-line basis, based on the expenditures incurred in acquiring the long lease and on the terms of the lease.

The annual depreciation percentage for buildings is 10%, telecommunication equipment 20%, dock TLF 4% and oil tanker 10%. Drilling machinery and heavy equipment are depreciated annually at 20%, transportation equipment at 33½ % and office furniture, fixtures and similar assets at 50%. Where applicable a residual value is taken into consideration.

Movement in other fixed assets were as follows:

	Book value January 1, <u>2004</u>	Book value disinvestment <u>2004</u>	Investment <u>2004</u>	Depreciation <u>2004</u>	Book value <u>12-31-04</u>
Properties & Dock TLF	3,671			(98)	3,573
Buildings and installations	5,992	(47)	527	(846)	5,626
Oil tankers	944	(20)	87	(88)	923
Drilling machinery, heavy equipment and transportation equipment	1,422	(73)	317	(530)	1,136
Office furniture, fixtures and tools	<u>1,524</u>	<u>(1)</u>	<u>2,326</u>	<u>(1,447)</u>	<u>2,402</u>
	<u><u>13,553</u></u>	<u><u>(141)</u></u>	<u><u>3,257</u></u>	<u><u>(3,009)</u></u>	<u><u>13,660</u></u>

### Projects in progress

This relates to uncompleted projects, including self-construction projects, of which the expenditures are capitalized upon completion.

The movement of the projects in progress is as follows:

	<u>2004</u>	<u>2003*)</u>
Balance as of January 1	8,599	10,001
Capitalized costs	<u>31,531</u>	<u>22,129</u>
	40,130	32,130
Less: reclassification to		
- wells and equipment	(26,269)	(19,115)
- pipelines	-	(286)
- refinery	(218)	(401)
- other fixed assets	(2,387)	(3,345)
- expense	<u>(1,277)</u>	<u>(384)</u>
Balance as of December 31	<u><u>9,979</u></u>	<u><u>8,599</u></u>

#### 4.2.7 Goodwill

The excess of the purchase price over the fair value of the assets acquired in Ventrin Petroleum Company Limited is recorded as goodwill.

### Current liabilities

#### 4.2.8 Accounts payable

	<u>2004</u>	<u>2003</u>
Accounts payable in Surinamese dollars	1,098	733
Accounts payable in foreign currencies	<u>6,010</u>	<u>2,506</u>
	<u><u>7,108</u></u>	<u><u>3,239</u></u>

#### 4.2.9 Short-term bank credit

At the end of the financial year 2004, the four installments totaling US\$ 4 million regarding the 'Subordinated Loan', which are due within one year, have been recorded as a short-term debt. The remaining balance of US\$ 2 million has been recorded as a long-term debt. This loan was originally concluded for an amount of US\$ 23 million. Both the Republic of Suriname and the 'Nederlandse Investeringsbank voor Ontwikkelingslanden' (NIO – Dutch Investment Bank for Developing Countries) guarantee this credit. The interest rate on this credit is based on the Libor rate plus 0.375% annually. Repayment of the 'Subordinated Loan' is planned for 23 quarterly installments.

Furthermore, short-term bank credit includes two installments of US\$ 0.4 million, which are due within one year, from a loan with the European Investment Bank (EIB). The remaining balance of US\$ 2.3 million has been recorded as a long-term debt.

#### 4.2.10 Accrued liabilities

Accrued liabilities relate to liabilities other than to suppliers of goods and services for production. These debts are as follows:

	<u>2004</u>	<u>2003*)</u>
Cash dividend	12,310	8,876
Payables regarding consultancy and other services	2,242	2,241
Allowances payable to management and personnel	1,745	2,794
Sales expenses	363	641
Maintenance costs to be paid for the refinery	200	1,068
Other payables	<u>2,447</u>	<u>2,986</u>
	<u><u>19,307</u></u>	<u><u>18,606</u></u>

