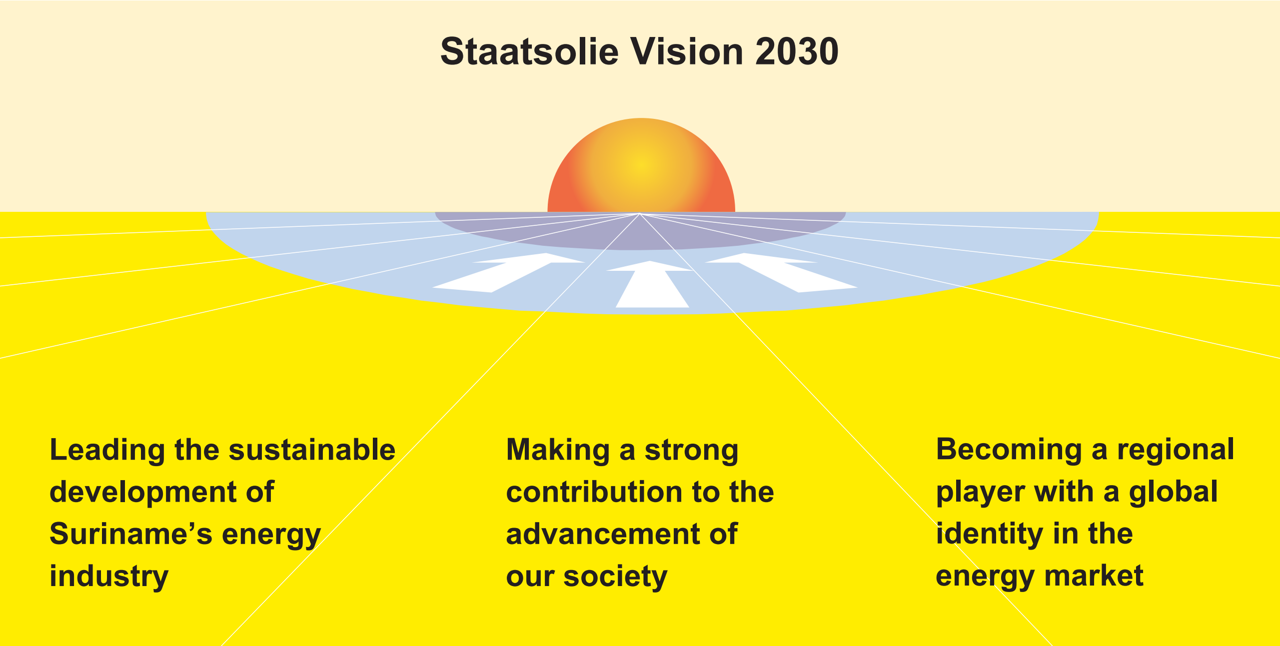
STAATSOLIE

half-year report 2014



Mission

- To develop Suriname's hydrocarbon potential over the full value-chain, to generate electricity, and to develop renewable sustainable energy resources.
- To secure the energy supply of Suriname and to establish a solid position in the regional market.
- To expand our reputation based on our growth performance, flexibility and corporate social responsibility.

Values

1. **HSEC Focused:** We put health and safety first, strive for zero harm to our people and the communities around us, and minimize negative impacts upon the environment.
2. **Integrity:** We are honest and do what we say we will do.
3. **People Focused:** We create a supportive and collaborative environment, respect each other, are open to other's ideas and facilitate personal and professional growth.
4. **Excellence:** We set high standards for quality, strive to exceed expectations and do our work with a sense of urgency.
5. **Accountability:** We accept responsibility for our job and actions, are co-operative, and create a non-blaming environment.

Contents

I. Shareholder, Supervisory Board, Board of Executive Directors and Management

Sole Shareholder
The Republic of Suriname represented by:
- the President, His Excellency D.D. Bouterse, on his behalf:
- the Vice President, R. Ameerali.

