



ANNUAL REPORT AND ACCOUNTS 2003



Store Norske Spitsbergen Grubekompani
AKTIESELSKAP

2nd FINANCIAL YEAR

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2nd financial year

The company's business registration no: 984015097

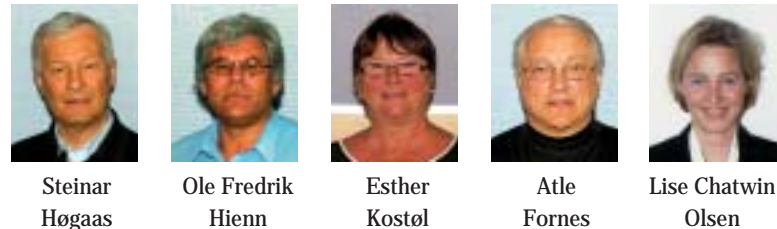
Share capital: 150 100 000

Board of Directors:

Steinar Høgaas	Chairman of the Board
Ole Fredrik Hienn	Vicechairman of the Board
Esther Kostøl	
Lise Chatwin Olsen	
Atle Fornes	
Torstein Nilsen	Employee's representative
Jarle Haagensen	Employee's representative
Anita Johansen	Employee's representative

Administration:

Robert Hermansen	Chief Executive Director
Ester Knudsen	Deputy Chief Executive Director
Finn Lundgren	Production Director
Harry Higrapp	Technical Director
Venche Horseide	Sales and Marketing Director
Gudmund Vangberg	Human Resources Director
Sissel Danielsen	Financial Director
Gunnar Østby	Safety supervisor



Steinar Høgaas Ole Fredrik Hienn Esther Kostøl Atle Fornes Lise Chatwin Olsen



Anita Johansen Jarle Haagensen Torstein Nilsen Robert Hermansen

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STORE NORSKE 2003**THE WORLD'S MOST EFFECTIVE MINE**

At the commencement of coal winning in the Svea Nord field our common goal was that the Svea Nord mine would become the world's most effective mine of its type. We have now achieved this goal. But the developments have not stopped there. In line with the demands that increases in prosperity, and thereby salary increases, have placed on mining companies worldwide, new methods and equipment are constantly being developed, both factors enabling the mining industry to become safer and more efficient. Store Norske play their part in these developments.

2003 was a new record year for Store Norske. The production volume, productivity and profits were as planned and anticipated. Operations produced a cash profit of NOK 140 Million. This has placed us in the position of being able to undertake large and essential investments without increasing the company's loan to any significant degree. The contributions of all employees, from prospecting activities to mines and workshops; from transport operations to quays, have been so good in 2003 that all staff have been granted a bonus of NOK 15 000.

THE MARKET

Global consumption of coal is increasing significantly, and is now over 5 billion tons per annum. Increases have been particularly high in the USA and China. Both these countries have significant coal reserves, at the same time as they depend on the import of other essential fuels such as oil and gas. China's unbelievably rapid economic development has led to a situation today where China imports significant quantities of both iron ore and coal. In 2003 China overtook Japan as the World's largest importer of ore. Import of iron ore alone increased from 115 to 145 million tons. Increased coal requirements to supply both the steel industry and the energy sector meant that in 2003 China, which up until 2002 was a coal-exporting country, imported over 20 million tons. Also, the closure of a number of Japanese nuclear power stations has led to increased export of coal to the Japanese energy sector.

This special development in the East has affected coal prices in Store Norske's European market in two ways. The demand for bulk shipping has increased to a record high level. The same applies to freight costs. Coal, which previous took the diverse route to Europe from Columbia and Australia, now goes to Asia, and coal prices have thereby also increased in Europe in the latter half of 2003.

We estimate that coal prices will not return to normal levels before New Year 2004-2005. The World's coal producers are now increasing producti-

on volumes and the bulk carriers are contracting new tonnage.

Coal is traded in US dollars. During 2003 the dollar course fell from over NOK 9 to below NOK 7. This development meant that the price of coal in Norwegian Krone did not increase to the same degree as the price measured in dollars.

COAL RESERVES

During 2003 Store Norske's geologists undertook a review of our coal-reserve estimations. The audit was undertaken taking its starting point in the experience the company has gained using the modern coalmining equipment now available. In the Svea area we have estimated 45 million tonnes of profitably extractable sale coal. With an annual production of 3 million tons per year for 4 years from now, and thereafter 2 million tons per year, the estimated reserves will last for 20 years. If we should continue mining coal at 3 million tons per year, the established reserves of coal we can extract at a profit, will last at least 15 years.

All the deposits Store Norske have opened to date have their entrance point in the mountainside. This applies both to deposits in Longyearbyen and Svea.

Based on geological knowledge and theories on the formation of coal deposits 60 million years ago, the company has started a large and applied programme of diamond drilling for coal deposits both east of Sveagruba and south of Gruve 7 in Longyearbyen.

Following the establishment of Nordenskjöld national park we no longer consider the areas around the Reindal seam, Lunckefjell seam and Kolfjell seam to be potential areas of exploration for coal winning. The rules laid down for highway building and construction work in the national park render profitable coalmining operations impossible.

TRAINING AND EDUCATION

Store Norske have a long tradition of education and the development of competencies within the entire breadth of the scientific area embraced by the industry. Since the agreement for technical training was approved at Svalbard in 1987, 209 staff have undergone technical training and taken technical certificates in 16 different technical fields.

At the end of the 80's Store Norske took the initiative regarding the establishment of technical training within Norwegian mining industry to the various parties involved in employment and Norwegian Educational Ministry. This work paid off, and in 1994 the mining profession gained recognition and was placed under the Act concerning industrial

training. For the Norwegian mining industry this was an extremely important event, for the first time, the mining profession received recognized status within our public education system.

After recognition of the profession, 112 Store Norske mineworkers have undertaken their technical training, and have received technical certificates as mining industry workers.

Following the closure of Statens Bergskole early in the 90's, there has been no availability for further education within the mining industry at intermediate level in Norway. Therefore, in collaboration with Stjørdal Tekniske Fagskole, Store Norske have taken the initiative for the forthcoming establishment of a technical college for the mining industry. The technical plan has been completed and given a hearing by the parties concerned. We anticipate that approval from the educational authorities will be given during spring. On this proviso, a pilot class with Store Norske is being prepared for autumn 2004. The training is to be undertaken as a 3 year free-time course based on collection of technical competencies and Internet tutorials. Completed training will provide study competence for access to higher education, including at NTNU.

All 30 individuals employed during the latter half of 2003 and winter 2004 have started studying towards their technical certificate. The fact that the company has placed so much focus on knowledge has been one of the key factors to the progress the company has had.

CO-OPERATION

As a further follow-on from the Svalbard Environmental Protection Law, in 2003 The Norwegian Pollution Control Authority (SFT) instructed Store Norske to prepare an emission permit for the activities taking place in Svea. The company are in the end-phase of preparation of the application, which embraces all activities in Svea. The co-operation with SFT has been constructive and beneficial, and the examination of the company's activities has contributed to a sharpening of the company's own focus on the external environment.

The co-operation with The Directorate of Mining Office and with The Norwegian Labour Inspection Authority has also been informative and inspiring for the Store Norske employees directly involved.