#### 4.2.11 Income and other taxes consist of the following:

	<u>2004</u>	<u>2003*)</u>
Income tax	9,685	8,894
Payroll taxes and social contribution	<u>(2,685)</u>	<u>(2,206)</u>
	<u>7,000</u>	<u>6,688</u>

### Long-term liabilities

#### 4.2.12 Long-term debt comprises the following:

	<u>2004</u>	<u>2003</u>
ABN-AMRO Bank Houston Subordinated Loan	2,000	6,000
European Investment Bank	2,292	2,710
	<u>4,292</u>	<u>8,710</u>

#### 4.2.13 Deferred income taxes

Movements in 2004 in the deferred income taxes were as follows:

	<u>2004</u>	<u>2003</u>
Balance as of January 1	27,211	24,287
Movement due to:		
- Adjustment final income tax return 2004	512	-
- Decrease of tax rate from 46% to 36%	(577)	-
- Difference between commercial and fiscal calculation of profit	<u>(962)</u>	<u>2,924</u>
Balance as of December 31	<u>26,184</u>	<u>27,211</u>

#### 4.2.14 Provision for dismantlement and abandonment

This provision concerns the cost for the dismantling of the production field and the related production facilities, the pipelines (Saramaca-Tout Lui Faut and Tout Lui Faut-Paranam) and the refinery, and consist of the cash value of the estimated full cost, taking into account an adjustment for inflation.

Provision for dismantlement and abandonment comprises the following:

	<u>2004</u>	<u>2003</u>
Production field in 2004 : 786 wells (2003 : 683 wells)	26,444	21,698
Production facilities: Saramacca and pipeline to TLF	2,503	2,015
Refinery and pipeline to Paranam	<u>2,991</u>	<u>2,812</u>
	<u>31,938</u>	<u>26,525</u>

#### 4.2.15 Provision for pensions and other postretirement benefits consist of the following:

	<u>2004</u>	<u>2003*)</u>
Unfunded accrued pension benefits insured pension plan	262	142
Unfunded accrued pension benefits health care plan	<u>1,615</u>	<u>986</u>
	<u>1,877</u>	<u>1,128</u>

### Pensions and other postretirement benefits

Staatsolie maintains 3 plans with regard to pensions and postretirement benefits:

- The pension plan for employees, which is managed by the ‘Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.’;
- The insured pension plan for the Board of Executive Officers;
- The unfunded health care benefit plan for retired personnel.

The disclosure of these plans is as follows:

(x US\$ 1,000)

	Pension benefits		Insured pension benefits		Post-retirement health care	
	2004	2003	2004	2003	2004	2003
Benefit obligation at December 31	(17,915)	(18,762)	(337)	(477)	(3,271)	(3,367)
Fair value of plan assets as of December 31	23,144	18,832	-	-	-	-
Funded status as of December 31	5,229	71	(337)	(477)	(3,271)	(3,367)
Unrecognized transition costs, prior service costs, actuarial gains/losses	(3,258)	1,241	75	334	1,656	2,382
Prepaid/(accrued pension cost) recognized	1,971	1,312	(262)	(143)	(1,615)	(985)
	Pension benefits		Insured pension benefits		Post-retirement health care	
	2004	2003	2004	2003	2004	2003
	%	%	%	%	%	%
Actuarial assumptions						
Discount rate	5.75	5.50	5.75	5.50	5.75	5.50
Expected return on plan assets	6.50	6.50	-	-	-	-
Adjustment for inflation and salary developments	5.00	6.20	3.80	4.40	-	-
Rate of benefit increase	2.50	2.50	2.50	2.50	-	-

The expected increase of medical cost is rated at 4.5% annually

( x US\$ 1,000)

	Pension benefits		Insured pension benefits		Post-retirement health care	
	2004	2003	2004	2003	2004	2003
Net periodic pension cost	1,342	1,211	120	143	630	552
Employer's contribution	1,501	1,415	-	-	-	-
Employee's contribution	500	472	-	-	-	-
Benefits paid	70	71	-	-	27	2