Supervisory Board

E. Boerenveen	Chairman
S. Marica	Member
G. Asadang	Member
R. Graanoogst	Member
A. Hilversum	Member
F. Kasantaroeno	Member
E. Poetisi	Member
E. Jozefzoon	Secretary

Board of Executive Directors

M. Waaldijk	Managing Director
I. Poerschke	Finance Director

Deputy Directors

B. Dwarkasing	Acting Director Production & Development Deputy Director Exploration & Petroleum Contracts
R. Elias	Acting Director Refining & Marketing
A. Jagesar	Deputy Director Business Development
A. Moensi - Sokowikromo	Deputy Director Finance

Division Managers

D. Brunings	Manager Human Resources
L. Brunings	Manager Marketing
H. Chin a Lien	Manager Production Operations
M. Daal - Vogelland	Manager Petroleum Contracts
W. Gajapersad	Acting Manager Technical Services Refinery
P. Goerdajal	Manager Drilling Operations
C. Heuvel	Manager Corporate Audit
C. Hughes	Manager Refinery
V. Jadnanansing	Manager Controlling
W. Jungerman - Gangadin	Manager Corporate Communication
J. Kalpoe	Acting Manager Maintenance & Turnaround Refinery
K. Lie A Kwie	Acting Manager Health, Safety & Environment Refinery
D. Mac Donald	Manager Health, Safety, Environment & Quality
B. Nandlal	Manager Field Evaluation & Development
A. Nelson	Manager Exploration
A. Oemrawsingh	Manager Corporate Planning
R. Ramautar	Manager Renewable Energy Sources
M. Refos	Acting Manager Operations Refinery
K. Roepnarain	Acting Manager Procurement
A. Sleman	Manager Information & Communication Technology
A. Tjong A Hung	Manager Engineering & Maintenance Services
A. Vermeer	Manager Finance Administration

Managers assigned

E. Fränkel	Overall Project Manager Suriname Ethanol & Sugar Project (SES)
C. Hughes	Scope Manager Refinery Expansion Project
T. Ketele	Project Manager Refinery Expansion

Subsidiaries

P. Brunings	Operations Manager Paradise Oil Company N.V.
A. Ghent	Chief Executive Officer Ventrin
A. Kleiboer	Operations Manager Staatsolie Power Company Suriname N.V
A. Nai Chung Tong	Managing Director GOw2 Energy Suriname N.V. (formerly Suritex N.V.)

II. Letter of the Managing Director

Our financial and operational performance in the first half of 2014 has further strengthened our position as a sound contributor to Suriname's economy. Consolidated gross revenues amounted to US$ 531.4 million, while earnings before tax amounted to US$ 226.5 million; an increase of 3.2 % and 6.8 % respectively compared to the same period in 2013. Considering oil prices of US$ 90.30 per barrel for the rest of the year, gross revenues are projected to be around US$ 1,110 million at year-end or 8.5 % higher than 2013.

Our average daily crude production as of June 2014 is at 16,500 barrels with the goal to increase the daily average production to 17,000 barrels in 2015.

In January we signed a Production Sharing Contract with Tullow Oil, as operator, and StatOil for Block 54 offshore Suriname. Currently, there are ten (10) international oil companies exploring Suriname's offshore. These partnerships illustrate our efforts to find offshore resources.

In the reporting period a near shore seismic program for all 7 blocks, except Block 4, was prepared. This survey will be carried out in shallow waters, with water depths from 0 to 30 meters, alongside Suriname's coast. This project will be executed in the second half of 2014.

Furthermore, preparations for a nine-wells exploration drilling program in near shore Block 4 are underway, with drilling planned to start by the end of the year.

The Refinery Expansion Project (REP) is progressing to our satisfaction. On May 21st, REP achieved the milestone of 4 million safe man-hours without a Lost Time Injury (LTI). By the end of June the counter was on 4.8 million man-hours without a LTI with 83% of the construction completed.

The execution of the REP Operational Readiness (OR) project is on schedule, with all required staff in place. The OR project entails the extensive training for existing and newly hired staff and refinery management, updating of internal working procedures and setting up operating systems. The class room training for operators and maintenance technicians is already completed. As of April 1st, the new refinery organization took charge of the existing operation, making it possible to test the newly developed management and procedures and make changes where necessary.

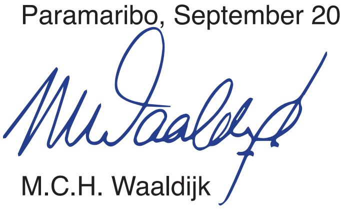
Commissioning and Start-up of the refinery expansion is planned to commence by October 2014. As of May 1st, the transfer of most of the operators and part of maintenance personnel to the Commissioning and Start-up Organization led by Saipem started. The inauguration is planned for December 13, when we will celebrate Staatsolie's 34th anniversary.