The Directorate for Civil Protection and Emergency Planning and the Norwegian Civil Aviation Authority perform inspection and moni-

ring roles in connection with our activities in Svea. Co-operation with these agencies has also contributed to increased understanding and increased contribution on our behalf.

Locally on Svalbard we co-operate first and foremost with the Governor of Svalbard (Syssemlannen) and his staff and with the Longyearbyen regional council. We do not always find ourselves in agreement in respect of the difficult considerations the Governor of Svalbard has to make, but case management and communication always take place in an exemplary fashion.

The establishment of the Svalbard Regional Council has contributed to the fact that issues relating to both the development of Longyearbyen and the development of Store Norske are now resolved rapidly. This is reassuring for those of Store Norske's employees planning a long-term residence at Svalbard.

In order to secure a further development of the space-related industry on Svalbard and

better communication with the mainland, a fibre-optic cable has been laid between the mainland and Longyearbyen. Store Norske, together with the Norwegian Space Centre and Telenor, participate in a guarantee consortium, which will guarantee that the cable can be repaired if needed. Broadband to Svalbard provides exciting development opportunities both for research and other industrial activities.

RESEARCH AND DEVELOPMENT

In keeping with the fact that Store Norske are now through a period of somewhat dramatic changes, the company takes responsibility for fields we have perhaps been forced to neglect for some years. This applies both to research and development. Through co-operation with SINTEF and NTNU we are now participating in international research programmes concerning clean coal energy. Both climatic gases, sulphur and particle release are included in the programmes. The same applies to monitoring of mine pressure and toxic gases in coal-mining activities.

With Geological Survey of Norway, co-operation has begun regarding geological surveys and systematizing and preservation of the enormous quantity of data Store Norske has gathered over the company's soon 90-year history.

We have further co-operation with Tromsø University regarding monitoring of reindeer numbers in Adventdalen.

Our most important co-operation partner is The University Centre in Svalbard (UNIS). In partnership we undertake joint projects within arctic technology, arctic geology and arctic geophysics. In addition, we have financed 2 doctorate scholarships in their 3-year long projects, which will be of great benefit for us.

POLAR BEAR WINTER

Over the past year there have been more polar bears in Longyearbyen and Svea than ever before. It has been possible to observe these large, beautiful and lethal animals on an almost daily basis during their travels on the ice and the territory surrounding the residential areas.

Fortunately there have been no life-threatening situations.

Nature on Svalbard is beautiful, wild and merciless. The nature and the environment are one of the reasons that we have chosen to live and work up here. The beauty and wildness of life on Svalbard also entice us into participating in outdoor pursuits and treks.

On Monday March 22nd our colleague Egil Brenna was hit by a large avalanche in Mälardalen whilst out on a scooter trip with a work colleague.

After a significant contribution from the Governor of Svalbard, the Red Cross and rescue workers he was found dead in the snowfall. Death had occurred instantaneously.

On this occasion things went wrong. All the same, it is good to know that we have skilled individuals who can, and do, step in when the need arises. In such situations we learn to value the warmth and closeness of this small Svalbard community.

On the TV programme «Life on Svalbard» we encounter our colleague Kjell Harry Johansen in many situations. He presented Store Norske and the mining work in a way that gave us a pleasure and pride in being a part of the company's community spirit. Respect for others and self-respect are values and attitudes the company strives for as its guiding principles. Staffs with knowledge and self-respect require only a minimum of management in order to come up with exceptional performance.

There's no doubt that we will continue to be the world's most effective mine!


Robert Hermansen

Annual report Store Norske Spitsbergen Grubekompani AS

Key facts about the company in 2003

The second business year, after the Norwegian Parliament gave its approval for permanent mining operations in Svea Nord in December 2001, shows solid profit. The first two years without state subsidies gave, in 2002, a before-tax profit of NOK 63 Million and NOK 78 Million in 2003.

Operations take place in 2 coalmines. Both have entrances up on the mountainsides and the coal is driven out horizontally in relation to the mine entrances. The first mine, Svea Nord, is located in Svea, which is approximately 60 km south of Longyearbyen. There is no road connection to Svea therefore transport of personnel is by 16-seater plane. Plane departures take place 5 days a week and the staff have varying work patterns, of which the most typical is 7 days of work followed by 7 days off. Residence during workperiod in Svea is granted solely to employees and co-operation partners. All company staff lives in Longyearbyen. The second mine, Gruve 7, is located in Adventdalen, with a 15 km road connection to Longyearbyen.

Unfortunately a tragic accident occurred in Svea Nord on the 22nd January 2003 when an intermediate layer of rock in a coal seam, weighing over 2 tonnes, came loose from the sidewall hitting 34-year old Tom Erik Lund who was killed instantly. This special phenomenon, which in Norwegian is called «bergslag», occurs where a rock is pressed out at great force due to rock-mechanical pressure. This is the first time such an event has occurred in a Store Norske mine. Lund and his colleagues followed appropriate procedures, but following the accident the company's regulations for mine safety have been revised with contingency plans for such events.

The year was also marked by restrictive conditions being placed on the company when the conservation plan for the Reindalen area was ordered to go into effect. This provides the company with new challenges – to adapt to coal resources other than those, which were the obvious next choice. A mining company must have a defined time-horizon in terms of reserves, and this horizon was dramatically shortened by these decisions from the governing authorities. The exploration programme for new coal deposits outside the protected areas is therefore to be intensified in the coming years.

An important milestone for the company was the commencement of tunneling work from Svea Nord and down to the settlement in Svea. This represents a height difference of 280 metres and a tunnel length

of 5.6 km. A breakthrough in the tunnel work was made towards the end of the year. This tunnel creates a more environmentally friendly form of road transport in that the coal dust resulting from road transport and the quantities of fuel required for road transport are reduced. Lorry transport up and down the steeply inclined road at Høganesebreen ceases when the transport belt inside the tunnel is fully fitted in mid 2004. Transport on the belt reduces the potential for personal injury, when the dangerous transport up and down Høganesebreen ceases. Transport of coal on a surface level will then take place for approx. 4 km against 12 km previously. It should also be mentioned that the tunnel will be used as natural drainage for melt water during the summer.

It was determined towards the end of the year that a 0.8 km tunnel should also be dug from the existing tunnel Svea-Svea Nord to the known deposits in Svea Øst. This deposit is commercial with 4.5 million tonnes of coal, lying in thicknesses, which can be removed using the longwall. No works in Svea Øst are planned before Svea Nord approaches the end of its commercial lifetime.

The group's owner, the Norwegian Government, requested the company's administration to consider partial privatization of the company, with the state as majority shareholder. Significant international actors in the coal market have shown interest in the company.

The company's annual turnover was NOK 940 Million and the pre-tax profit was NOK 78 Million.

As per 31.12.2003 the company employed 233 staff.

Business

The company's second year without state subsidy continued with the same positive development as 2002. The total amount of coal produced for both mines was 2,943,548 tonnes compared with 2,131,691 for the previous year.

The total count for untreated coal exceeded 3 million tonnes.

Svea Nord

Based on the experiences of 2002, with large quantities of melt water in the mine in summertime, there was controlled cessation of operations for several consecutive weeks during summer. The previous year's experience meant that the problem was met with appropriate equipment in the form of pumps, balers etc. The manpower released were employed carrying out preventive maintenance. Apart from the previously described tragic accident at the start

of the year, there were no work-related accidents with significant injury to persons or damage to equipment.