#### 4.2.16 Stockholders' equity

In 2004 , the stockholders' equity consists of the following:

	<u>2004</u>	<u>2003 *)</u>
Common stock		
Authorized share capital SRD 5 million with a nominal value of SRD 1 per share	12,104	12,104
General reserve		
Balance as of January 1	104,694	
Add : prepaid pension benefits 2004	659	
: adjustments re. Income tax.	752	
Add: Appropriated reserve for environmental risk	500	
Transfer from earnings 2004	<u>17,200</u>	
	123,805	104,694
Unrealized gains and losses short-term investments	<u>3,027</u>	<u>2,423</u>
	<u><u>138,936</u></u>	<u><u>119,221</u></u>

#### Off-balance commitments and contingencies

Commitments of the company that are not recorded in the balance sheet, amount to US\$ 8.2 million relating to ordered goods, that are not in transit; engineering projects; scholarships; and a claim regarding a completed project. In addition, an insurance claim amounting to US\$ 0.5 million is not recorded in the balance sheet at year-end 2004.

### 4.3 Notes to the income statement 2004 (xUS\$1,000)

#### 4.3.1 Net revenues comprise the following:

	<u>2004</u>		<u>2003</u>	
	x1000 bbls		x1000 bbls	
Crude oil	1,467	38,356	1,691	42,886
Local refined products	<u>2,520</u>	<u>79,363</u>	<u>2,511</u>	<u>71,800</u>
Gross revenues crude and refining products	3,987	117,719	4,202	114,686
Trade activities	<u>570</u>	<u>15,206</u>		-
Total gross revenues	<u><u>4,557</u></u>	<u><u>132,925</u></u>	<u><u>4,202</u></u>	<u><u>114,686</u></u>
Net revenue crude, local refined products and crude oil derivatives after deduction of direct sales costs		128,389		110,307
Other sales related revenue - inventory change oil stock		<u>2,376</u>		<u>652</u>
Net sales revenues	<u><u>4,557</u></u>	<u><u>130,765</u></u>	<u><u>4,202</u></u>	<u><u>110,959</u></u>

#### 4.3.2 Depreciation

The breakdown of the depreciation expenses is as follows:

	<u>2004</u>	<u>2003</u>
Wells and equipment	11,381	14,746
Refinery	4,585	4,709
Oil pipelines	1,182	1,118
Other fixed assets	<u>3,010</u>	<u>2,498</u>
	<u><u>20,158</u></u>	<u><u>23,071</u></u>

#### 4.3.3 Other operational costs

The breakdown of the other operational costs is as follows:

	<u>2004</u>	<u>2003 *)</u>
Trade activities	15,146	-
Imported gas oil for refinery input	<u>3,284</u>	<u>172</u>
	<u><u>18,430</u></u>	<u><u>172</u></u>

## IV. Other information



### 1. Auditors' report

#### Introduction

We have audited the financial statements of Staatsolie Maatschappij Suriname N.V. at Paramaribo for the year ended December 2004, presented on pages 23 to 39. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

#### Scope

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Staatsolie Maatschappij Suriname N.V. as of December 31, 2004 and the result of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Paramaribo, March 16, 2005

Tjong A Hung, Accountants

Tjong A Hung is an associated firm of PricewaterhouseCoopers

## **2. Distribution of earnings**

### **Articles of association**

Distribution of earnings takes place in accordance with Article 28 of the articles of association, which stipulates that net earnings reflected in the balance sheet and income statement, adopted by the Annual General Meeting, are placed at the disposal of the General Meeting of Shareholders.

### **2004 distribution of earnings**

In 2004, a net profit was realized of US\$ 38.4 million. Management proposes a cash dividend of 50%, profit sharing for personnel and management and a reserve for environmental risks. The remaining balance will be added to the general reserve.

## **3. Adoption of Financial Statements of the preceding fiscal year**

The 2003 Financial Statements were adopted at the General Meeting of Shareholders held on April 13, 2004 and included Management's proposal for the appropriation of the 2003 profit.



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