Expansion of our thermal power generation capacity from 28 MW to 62 MW was completed in February. Another highlight was the signing of a US$ 275 million loan agreement with a consortium of banks led by Credit Suisse. With this credit facility, Staatsolie has the option to borrow an additional US$ 200 million within 2 years. This credit facility will be used to partly finance our US$ 1,845 million investment program 2014-2018. The investment program will be focused on production, exploration, commissioning and start-up of the new refinery and the sugarcane - ethanol project.

We have made remarkable progress in achieving our company goals set for the first half of 2014 and on behalf of the Board of Executive Directors, I want to extend my gratitude to the Shareholder, the Supervisory Board, our employees, customers and contractors, without whom it would be impossible to achieve our goals.

Thank you!

Paramaribo, September 2014



M.C.H. Waaldijk
Managing Director

III. Independent Auditor's Report

To the Shareholder, Supervisory Board, Board of Executive Directors and Management of Staatsolie Maatschappij Suriname N.V. Paramaribo, Suriname

We have audited the accompanying condensed interim consolidated financial statements 2014 of Staatsolie Maatschappij Suriname N.V., Paramaribo, which comprise the condensed interim consolidated balance sheet as at June 30, 2014, and the related condensed interim consolidated income statement, changes in shareholder's equity and cash flows for the six months ended June 30, 2014 and notes to the condensed interim consolidated financial statements.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these condensed interim consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the condensed interim consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the condensed interim consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the condensed interim consolidated financial statements give a true and fair view of the financial position of Staatsolie Maatschappij Suriname N.V. as at June 30, 2014, and of its result and its cash flows for the six months ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Paramaribo, September 3, 2014

Lutchman & Co. Accountants
An Independent Correspondent firm of Deloitte Touche Tohmatsu
Drs. M.R.A. Lutchman RA, Chartered Accountant

Condensed Financial Statements 2014

Wim Dwarkasing, Chair of Stichting Staatsolie Foundation for Community Development, gets a tour from the children of the Annie Crèche. Staatsolie sponsored the renovation of the center for mentally disabled children.

IV. Condensed Interim Consolidated Financial Statements

1. Condensed Interim Consolidated Balance Sheet as at June 30, 2014
(before distribution of earnings)

x US$ 1,000

Assets	**Notes**	**As at June 30, 2014**	As at Dec 31, 2013
Current assets			
Cash and cash equivalents		114,682	133,838
Short-term investments		8,162	14,865
Accounts receivable	3	153,402	112,550
Inventories		33,645	34,217
Prepaid expenses and other current assets		64,719	53,821
		374,610	349,291
Loan receivable		1,910	1,854
Investments			
Participation in Joint Ventures		3,062	554
Goodwill		5,447	5,447
Property, plant and equipment			
Oil properties			
Evaluated properties		253,045	240,962
Pipelines		1,839	2,073
		254,884	243,035
Refinery		10,215	12,280
Power plant		67,124	23,082
Other fixed assets		76,958	78,527
		409,181	356,924
Projects in progress		936,652	850,262
		1,345,833	1,207,186
Total assets		**1,730,862**	**1,564,332**

The notes in Chapter V are an integral part of these Condensed Interim Consolidated Financial Statements

Paramaribo, September 3, 2014

x US$ 1,000

Liabilities	Notes	**As at June 30, 2013**	As at Dec 31, 2012
Current liabilities			
Accounts payable		39,336	31,103
Bank borrowings		2,873	4,447
Accrued liabilities		42,693	101,334
Income and other taxes		14,538	60,835
Short-term portion of 7% Bond		55,106	-
Short-term portion of Term Loan		9,250	53,083
		163,796	250,802
Long term liabilities			
7% Bond		-	55,085
Term Loans	4	306,276	152,543
FCIB long/medium term loan facility		1,356	1,876
		307,632	209,504
Provisions			
Deferred income taxes	5	288	592
Dismantlement and abandonment		102,923	98,012
Pensions & other post-retirement benefits	6	13,392	12,562
Pension plan	7	7,577	8,217
Environmental Risk		2,220	2,220
		126,400	121,603
Shareholder's equity		1,133,034	982,423
Total Liabilities & Shareholder's equity		**1,730,862**	1,564,332

The notes in Chapter V are an integral part of these Condensed Interim Consolidated Financial Statements