In Svea Nord there was a significant production record for the year, with 2,870,291 tonnes of saleable coal produced. The previous year the amount was 2,062,312 tonnes. Approximately 8% of this came from preparatory works.

Preparatory and longwall work have been stable throughout the year. The main drift H-3 advanced 160 field metres. The field advancement in longwall preparation was 2,136 metres. In total this equals 6,345 drift metres of prepared tunnel. This gives a ratio of 10.5 metres per shift in conditions up to 12 metres in 2002. The reason for the drop in collection is that the rock-mechanical conditions in the mine are more difficult and require extensive safety measures.

The longwall equipment is the main production equipment in Svea Nord and is responsible for the most significant part of the company's total production. The second longwall panel in Svea Nord was commenced at the beginning of 2003, and was practically mined out by the end of the year.

In mining of special coal the equipment is set such that the coal is taken out without exploiting the coal quantities at capacity of the equipment and the site. Such coal has, this year, represented in excess of 20% of sales, but from a production technique perspective this is not optimal operation. It does however demonstrate how flexible the operating equipment is and from a business economy perspective such operation can be defended in that the market for such special coal holds a better price. The equipment's high production capacity means that the problems with regard to melt water in the mine during summertime have not led to production loss. It has not created any commercial disadvantages.

In October 2003 a new production record was set with the production of 460,000 tonnes. This was reported in the industry as a European record for similar equipment in coal production. The production equipment, which for the most part is between 3 and 5 years old appears to be well maintained. Planned and continual inspection and maintenance are highly important factors in this. The equipment, which is constantly exposed to arduous conditions, appears to be in extremely good technical condition.

Gruve 7

This mine is operated as a separate profit unit. Coal is supplied to the local coal-fired power station in Longyearbyen, which requires around 25,000 tonnes annually. From an operating-technical and a business-economy perspective the ideal annual production is 70-80,000 tonnes, which includes coal delivered from this mine to the international market. In 2003 three

shiploads of coal from Mine 7 departed the old coal quay at Hotellneset.

The working complement is 18 men, of whom 14 work underground. This production method is called «room and pillar mining». In 2003 73,257 tonnes of coal were produced compared with 69,379 tonnes the previous year. This gives a ratio of 19.4 tonnes per man/shift, against 15.9 tonnes per man/shift in 2002.

Sales/Market

In 2003 2,831,356 tonnes were sold, which was an increase of approximately 800,000 tonnes on the previous year. The main section of supplies was to coal power plants in Germany and Denmark. The majority of customers are located in Northern Europe, but coal was also supplied as far south as Portugal and Greece.

During the course of 2003 coal prices increased on the world market. The high prices are driven by a price increase on bulk freight, primarily caused by the fact that the steel industry in China had a large demand for iron ore and coal and that a large proportion of the world's bulk fleet was occupied in transporting to and from China.

For the company this high price throughout this year was ultimately more and more advantageous as contracts with prices negotiated late in 2002 and early in 2003 were supplied. At the same time, the development in the dollar exchange rate has been negative. The entire company's turnover is dealt with in USD (apart from sales to the local power station in Longyearbyen).

Most supplies have been of quite satisfactory quality. Meanwhile, changed geological conditions during mining worsened the quality in a special area of the mine for a time. The screening – and preparation process at Kapp Amsterdam had to be adjusted before this coal could be delivered.

All sales go through SSM Coal, which is one of Europe's largest trading companies for coal, coke and anthracite. This marketing arrangement works well and gives the company security for sale of the coal produced.

In the same way as SSM Coal in Rotterdam and Duisburg are a strategic co-operation partner for sales, Jebesen Management in Bergen are equally central where shipping is concerned. With the special shipping waters, particularly at the entrance to Van Mijenfjorden, it is important that Store Norske control which ships come to Svea. Therefore all coal is sold CIF (Cost, Insurance and Freight) in Incoterms terminology. This also means that the company themselves, in co-operation with Jebesen decide which coal freight ships come to Svea. If the coal is sold FOB (Free on Board), then the customers themselves have to contract a ship to collect the coal in Svea.

Shipping

The first call at Svea was July 8th and the last 29th November. In all there were 52 coal ships divided into 32 Panamax class ships (70,000 tonne) and 16 Handysize class ships (30,000 tonne). In Longyearbyen there were 2 coal ships. Loading went without significant problems through the 5 ice-free months and the loading ration was on average 1623 tonnes per hour at the loading plant at Kapp Amsterdam in Svea.

Sailings out and in Van Mijenfjorden were unproblematic, and co-operation with tugboats the same. The 2 Danish tugboats from Svitzer have gradually acquired local knowledge, and co-operation between the crew here and the 2 port captains from Jebens management functions satisfactorily. The stipulated sailing procedures were followed closely.

The oil spill prevention team holds regular regular exercises. Ballast water from the large harbours in Europe is changed in open sea so that only seawater is released into Van Mijenfjorden. Shipping regulations also include provisions that the Panamax ships may take a maximum 350 tonnes of bunker oil on board when the ship is in open waters around Spitsbergen. The company has prepared inspection procedures to ensure that these regulations are upheld.

FN's maritime organisation the IMO (International Maritime Organization) decided at the end of 2002 that all harbours with international shipping traffic should be protected against the threat of terrorism according to the so-called ISPS-code before July 1st 2004. Preparations for this work started at the end of the year and the company will be certified within the deadline.

Transport in Svea is arranged by LNS Spitsbergen AS, which is a company owned by Leonhard Nilsen & Sønner AS. The climate for co-operation is good.

Health, environment and safety

The fatal accident mentioned previously marked the year. The company's objective is that all work in the company shall be undertaken in a safe manner such that no one will be injured during the performance of their work.

All the same, for the year there were 4 injuries with an absence due to sickness of 71 days. The previous year there were 88 days. The frequency of injury is measured by the number of days absent per 1 million working hours (H-value), and in 2003 this figure was 10 against 11 in 2002.

The total sickness absence in 2003 was 8,8% against 6,2% in 2002. The increase in sickness absence is followed closely but no clear reason has been identified. The Firm's health service is purchased from Longyearbyen Hospital, who also meet regularly in the company's working environment committee.

Gruve 7 in Longyearbyen had no injuries this year, and this makes it 4 years since injury occurred there.

A primary agent in the Health, Environment and Safety-work are the safety services with primary safety representative and safety representative in addition to a staff member for professional responsibility (safety manager). As a result of the company having a broad spread of activities, the activities are divided into 16 protective areas and there where 25 safety representative in 2003.

External environment

In the time since the Parliament undertook permanent control of coal activities on Svalbard in 2001 and the responsible authority (the Governor of Svalbard and the Directorate of Mining in Trondheim) approved the company's activities, the requirements placed in connection with the work in the aftermath of the company's own consistency study have been followed, without any of the conditions being broken. There is no disagreement between the governing authorities and the company in relation to these approaches.

The Pollution Control Authority placed on the company for the first time the requirement for an emission permit. This application was commenced in the business year and shall be supplied before March 31st 2004.

Through the year a new waste plan was implemented in Svea. The objective here is to reduce the amount of waste for disposal and now all waste is sorted at source.

There has been no evidence of any problems during the year in relation to shipping and as previously stated the protective actions have been comprehensive.