Paramaribo, September 3, 2014

2. Condensed Interim Consolidated Income Statement for the six months ended June 30, 2014

x US$ 1,000

	Notes	**Jan - Jun 30, 2014**	Jan - Jun 30, 2013
Revenues from			
Production & Refining		248,214	253,858
Trading activities		255,005	243,674
Electric energy		28,194	17,329
Gross revenues		531,413	514,861
Inventory variation		8,186	2,280
Other revenues		10,082	1,002
		549,681	518,143
Less: export-, transport- and sales costs		(10,344)	(8,624)
Net revenues	10	539,337	509,519
Exploration expenses including dry holes		(5,907)	(5,229)
Production expenses		(21,705)	(20,894)
Refinery expenses		(7,988)	(6,444)
Depreciation		(20,867)	(21,629)
Accretion expenses		(2,940)	(2,663)
Other operational costs		(231,097)	(217,369)
Operating income		248,833	235,291
General and administrative expenses		(14,305)	(14,462)
Expensed projects		788	(3,683)
Financial expense and income		(8,796)	(5,144)
Earnings before tax		226,520	212,002
Income tax charge	11	(70,733)	(63,558)
Earnings after tax		155,787	148,444
Net profit		**155,787**	148,444

The notes in Chapter V are an integral part of these Condensed Interim Consolidated Financial Statements
Paramaribo, September 3, 2014

3. Condensed Interim Consolidated Statement of Changes in Shareholder's Equity for the six months ended June 30, 2014

The movement for the six months ended June 30, 2014 consists of the following:

x US$ 1,000	Common stock	General reserve	Appropriated reserve for environmental risk	Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities	Accumulated net other comprehensive income	Total
Balance as at January 1	12,104	814,490	6,500	7,456	(1,129)	839,421
Equity movements:						
Transfer from earnings	-	293,941	-	-	-	293,941
Dividend declared	-	(149,068)	-	-	-	(149,068)
Prepaid pension benefits	-	344	-	-	-	344
Adjustment allowances	-	78	-	-	-	78
Allocation / (Withdrawal)[1]	-	-	500	(490)	(2,303)	(2,293)
Balance as at Dec 31	12,104	959,785	7,000	6,966	(3,432)	**982,423**
Equity movements:						
Transfer from earnings	-	155,364	-	-	-	155,364
Prepaid pension benefits	-	172	-	-	-	172
Allocation / (Withdrawal)[1]	-	-	250	(186)	(4,989)	(4,925)
Balance as at June 30	12,104	1,115,321	7,250	6,780	(8,421)	**1,133,034**

[1]) Allocation / (Withdrawal) consists of the following items:

- Appropriated reserve for environmental risk: US$ 250,000.
  Annually, an amount of US$ 500,000 is allocated for environmental risks. As at June 30, 2014, the appropriated reserve for environmental risk amounted to US$ 7.25 million.

- Appropriated reserve Committee Rehabilitation and Expansion of Sports facilities: (US$ 186,187).

- Accumulated net other comprehensive Income: (US$ 4,989,000).
  See paragraph 4 on the next page for the breakdown of this amount.

4. Condensed Interim Consolidated Statement of Other Comprehensive Income as at June 30, 2014

x US$ 1,000

	As at June 30, 2014	As at Dec 31, 2013
Balance as at January 1	3,432	1,129
Pensions and other post-retirement benefits plans	(342)	1,253
Unrealized (gains) and losses short-term investments	8,137	2,345
Tax effects of items included in other comprehensive income	(2,806)	(1,295)
Balance as at June 30	8,421	3,432

x US$ 1,000

Tax effects related to other comprehensive income, for the six months ended June 30, 2014	**Before Tax amount**	**Before Tax amount**	**Net of Tax amount**
Pensions and other post-retirement benefits plans	(342)	123	(219)
Unrealized (gains) and losses short-term investments	8,137	(2,929)	5,208
Other comprehensive income	7,795	(2,806)	4,989

The tax amount of US$ 2,929,000 under “Unrealized (gains) and losses short-term investments” includes an amount of US$ 3,235,000 related to the sale of the powisie gold certificates reclassed to Prepaid expenses on the balance sheet.