The company has an environmental monitoring programme, which includes monitoring of flora and fauna in the area of influence. Areas of historical significance in the area of influence have been mapped and action initiated.

Working environment

Internal studies reveal that company employees' experience of their workplace in terms of psychosocial conditions is good. The company's position is to constantly assess health risks and analyse safety in working operations, but not least from a psychosocial standpoint. Every year new technical initiatives are taken based on testing in operation, but things of a more sensitive nature are initiated after discussions with the company health services, the working environment committee, the protective services, employees directly and managers.

Preparedness and safety

It is quite natural for a mining company to work actively towards safety when the consequences of undesirable events can be far-reaching. The company employees are aware and continually reminded of the risk factors that apply. They are continually informed about these and given training in how to avoid them.

Factors affecting safety in a mine are rock-mechanical conditions, methane gas, ventilation, coal dust and water. In addition, the use of equipment and how working operations are performed. The company has close contact with the leading technical environments and suppliers within the various technical fields. In particular this applies to SINTEF and NTNU in Trondheim.

The distances on Svalbard are great, the temperature conditions unique and nature here can be capricious. The company has therefore several preparedness groups organized into separate units. These are; mine rescue corps, emergency group, fire and rescue service and oil spill prevention team. In total there are 95 staff involved in these groups.

Personnel

As per 31.12.2003 there were 233 persons employed in the company against 225 persons at the same time in the previous year. Of these personnel, 148 persons work underground.

The company turnover was 12.7% against 14.4% the previous year. The mean length of employment in the company is now 9.8 years. The distribution of personnel by age group shows a continued and satisfactory development towards a younger working group. The average age in the company has now dropped to 39 years.

Training and development of competencies are a continual focus area. Many employees take part in further education in and outside the company. 18 new technical certificates were issued in 2003.

Equality

Equality and an awareness of potential gender discrimination is a focus issue. In a traditionally male-dominated industry with hard physical work and a barracks existence, there have not been a significant number of women in the actual mine work. Therefore a goal is to employ more women into traditionally male-dominated roles within the company. There is no differentiation in salary scales within the company between men and women.

There are 3 women on the board of the company, and of 7 persons in company management 3 are women. Longyearbyen Workers' Association department 142 of NAF, which organizes the majority of



employees within the company, has a female leader who is also a member of the company's committee as employees' representative. In autumn 2003 a significant number of skilled workers were sought and employed within the actual mining operations. Many persons applied (and it is pleasing to see that young well-qualified skilled workers find it attractive) to work in mining operations and to live on Svalbard. Of the skilled workers employed, 2 were women.

The company's guidelines in relation to maternity leave and similar care issues are in accordance with the Environment Act, with individual adjustments.

There are no plans to initiate any special actions in this area. The company has a known position for a respectful and balanced attitude between the genders and the promotion of equality. Gender discrimination was not raised as a problem for the trade union, employees or other interest groups in the past year.

FINANCE

Operating income and profit

Coal sales CIF totaled NOK 936 Million, against NOK 683 Million in 2002. The increase was attributed to both increased quantities and increased coal prices. The operating profit was NOK 68 Million against NOK 22 Million in 2002, whilst the profits before tax increased from NOK 63 Million in 2002 to NOK 78 Million in 2003.

Investments

This year the company has invested NOK 181 Million. Of these investments, the tunnel between Svea and Svea Nord comprised NOK 154 Million. See table below.

Liquidity

Due to climactic conditions around Svalbard coal is only shipped between July and November. This means that from December to July the company produces for storage, and cash from sales comes in for the first time in autumn. The cash requirement to facilitate operation during the period where coal is produced for storage is financed by an overdraft facility.

Currency

Coal is sold onto the world market primarily in US Dollars. This means that the company receives their income in dollars, whilst the majority of costs are in Norwegian Krone. The exchange rate of the US Dollar has changed from the upper part of NOK 9 at the beginning of 2002 to NOK 6.6 per dollar at the end of 2003. In total, the company received an income of USD 11 Million in 2003. A change in the course NOK/USD of 2.4 creates a reduction in income totaling NOK 266.4 Million.

In order to reduce the risk related to variances in exchange rates the company enters into future contracts for future sales of the dollar. In 2003 the company achieved an average exchange rate of 8.40 against 8.68 in 2002. Mid-market exchange rates USD/NOK was respectively 7.08 and 7.97.

The following investments have been made since the commencement of Svea Nord in 1999:

	2003	2002	2001	2000	1999
Mining plant and equipment	23	9	261	66	22
Loading and quay structures	0	0	30	120	22
Svea Community (including power supply)	0	6	50	16	2
Transport and machinery	5	3	4	5	6
Longyearbyen	0	0	2	2	
Tunnel Svea Nord	154	51			
TOTAL INVESTMENTS	181	69	347	208	30

Financial items

In 2003 the company increased their debt to credit institutions (including overdraft facility) by NOK 50 Million, to a total of NOK 359 Million. At the end of the year the company had unused drawing rights on overdraft facility of NOK 141 Million. The long-term debt in the company is in both Norwegian Krone and in USD.

Use of profit

Of the company's NOK 69.5 Million profit, the Board proposes that NOK 25.0 Million be used for group contributions to the mother company and that NOK 44.5 Million be transferred to other owners' equity.

Annual account statement

The company considers that the annual account given to the mother company and the group is a satisfactory description of the company- and the group's position at end of year.

The account is laid down under the assumption of continued operation, as there is nothing in the view of the Board which suggests otherwise.

The Board/Chief Executive Officer

The Board held 9 meetings in 2003. Unfortunately, Petter Thomassen, the Chairman of the Board died on 8th October. On 8th December Steinar Høgaas was named as the new Board Chairman. Industry man Høgaas, who previously was a member of the Parliament, visited Longyearbyen and Svea in December and had good relations with both employees and management.

Future prospects

A mining company needs a relatively long perspective in relation to resource base. This is in order to have a strategy to lead by and to have an operation, which ensures that there are no dramatic swings in activity year by year. Significant swings have an effect on security, social conditions etc. The decision to in-

corporate Reindalen into Nordenskiöld National Park meant that at the end of the year the company had greater uncertainty than before in terms of long-term operation. In order to achieve a satisfactory long-term business plan and thus to maintain support from financial institutions, owners, investors etc, it was decided during the year to commence an extensive mine-mapping programme with core borings. This occurred in areas where one can utilize the infrastructure in the Svea community. All geological knowledge about the area suggests that the probability of locating new deposits is high.

With the increasing activity and extensive use of modern mining technology the company has changed character in recent years. It is pleasing that the frequency of injuries and to a certain degree the frequency of work absence has not increased proportionally in step with the increased activity. Significant future focus will be on similar lines and will include security work generally, work in preserving the envi-

ronment and the presence of high maritime security and preparedness.

2003 was a very special year in terms of coal prices and bulk seafreight. Prices of coal and sea freight rose significantly. The company benefited significantly from the high coal prices and that long-term agreements had been entered into in relation to freight, which secures reasonable freight costs.


The company has been exposed to swings between the USD and NOK due to the fact that coal is sold in dollars. The dollar was secured at a higher level than the exchange rate at the close of the year, and the fruits of this will be also be reaped in 2004.

Thanks to the company's employees.

The Board wishes to thank all staff in Store Norske Spitsbergen Grubekompani AS for their contributions, professional abilities and loyalty shown in 2003. These contributions mean that for the second successive year the company shows a solid profit.

Longyearbyen,
31st December 2003
15th April 2004

On the Board for STORE NORSKE SPITSBERGEN GRUBEKOMPANI A/S


Steinar Høgaas
Chairman of the Board


Ole Fredrik Hiem
Vice Chairman


Jarle Haagensen



Lise Chatwin Olsen


Atle Fornes


Anita Johansen


Torstein Nilsen


Esther Kostøl

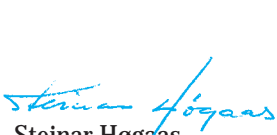




Robert Hermansen
Chief Executive Officer

Profit and loss account 2003

	Note	2003 NOK 1000	2002 NOK 1000
Coal sales cif	1)	935 772	683 263
Other sales income		583	780
Rental incomes		88	266
Other business incomes		3 069	2 492
TOTAL BUSINESS INCOMES		939 511	686 801
Change of holdings	14)	15 146	-108
Salary and social costs	3)4)5)	-158 668	-130 839
Freight/Commission in relation coal sale	6)	-381 924	-263 809
Production costs	7)	-129 129	-116 662
Housing and social costs	8)	-113 562	-90 491
Exploration costs	9)	-11 197	-7 788
Other running costs		-29 756	-23 636
Depreciations and devaluations	11)	-61 953	-31 533
SUM OPERATING COSTS		-871 043	-664 867
OPERATING PROFIT		68 468	21 934
Financial incomes	16)	30 523	60 985
Financial costs	17)	-21 229	-20 414
NET FINANCIAL ENTRIES		9 294	40 570
PROFIT BEFORE TAX		77 762	62 504
Tax costs	10)	-8 295	-6 388
PROFIT AFTER TAX		69 467	56 116
Disposal of the year's profit:			
Submitted group contributions		25 000	22 648
Other owner's equity		44 467	33 467

Longyearbyen, 31st December 2003
15th April 2004

On the Board for STORE NORSKE SPITSBERGEN GRUBEKOMPANI A/S

 Steinar Høgaas
Chairman of the Board
  Ole Fredrik Hienn
Vice Chairman
  Jarle Haagenen
  Lise Chatwin Olsen

 Atle Fornes
  Anita Johansen
  Torstein Nilsen
  Esther Kostøl
  Robert Hermansen
Chief Executive Officer

Store Norske Spitsbergen Grubekompani AS Balance as per 31.12.2003

	Note	2003 NOK 1000	2002 NOK 1000
CAPITAL ASSETS			
Intangible properties			
Net overfinanced pension obligations	5)	15 069	2 117
Tangible fixed assets			
Tangible fixed assets	11)	290 720	325 475
Plant under execution Tunnel	11)	204 723	50 997
Financial capital assets			
Investments in affiliated company	12)	36 752	38 558
Other long-term receivables	13)	10 000	20 000
TOTAL CAPITAL ASSETS		557 264	437 147
CURRENT ASSETS			
Goods			
Holding of operating material	14)	43 303	40 592
Coal holdings	14)	42 998	27 852
Receivables			
Accounts receivable	15)	40 104	24 312
Other short-term receivables	13)	1 665	983
Bank deposits, cash			
Cash, bank	1)	55 917	100 500
TOTAL CURRENT ASSETS		183 986	194 239
TOTAL ASSETS		741 250	631 386
OWNERS' EQUITY AND DEBT			
OWNERS' EQUITY			
Share capital	22)	150 100	150 100
Other owner's equity	22)	82 699	35 732
TOTAL OWNERS' EQUITY		232 799	185 832
DEBT			
Provisions for obligations			
Deferred tax	10)	813	4 123
Provisions for obligations	21)	2 000	0
Long-term debt			
Note to credit institutions:	17)	310 653	197 590
Short-term debt			
Overdraft facility	17)	48 574	111 413
Trade creditors	1)	35 724	70 245
Owed government levies		8 301	6 874
Total tax payable	10)	9 106	0
Other short-term debt	13)	45 665	14 477
Debt to company in the same group	13)	47 616	40 832
TOTAL DEBT		508 451	445 554
TOTAL DEBT AND OWNERS' EQUITY		741 250	631 386

Cashflow arrangement, indirect model

	2003	2002
	NOK 1000	NOK 1000
Cashflow from operational activities:		
Profit before tax costs	77 762	62 504
Ordinary depreciations	61 953	31 533
Changing stock in hand	-17 857	-68 444
Changing in accounts receivable	-15 791	-24 312
Changing in trade creditors	-34 522	70 245
Differences in pension funds/-obligations	-12 952	-2 117
Effect of changes in exchange rate	-6 519	-47 925
Entries classified as investment- or financial activities	-18 194	-11 607
Changes in other time-limiting entries	48 365	18 552
Net cashflow from operational activities	82 245	28 430
Cashflow from investment activities:		
Remittance on sale of tangible fixed assets	0	0
Disbursement on purchase of tangible fixed assets	-180 923	-408 006
Remittance on sale of shares and units in other enterprises	20 000	11 607
Disbursement on purchase of shares and units in other enterprises	0	-38 558
Net cashflow from investment activities	-160 923	-434 956
Cashflow from financing activities:		
Remittances in uptake of new long-term debt	119 582	245 515
Net change in overdraft facility	-62 839	111 413
Remittances of owners' equity	0	150 100
Disbursement of intra-group contribution	-22 648	0
Net cashflow from financing activities	34 095	507 027
Effect of exchange rate changes on cash and cash equivalents		
Net change in cash and cash equivalents	-44 584	100 500
Holding of cash and cash equivalents at the beginning of the period	100 500	0
Holding of cash and cash equivalents at the end of the period	55 917	100 500

Notes to account statement SNSG AS

Note 1 Account principles

The account statement is prepared in accordance with Norwegian accounting rules and good accounting standards. All figures are given in NOK 1000 unless otherwise stated. Amounts in foreign currency are stated where given.

Principles of assessment and classification

Principles for posting of income

Sale of goods and services are posted as income at the time of delivery.

Classification and evaluation of balance sheet items

Current assets and short-term debt includes items, which fall due for payment within one year, together with items connected to goods circulation. Other items are classified as fixed assets/long-term debt.

Current assets are evaluated at the lowest of the acquisition cost and real value. Short-term debt is balanced to a nominal sum at the time of entry.

Capital assets are evaluated at acquisition cost, but are devalued to real value where depreciation is not expected to be transient. Long-term debt is balanced to face value at end of year.

Daughter Company/Affiliated Company

The daughter company is assessed using the cost method in the company accounts. The investment is evaluated at acquisition cost for the shares unless devaluation has been necessary. Devaluation is undertaken to real value when the depreciation is due to reasons, which cannot be assumed to be transient and it must be taken as necessary according to good accounting standards. Devaluations are reversed when the basis for devaluation no longer exists.

Dividends and other payouts are entered as income in the same year as laid down in the daughter company. Where dividends exceed the proportion of profit retained after purchase, the surplus portion represents repayment of invested capital, and the payouts are deducted from the investments' value in the balance.