5. Condensed Interim Consolidated Cash Flow Statement for the six months ended June 30, 2014

x US$ 1,000

	Jan - Jun 30, 2014	Jan - Jun 30, 2013
Cash flow from operating activities		
Net profit	**155,787**	148,444
Depreciation	20,867	21,629
Accretion on discounted provisions	2,940	2,663
Amortization of debt arrangement fees	(134)	323
Exploration expenses of dry holes	(25)	-
Provision	(2,921)	4,648
Interest on short- term investments	(6,147)	3,262
Accrued interest	(880)	(1,183)
Deferred taxes	(733)	(1,191)
Foreign exchange (gain)/loss	(27)	95
Provision for doubtful accounts	2,197	(682)
Operating profit before working capital changes	**170,924**	178,008
Working capital changes (Operating assets)		
Accounts receivable	(61,658)	(78,501)
Inventories	572	(360)
Accounts payable	8,232	(4,133)
Bank borrowings	(1,575)	(1,005)
Accrued liabilities	(61,395)	(22,320)
Income and other taxes	(46,297)	(38,475)
Pension plan	1,730	(2,209)
Provision for pensions and other post-retirement benefits	1,724	1
Net cash flow from operating activities	**12,257**	31,006
Cash generated from investing activities		
Proceeds from sale of property, plant and equipment	61	-
Investment in property, plant and equipment	(156,066)	(153,730)
Proceeds from sale of short- term investments	7,947	-
Net cash flow from investing activities	**(148,058)**	(153,730)

	Jan - Jun 30, 2014	Jan - Jun 30, 2013
Cash generated from financing activities		
Term loan	108,847	(21,945)
FCIB long/ medium term loan facility	(519)	507
Changes in general reserve	78,821	75,929
Dividends paid	(70,441)	(55,119)
Committee Rehabilitation and Expansion of Sports facilities	(186)	(193)
Net cash flow from financing activities	**116,522**	(821)
Effects of exchange rate changes on foreign cash balances	123	2
Net decrease in cash and cash equivalents	**(19,156)**	(123,543)
Cash and cash equivalents at beginning of period	**133,838**	224,755
Cash and cash equivalents at the end of period	**114,682**	101,212
Interest paid	6,785	7,819
Income tax paid	73,247	70,716

An employee performs maintenance activities on a moyno pump in the swamps of Tambaredjo North West.

Night view of the new refinery.

V. Notes to the Condensed Interim Consolidated Financial Statements

General Information

Staatsolie Maatschappij Suriname N.V. (Staatsolie) is an integrated oil company incorporated in the Republic of Suriname. The integrated activities include exploration, production, refining, marketing and distribution of oil products.

Staatsolie has four (4) subsidiaries of which three (3) wholly owned: Paradise Oil Company N.V. (POC) and GOw2 Energy Suriname N.V. incorporated in the Republic of Suriname and Ventrin Petroleum Company Limited, a bunkering company incorporated in the Republic of Trinidad and Tobago.
Staatsolie is the main shareholder of the Staatsolie Power Company Suriname N.V. (SPCS), incorporated in the Republic of Suriname, and the local electricity company N.V. EBS holds one share.

1 Summary of Accounting Policies

Principles of consolidation
These condensed interim consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles in the United States of America (US GAAP) for the oil and gas industries in particular.
The financial data of Staatsolie and its subsidiaries are consolidated under elimination of intercompany balances, sales and purchases. These Condensed Interim Consolidated Financial Statements do not include all the notes of the type normally included in the annual Consolidated Financial Statement. Accordingly, this report should be read in conjunction with the annual report for the year ended December 31, 2013. The accounting policies adopted are consistent with those of the previous financial year.

Currency translation
The US dollar is the reporting currency and also the functional currency. Foreign currency transactions are translated at applicable buying rates derived from exchange rates published by the 'Centrale Bank van Suriname'. At the end of the fiscal reporting period, monetary items in foreign currency are translated into US dollars at the applicable period-end exchange rate. The period-end exchange rate for the Surinamese dollar, the Euro and the TT dollars for the period under review was US$ 1 = SRD 3.25, US$ 1 = Euro 0.74 and US$ 1 = TT 6.38 .

Exploration and production development
Staatsolie utilizes the successful efforts method to account for expenditures incurred on exploration and production. On this basis, exploration costs incurred (drilling costs and material fixed assets) are initially capitalized, pending outcome of the 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), generally by individual field, as the proved developed reserves are produced. The UPM factor is derived from the year oil production and the related proven developed oil reserves.

Cash and cash equivalents
Highly liquid investments with maturities of three months or less when acquired are classified as cash equivalents.