The affiliated company is assessed using the cost method in the company accounts. In the group accounts the owners' equity method is used for affiliated companies. The proportion of the profit is based on the profit after tax in the company in which one has invested, with deduction of internal gains and any depreciation on VAT due to the cost price of the shares having been higher than the acquired share of the balanced owner's equity. In the profit and loss account the profit share is shown under financial items.

Stockpiles

Coal stockpiles are assessed to total production costs connected with coal production.

Stockpiles of operating material and reserve parts are assessed at lowest value of acquisition cost and real value.

Tangible fixed assets and depreciations

Tangible fixed assets are balanced and depreciated where they have a lifetime over three years and have a considerable cost price. Depreciations are based on the financial lifetime of fixed assets linked to the total resources in Svea Nord.

Receivables

Customer receivables and other receivables are entered in the balance at face value following deduction of provisions for expected loss. Provisions for loss are based on individual assessment of the individual receivables. In addition, an unspecified provision is made to cover anticipated loss for additional customer receivables.

Provisions and debt in foreign currency

Provisions and debt in foreign currency are entered at prevailing rate as of 31.12.

Cashflow

Cash flow arrangements are prepared based on the indirect method. Cash and cash equivalents includes cash, bank deposits and other short-term, liquid investments which immediately and with insignificant risk of price change can be converted to known cash amounts and with a due date shorter than three months from the date of acquisition.

Preparation costs

Preparation and establishment of new coalfields is charged to income. Moving of equipment from one panel to the next is included in establishment of new fields.

Exploration costs

Costs for exploration of future deposits are charged to income.

Pension liabilities

The company has pension arrangements for all employees. Net pension resources and pension costs are entered in the balance. Annual actuary calculations for pension liabilities and costs are undertaken. Consideration is made in the calculation of actuaries of expected pay growth based on linear earnings. The period's net pension costs are included in pay costs.

Taxes

Tax costs for the year are calculated based on the years accounting profit. This includes both the periods payable tax and changes in deferred tax. Deferred tax is calculated based on differences between financial and taxable values.

Note 2 Incomes

Coal sales cif are distributed into the following markets and customer groups:

TONN	Energy	Cement	Metallurgical	Other industry	2003 tonnes	2003 NOK	2002 tonnes	2002 NOK
Svalbard	22 124				22 124	8 601	24 935	9 425
Norway		116 399			116 399	38 163	98 905	33 369
Denmark:	499 045				499 045	179 176	494 375	146 310
Finland	60 772	2 000			62 772	23 939	212 214	82 474
Sweden	29 238				29 238	10 218	28 095	6 678
Iceland					0		11 623	3 572
Germany	572 938	13 287	504 088	66 194	1 156 507	370 104	715 241	285 673
Netherlands			72 553		72 553	23 562	71 176	2 719
England		145 206			145 206	44 870	187 480	13 995
Poland				25 004	25 004	8 526	74 840	27 433
Portugal	140 493	143 861			284 354	93 446	72 241	20 084
France				146 277	146 277	56 709	95 197	27 474
Greece		271 877			271 877	79 977	72 061	25 167
Tonnes 2003	1 324 610	692 630	576 641	237 475	2 831 356	937 290	2 158 383	684 374
NOK 2003	451 348	218 657	179 126	88 160				
TOTAL tonnes 2002	1 084 967	247 262	474 936	351 218				

Coal export duty totalling NOK 1.5 Million is added to deductions from sales income.

Note 3 Allowance to management personnel

	2003	2002
Salary to Chief Executive Office	1,664	1,540
Remuneration to board	555	780
Auditing fee	375	162
Advisory auditor	289	159

The Chief Executive Officer is entered into the same pension agreement as other employees. No redundancy payment is arranged for the Chief Executive Officer.

Note 4 Specification of labour and social costs

	2003	2002
Labour costs	129 111	107 799
Pension costs	11 921	5 081
Other expenses	17 636	17 960
TOTAL	158 668	130 839

The average number of employees in the company this year has been 232.

Note 5 Pension costs and obligations

The company has pension arrangements, which include in total 270 persons of whom 40 are early retirees. There are 133 ordinary pensioners, divided into 62 old-age pensioners, 33 spousal pensioners, 12 child pensioners and 25 disability pensioners.

The arrangements give the right to defined future benefits. These are for the most part dependent on the number of years served, salary level in those of pensionable age and the size of benefits from the National Insurance Scheme. The pension obligations are covered through the insurance company.

The company has as of 31.12.03 an overfinanced pension obligation of in total NOK 15.1 Million, which is entered in the balance. At the beginning of the year the overfinanced obligation was NOK 14.4 Million, of which NOK 9.4 Million did not fulfil the terms and conditions in the accounting standard for balancing. The whole overfinancing at the end of the year can be balanced.

Pension costs	2003			2002		
	Secured	Unsecured	Total	Secured	Unsecured	Total
Year's accumulated pension rights	7 603	2 895	10 498	6 330	2 610	8 939
Interest costs on accumulated pension rights	9 705	2 350	12 055	10 042	2 186	12 228
Rate of return on pension funds	-13 481	-539	-14 020	-15 243	-266	-15 510
Allocated estimate divergence	11 366	-142	11 225	15	-494	-479
Net pension costs	15 193	4 564	19 758	1 143	4 035	5 178

Entered in the balance

Accumulated pension obligations	-191 138	-43 800	-234 938	-153 983	-35 887	-189 870
Pension funds (at market value)	227 009	9 911	236 920	200 711	3 598	204 309
Deferred obligation	17 940	-4 853	13 087	3 499	-6 466	-2 967
Non-balanced excess on total obligation	0	0	0	-9 355	0	-9 355
Overfinanced pension obligation which is balanced	53 811	-38 742	15 069	40 872	-38 755	2 117
Net overfinancing entered in the balance			15 069			2 117

Financial conditions:

Discount rate	6.0 %	7.0 %
Expected return	7.0 %	8.0 %
Salary increase	4.0 %	4.0 %
G-regulation	3.0 %	3.3 %
Regulation of current pension	3.0 %	2.5 %

Note 6 Transport/Commissions relating to coal sale

	2003	2002
Shipping costs	225 988	159 504
Analysis costs	1 438	1 016
Commissions	32 886	25 545
Transport/Loading Svea	121 612	77 744
TOTAL	381 924	263 809

Note 7 Production costs

	2003	2002
Planning costs	20 161	15 741
Longwall production	15 027	10 298
Maintenance costs	20 454	25 992
Water intrusion	0	9 913
Longwall moving	31 168	22 465
Safety work	2 015	2 276
Loading-, quay construction	9 164	7 688
Energy costs	22 259	13 387
Production/Maintenance Gruve 7	8 880	8 902
TOTAL	129 129	116 662

Note 8 Accommodation- and social costs in Svea

	2003	2002
Personnel- Goods transport	27 481	26 534
Billeting (Board and lodging)	23 482	25 858
Energy costs	41 141	19 166
Infrastructure (roads, waste management, HVAC etc.)	21 460	18 933
TOTAL	113 562	90 491

Note 9 Research costs

Research and discovery activities for new fields are entered as expenditures in the account. In 2003 borings were undertaken in fields in close proximity to Svea.