Short-term investments
Short-term investments are stated at market value and are classified as available-for-sale. 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 Gold certificates' is derived from the selling and buying price quoted by the 'Centrale Bank van Suriname' .
The unrealized gains and losses on short-term investments, after deduction of deferred income taxes, are recorded under the shareholder's equity. US GAAP allows that the net unrealized gains and losses on short-term investments are recorded in the shareholder's equity as part of the accumulated net other comprehensive income.

Accounts receivable
Receivables are recorded at their nominal value and, if necessary, an allowance is made for doubtful accounts which is deducted from the receivable.

Inventories
Crude oil and refined products' inventories at period-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 sheet date are recorded on the balance sheet.

Participation in Joint Ventures
The participation in Joint Ventures is recorded at cost.

Equity investments
In the parent company's separate financial statements, equity investments are accounted for using the equity method.

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. Goodwill is evaluated for impairment on at least an annual basis.

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. Amounts shown in the balance sheet are net of depreciation.

Refinery, power plant and other fixed assets

The refinery, power plant and other fixed assets are valued at cost. The capitalized costs of these assets are depreciated on a straight-line basis, taking into account the estimated useful lifetime of the assets. Amounts shown in the balance sheet are net of depreciation

Capitalized interest cost

Interest costs incurred to finance expenditures during the construction phase of multi-year projects are capitalized.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets of cash-generating units are written down to their recoverable amount.

Current liabilities

This relates to short- term obligations which are payable within one year, and are recorded at their nominal values.

Loan and Debt arrangement fees

The term loan and the bonds are recorded at historical cost. US GAAP requires that debt arrangement fees which consist of the upfront fees and consultancy costs should be capitalized and amortized as expense over the duration of the loan. The loans are presented net of the capitalized financing fees. The outstanding balance of a loan which is payable within one (1) year from the balance sheet date is presented as short-term liabilities and the remaining balance is presented as long-term liabilities.

Deferred income taxes

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

Provision for dismantlement and abandonment

This provision regards the expected costs of the dismantlement of the production field, the related production facilities, the pipelines (Saramacca-Tout Lui Faut-Paranam), the refinery and the power plant. 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 post-retirement benefits
This provision includes 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.

Provision for environmental risk
Liabilities related to future remediation costs are recorded when environmental assessments or clean-ups or both are probable and the cost can be reasonably estimated.
According to Staatsolie's policy, which is based on international accepted Environmental, Health and Safety (EHS) standards for petrol stations and national regulations (NIMOS), an environmental provision is recorded for GOw2 Energy Suriname N.V. The environmental provision is measured at the expected value of future cash flows. The expected value is not discounted to its present value, because the discounted present value does not significantly deviate from the expected value.

Revenues
Net revenues consist of the sales of petroleum products, electric energy and trade activities of petroleum products after deduction of discounts, export charges, and other sales charges. Revenues are recognized in the year in which the goods are delivered and services have been rendered and when title passes to the customer.
The difference between the opening and closing inventory balance of finished products for sale as well as for internal use is recorded as 'Inventory variation'.
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 costs'), and are expensed as incurred.
The costs of the trade activities and electric energy are recorded as 'Other operational costs'.

Asset retirement obligations
US GAAP demands that the accretion expense resulting from the change in the passage of time in the asset retirement obligation (ARO) should be recorded as period cost in the income statement under the operating expenses.

Income tax
Income taxes are computed on the financial results as shown in the income statement.

2 Accounting Standards and Interpretations

The new standards/amendments of 2014 are not applicable, or where applicable the adoption of the standards did not have a material impact on the Company's financial statements.

3 Accounts receivable

	As at June 30, 2014	As at Dec 31, 2013
Accounts receivable in USD (net)	133,163	101,126
Accounts receivable in other currency (net)	20,239	11,424
	153,402	112,550

The accounts receivable consist exclusively of trade customers and include a provision for doubtful accounts of US$ 8,288,447 of which US$ 7,583,219 for Staatsolie and US$ 705,228 for Ventrin.
(2013: US$ 6,119,609).

4 Term Loans

Secured long-term loan
On March 31, 2014 Staatsolie refinanced the remainder of the 2010 term loan by closing a new long term loan of US$ 275 million to fund the current investment program; US$ 250 million term loan and US$ 25 million revolving loan. Repayment of the term loan is planned for 13 installments of US$ 19.2 million each to commence in March 2016 and the last installment is due in March 2019. With this loan the Company also has the option to increase the term loan by a maximum of US$ 200 million within two years after closing. The collateral for this loan consisted of, among others, the offshore receivables and offshore accounts. The balance of previous secured term loan of US$ 125 million had been settled with this new loan.

Loan at Credit Suisse
In September 2013, SPCS closed a 7 year loan of US$ 74 million with Credit Suisse for in the expansion of the Power Company. With a grace period of 4 quarters, the first repayment will take place in December 2014. Repayment of the loan is planned for 24 quarterly installments of US$ 3 million. The maturity date is set on September 10, 2020.

Staatsolie acts as guarantor for this loan. As collateral the bank requested 100% of SPCS's fixed assets, all rights and benefits gained in the Power Purchase Agreement (PPA) as well as the establishment of various collateral accounts offshore.

5 Deferred income taxes

Movements in 2014 in the deferred income taxes were as follows:	**As at June 30, 2014**	As at Dec 31, 2013
Balance as at January 1	592	4,435
Movement due to:		
Difference between commercial and fiscal calculation of profit	(733)	(2,405)
Unrealized losses on inventory subsidiaries	-	(143)
Unrealized financial gains/(losses) from investment in pension plan and post-retirement benefits	123	(451)
Unrealized financial gains/(losses) from short-term investments	306	(844)
Balance as at June 30*)	**288**	592

*) The balance as at June 2014 excludes the following amounts which were reclassified to "Prepaid expense":

- US$ 3,235,000 related to the sale of the powisie gold certificates
- US$ 528,000 related to inventory of subsidiaries.

6 Provision for pensions and other post-retirement benefits

	As at June 30, 2014	As at Dec 31, 2013
Unfunded accrued pension benefits, insured pension plan	12,014	580
Unfunded accrued pension benefits, health care plan	1,378	11,982
	13,392	12,562

7 Provision for pension plan

The provision for pension plan to the amount of US$ 7,576,769 regards the accrued pension cost related to the pension plan for Staatsolie employees, which is managed by the 'Stichting Pensioenfonds voor Werknemers van Staatsolie Maatschappij Suriname N.V.'.

Pensions and other post-retirement benefits

Staatsolie maintains 3 plans with regard to pensions and post-retirement 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;
- The unfunded health care benefit plan for retired personnel.

	Pension benefits		Health care	
Jan-June	2014	2013	2014	2013
Employer's contribution	(1,999)	(1,911)	-	-
Employee's contribution	(666)	(637)	-	-

	Pension benefits		Insured pension benefits		Insured pension benefits	
Jan-June	2014	2013	2014	2013	2014	2013
Service costs	(2,332)	(2,142)	(16)	(20)	(498)	(457)
Interest costs	(2,316)	(2,068)	(16)	(21)	(474)	(418)
Return on assets	2,557	2,011	-	-	174	163
Unrecognized transition costs	(11)	(11)	-	-	(60)	(60)
Unrecognized prior service costs	(88)	(88)	-	-	-	-
Unrecognized gains/losses	(180)	(165)	21	12	(25)	(20)
Net pension costs	**(2,370)**	**(2,463)**	**(11)**	**(29)**	**(883)**	**(792)**

8 Segments and related information

Staatsolie's business covers integrated activities regarding the oil and energy industry. These activities are defined into the following operating segments: upstream, downstream, trading and energy. As defined in the accounting standard for segment reporting ASC 280, these operating segments are the Company's reportable segments.

The upstream pertains to exploring, developing, producing and transporting crude oil to the refinery. The downstream is organized and operates to refine the crude oil, market, sell, and distribute the oil products. The trading segment involves trading fuel products and selling these products to wholesale and retail as well as bunkering customers.

The energy segment operates the 62 MW thermal power plant starting March 2014 and sells the electric power to the single source customer, the national utilities company for further distribution.

These functions have been defined as the operating segments of the Company because they are the segments (1) that engage in business activities from which revenues are earned and expenses are incurred; (2) whose operating results are regularly reviewed by the board of executive directors to make decisions about resources to be allocated to the segment and assess its performance; and (3) for which discrete financial information is available. The corporate segment consists of Petroleum Contracts, Business Development and all other corporate administrative functions.