	2003	2002
Ispallen	6 359	3 099
Martabreen/Slaknosa	0	1 914
Reindalen	3 730	0
Field work/Glacial studies	69	586
Administration	1 038	2 190
Total research costs	11 197	7 788

Note 10 Tax costs

	2003	2002
Annual profit before tax costs	77 762	62 504
Permanent differentials	5 191	1 378
Varying temporary differentials	33 103	-41 233
Basic payable tax	116 056	22 648
Tax 10%	11 606	2265
Tax payable on the annual profit:	11 606	2 265

The annual tax costs appear as follows:

Tax payable on the annual profit:	11 606	2 265
Varying deferred tax	-3310	4 123
The year's total tax costs	8295	6 388

Payable tax in the balance appears as follows:

Tax payable on the annual profit:	11 606	2 265
Tax related to charged intra-group contributions	-2500	-2 265
Total tax payable	9 106	0

Specification of basis for deferred tax/tax advantage:

Differences as outlined:		
Capital assets	-16 921	-6 854
Current assets	-14 750	654
Debt	52 986	47 893
Other financial provisions	-25 676	0
Pension funds	12 492	-460
Total	8 131	41233
Deferred tax	813	4 123

Note 11 Tangible fixed assets, depreciation table

	Machines, fixtures, transport- resources	Buildings	Technical plant	Mining plant	Plant under construction	TOTAL
Acquisition costs as per 01.01.03	42 270	79 234	290 196	413 433	50 997	876 131
Entry 2003	4 594	0	-354	22 959	153 725	180 923
Disposal 2003	29 437	34 693	22 080	8 116	0	94 325
Acquisition costs as per 31.12.03	17 427	44 541	267 762	428 276	204 723	962 729
Accumulated depreciations as per 01.01.03	40 668	73 856	83 286	301 849	0	499 659
Acc. Depreciations discarded plant resources	29 437	34 693	22 080	8 116	0	94 325
Year's depreciations	1 359	996	25 220	20 163	0	49 923
Year's reductions			14 214			14 214
Book value as per 31.12.03	4 837	4 382	167 122	114 380	204 723	495 443
Assumed remaining lifetime	9 years	9 years	9 years	9 years		

The year's depreciations are calculated from coal production for the year in relation to current reserves in the main field of Svea Nord at the beginning of the year.

Devaluation of technical plant applies to plant at the mine entrance in Svea Nord, which no longer will be used due to movement of the mine entrance to the new tunnel opening in Svea. These plant resources are therefore depreciated.

Note 12 Shares in Daughter Company and other company

Company	Town	Share of ownership %	Value in balance
Store Norske Boliger AS	Longyearbyen	100	36 000
Svea Tankanlegg AS	Sveagruva	15	752
TOTAL			36 752

The shares are booked into the balance using the cost method.

Store Norske have an obligation to repurchase the shares in Svea Tankanlegg AS from the other shareholders at face value if there are no other purchasers for these.

Shares in Leonhard Nilsen og Sønner Store Norske AS were sold in 2003.

Note 13 Settling of accounts with group companies

	2003				
	Customer receivables	Other receivables	Short-term debt	Long-term debt	Total
Store Norske Spitsbergen Kulkompani AS			47 616		-47 616
Store Norske Boliger AS		614	1 210		-596
Store Norske Gull AS					
TOTAL 2003	0	614	48 826	0	-48 212
	2002				
	Customer receivables	Other receivables	Short-term debt	Long-term debt	Total
Store Norske Spitsbergen Kulkompani AS			40 832		-40 832
Store Norske Boliger AS	521		2 709		-2 187
Leonhard Nilsen & Sønner Store Norske AS		20 000	12 809		7 191
TOTAL	521	20 000	56 350	0	35 828

Note 14 Stockpile

Coal stockpiles are evaluated at total production costs connected with coal production, which comprises NOK 135 per tonne.

	2003		2002	
	Tonnes	NOK	Tonnes	NOK
Coal stores Longyearbyen	5 500	743	10 500	1 418
Coal stores Sveagruva	313 000	42 255	195 808	26 434
TOTAL	318 500	42 998	206 308	27 852

Stockpiling of operating materials and spare parts is assessed at average cost price from the supplier. Goods older than one year, and which cannot be expected to be used in the next year are set to 0 value in the balance.

	2003			2002		
	Cost price	Devalued	Value in balance	Cost price	Devalued	Value in balance
(NOK 1000)						
Stocking of consumption materials Longyearbyen	886	886	0	940	940	0
Stocking of consumption materials Mine 7	17 591	17 591	0	17 721	17 721	0
Stocking of spare parts Svea	75 841	53 955	21 886	71 143	56 798	14 345
Stocking of consumption materials Svea	43 978	22 561	21 417	50 389	24 142	26 247
TOTAL	138 296	94 993	43 303	140 193	99 600	40 592

Note 15 Accounts receivable

	2003	2002
Accounts receivable (net) per 31.12	40 104	24 312
Accounted loss on claims in the year	-19	42
Variance in provision for future loss	0	0
Del credere fund as per 31.12	1 005	1005

The Del Credere fund is assumed to be adequate to cover possible future loss.

Note 16 Financial incomes

	2003	2002
Interest incomes bank deposit	160	582
Unrealised agio gain on cash loan	6 519	47 928
Other agio gain	5 219	868
Dividend	432	0
Gain on sale of shares	18 194	11 607
TOTAL	30 523	60 985

Gain on sale of shares applies to sale of shares in LNSN AS

Note 17 Debt to credit institutions:

Interest bearing debt:

Loan type	Bank	2003		2002	
		Balance	Interest costs:	Balance	Interest costs
Overdraft facility	Sparebank1 Nord-Norge	48 574	6 854	111 413	12 366
Building loan	Sparebank1 Nord-Norge	160 093	4 884	35 518	453
Mortgage loan	Sparebank1 Nord-Norge	150 560	4 663	162 071	6 140
Unused overdraft facility (Limit 190,000)		141 426		78 584	
Debt with due date more than 5 years after the end of the accounting year		116 500		32 400	

The mortgage loan is taken up in USD and is booked at the exchange rate as per 31.12.

Date		Balance		Course
		USD	NOK	
Sept 2001	Contract loan	23 864	210 000	8,80
31.12.01	Exchange rate adjustment		5 348	9,02
15.01.02	Instalment	-597	-5 348	9,03
31.12.02	Exchange rate adjustment		-47 925	6,97
15.10.03	Instalment	-711	-4 992	6,96
31.12.03	Exchange rate adjustment		-6 519	6,68

The mortgage loan was taken up by the mother company SNSK AS in 2001 and was transferred to SNSG AS 01.01.02.

Note 18 Lodging of securities and guarantees

	2003	2002
Mortgage loan	150 560	162 071
Building loan	160 093	35 518
Overdraft facility	48 574	111 413
TOTAL	359 227	309 002
Booked values of assets placed as security for the debt:		
Tangible fixed assets	495 443	376 473
Shares owned by the company	36 752	38 558
Stockpiles	86 301	68 444
Accounts receivable	40 104	24 312
TOTAL	658 559	507 786

The company has placed the following assets as security:

Martikkel 12 Indre Lågfjord
Rights and survey at Van Mijenfjorden south of Reindalen
Operating materials and operating fixtures
Coal- and goods stores
Shares owned by the company
Accounts receivable
Buildings and plant in Svea

Guarantee liability

The company has placed a guarantee against Norske Romsenter Eiendom AS of NOK 4 million as cover of cost in the event of break/fault of sea fibre cables to the mainland.