Segment reporting Staatsolie

x US$ 1,000 Segment (Revenues)	Jan - Jun 30 2014	Jan - Jun 30 2013
Upstream	266,385	273,224
Downstream	297,848	295,314
Trading	299,997	273,622
Energy	28,348	17,482
Total Segment amounts	**892,578**	859,642
All Corporate activities (including eliminations)	(342,897)	(341,499)
Total consolidated amounts	**549,681**	518,143

Segment (Profit/ (Loss))	Jan - Jun 30 2014	Jan - Jun 30 2013
Upstream	220,407	228,968
Downstream	9,012	2,907
Trading	1,735	2,330
Energy	6,917	16,900
Total Segment amounts	**238,071**	251,105
All Corporate activities (including eliminations)	(82,284)	(102,661)
Total consolidated amounts	**155,787**	148,444

Segment (Assets)	As at June 30, 2014	As at Dec 31, 2013
Upstream	413,278	376,079
Downstream	1,029,970	908,556
Trading	91,968	77,438
Energy	144,995	100,799
Total Segment amounts	**1,680,211**	1,462,872
All Corporate activities (including eliminations)	50,651	101,460
Total consolidated amounts	**1,730,862**	1,564,332

Major customers

Revenues from one customer of the downstream segment represent approximately US$ 59.7 million (2013: US$ 83.7 million) of the Company’s consolidated revenues.

9 Off-balance commitments and contingencies

As at June 30, 2014 the off-balance commitments and contingencies consist of the following:

x US$ 1,000	**2014**	**2015 - 2019 June**	**Total**
Long- term (sales) contracts	95,387	-	95,387
Long- term refinery expansion contract	88,960	13,968	102,928
Operational lease	6,912	4,003	10,915
Claims	2,169	-	2,169
Study grants	261	600	861

10 Net revenues per product

	Jan-Jun 2014		Jan-Jun 2013	
	x 1,000 Bbls	x 1,000 Bbls	x 1,000 Bbls	x 1,000 Bbls
Local refined products	2,912	292,698	2,856	294,219
Intracompany sales	(476)	(44,484)	(418)	(40,361)
Local refined products (net)	2,436	248,214	2,438	253,858
Trading activities	1,864	255,005	1,632	243,674
Electric energy *)		28,194		17,329
Total gross revenues	4,300	531,413	4,070	514,861
Net revenue local refined products after deduction of direct sales costs		521,069		506,237
Other sales related revenue				
- inventory change oil stock		8,186		2,280
- other revenues		10,082		1,002
Net sales revenue	**4,300**	**539,337**	4,070	509,519

*) The generated electric energy as at June 2014 is 145,561,035 kWh. (June 2013: 104,349,848 kWh).

11 Income tax charge

The income tax comprises of

x US$ 1,000	Jan - Jun 30 2014	Jan - Jun 30 2013
	71,466	(64,749)
Current tax expense or benefit	(733)	1,191
Deferred tax expenses or benefit	70,733	(63,558)

Reconciliation statutory with effective tax rate	Jan - Jun 30 2014	Jan - Jun 30 2013
Suriname statutory income tax rate	36%	36%
Effect of unrecognized credits	-	-
Effective tax rate	32%	36%

Tax losses carry forward

Ventrin has accumulated tax losses of approximately US$ 13.2 million (2013: US$ 15.1 million) available for offset against future taxable profits. These losses have no expiry date in Trinidad and Tobago.

Income tax holiday

The subsidiary SPCS is enjoying an income tax holiday from February 1, 2006 to February 1, 2016.

12 Reclassification

Certain amounts reported for prior periods in the Condensed Interim Consolidated Financial Statements have been reclassified to conform to the current year's presentation.

VI. Other information

1. 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, is placed at the disposal of the General meeting of Shareholders.

First half year 2014

As at June 30, 2014, after deduction of the prepaid pension benefits amounting to US$ 172,064 and allocation to the reserve for environmental risk of US$ 250,000, a net profit before distribution of earnings was realized of US$ 156 million. Distribution of earnings will take place in accordance with Article 28 of the articles of association.

2. Adoption of Financial Statements of the preceding Fiscal Year

The 2013 Financial Statements were adopted at the General Meeting of Shareholders held on March 28, 2014 and included Management's proposal for the appropriation of the 2013 profit.

President Desi Bouterse (3rd from left) and delegation receive information from Staatsolie's Managing Director Marc Waaldijk, in the control room of the SPCS power plant.

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