Note 19 Future contracts

The majority of coal sales are sold in US Dollars. In order to reduce the risk of swings in the exchange rate the company enters into future contracts, which secure future sales of the dollar.

As per 31.12.03 the company had entered into the following future contracts* on sale of USD:

Due date	Mill. USD	Mean exchange rate
2004	45	8,14
2005	35	8,22

In addition the following future sales options* were entered into on sale of USD:

Due date	Mill. USD	Mean exchange rate
2004	10	8,43
2005	10	8,68

* Sales option gives SNSG AS the obligation, but not the right, to sale at the agreed exchange rate, whilst a future contract gives both duty and the right to sale at the agreed exchange rate.

Note 20 Coal reserves

Due to the geological and mining-technological conditions experienced at the deposits in Longyearbyen from the beginning; the following technical definitions of coal reserves have been used up to this point:

Safe coal: Areas, which are prepared on three sides, and with a distance of less than 300m between observations.
Probable coal: Coal outside areas classified as safe coal, and with a given minimum distance of known observation.
Known coal: Total of safe and probable coal (in situ).
Sales coal: Is known coal reduced for loss due to geological conditions, scaling down, transport and dressing.

With the developments, which have occurred over time, both with regard to exploratory boring and mining methods the definition is outdated. It is today possible to establish the size of a resource with the necessary degree of safety through core boring.

KNOWN SALE-COAL

With the experience now gained through mining in Gruve 7, Svea Vest and in Svea Nord, where we first undertook extensive diamond borings with in part, much longer hole distances than these – for Store Norske – obsolete definitions require, we have combined the classes safe- and probable coal to known coal.

For the future we expect coal with a mining height of less than 1.5 m. Coal with lower thickness does not normally permit mining to excess. When estimating the quantity of sale-coal, we take into account the mining methods chosen. For Gruve 7 this is the room and pillar method, in the same way as today. For Sveagruva, including Ispallen, we expect to use the long-wall method, also in the parts where we shall mine at thickness of 1.5 to 2.5 metres.

POSSIBLE SALE-COAL

This is coal, which with a certain degree of probability one can anticipate finding, based on uncovering of the coal thickness sensor outgoing and individual diamond bore holes.

RESERVED SALE-COAL MILL. TONNE

	Thickness	Mining method	Known	Possible
Svea Nord core	2.8 – 4.5	Longwall	24.0	
Svea area	1.5 – 2.8	Longwall	22.0	
Gruve 7	1.3 – 1.7	Room & Pillar	1.5	1.0
TOTAL	1.3 – 3.8	All methods	46.5	1.0

In addition to these known quantities of sale-coal in the known deposits around Svea and Longyearbyen, an extensive programme for diamond boring both west of Sveagruva and south of Gruve 7 in Longyearbyen has been started, based on geological knowledge and theories in respect of the formation of coal deposits over 60 million years ago. We anticipate getting the results of the bore programme over the next 2-3 years.

PRESERVED AREAS

Following the establishment of Nordenskiöld national park we no longer expect the areas around the Reindals deposits, Lunckefjell deposits and the Kolffjell deposit as potential exploration areas for coal winning. The rules that apply for high-way construction and plant activities in the national park render profitable coal production impossible.

Note 21 Clearing costs

In the account statement for 2003, NOK 2 million is set-aside for future clearing up costs in Svea.

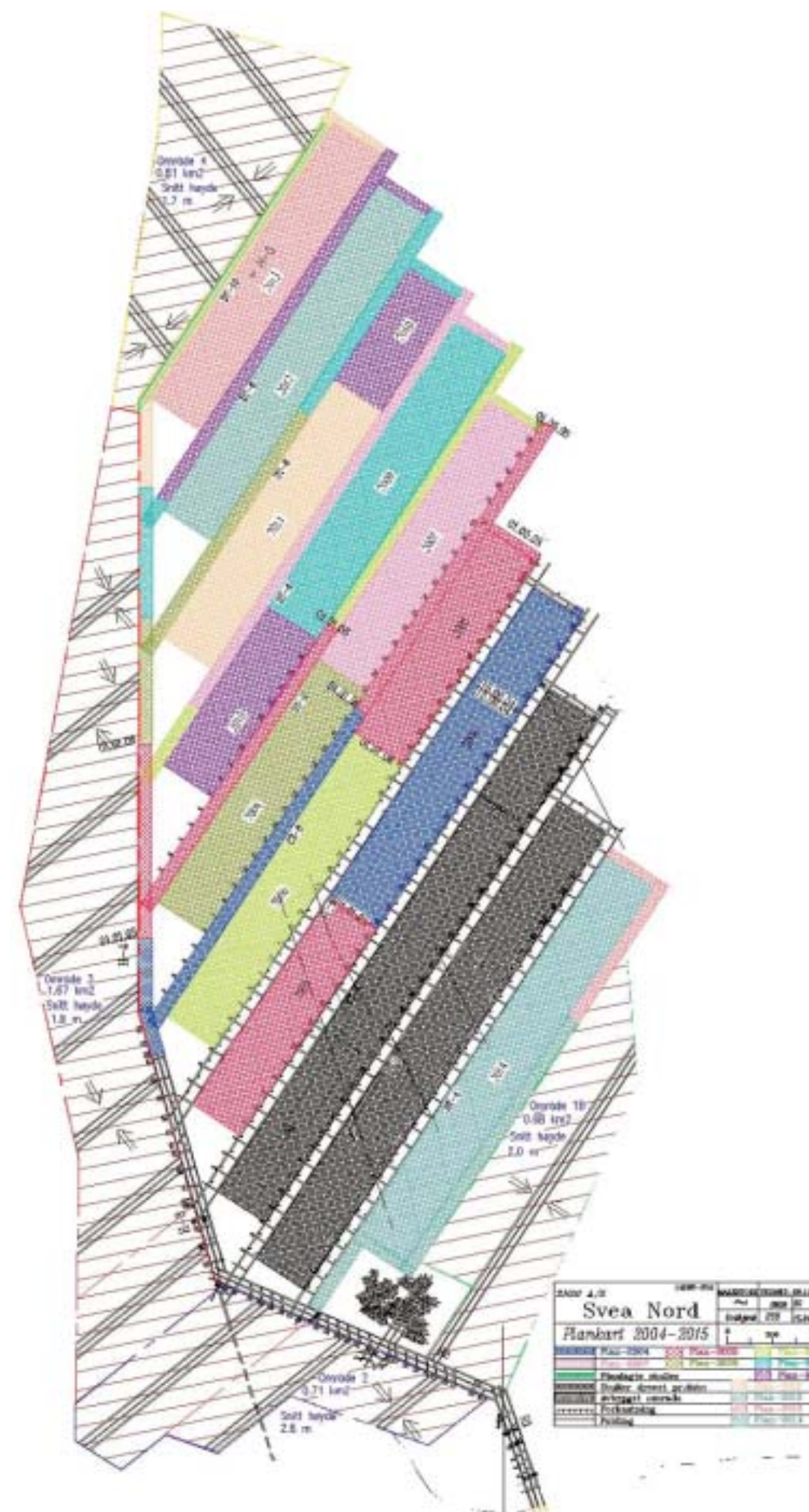
Note 22 Owners' equity

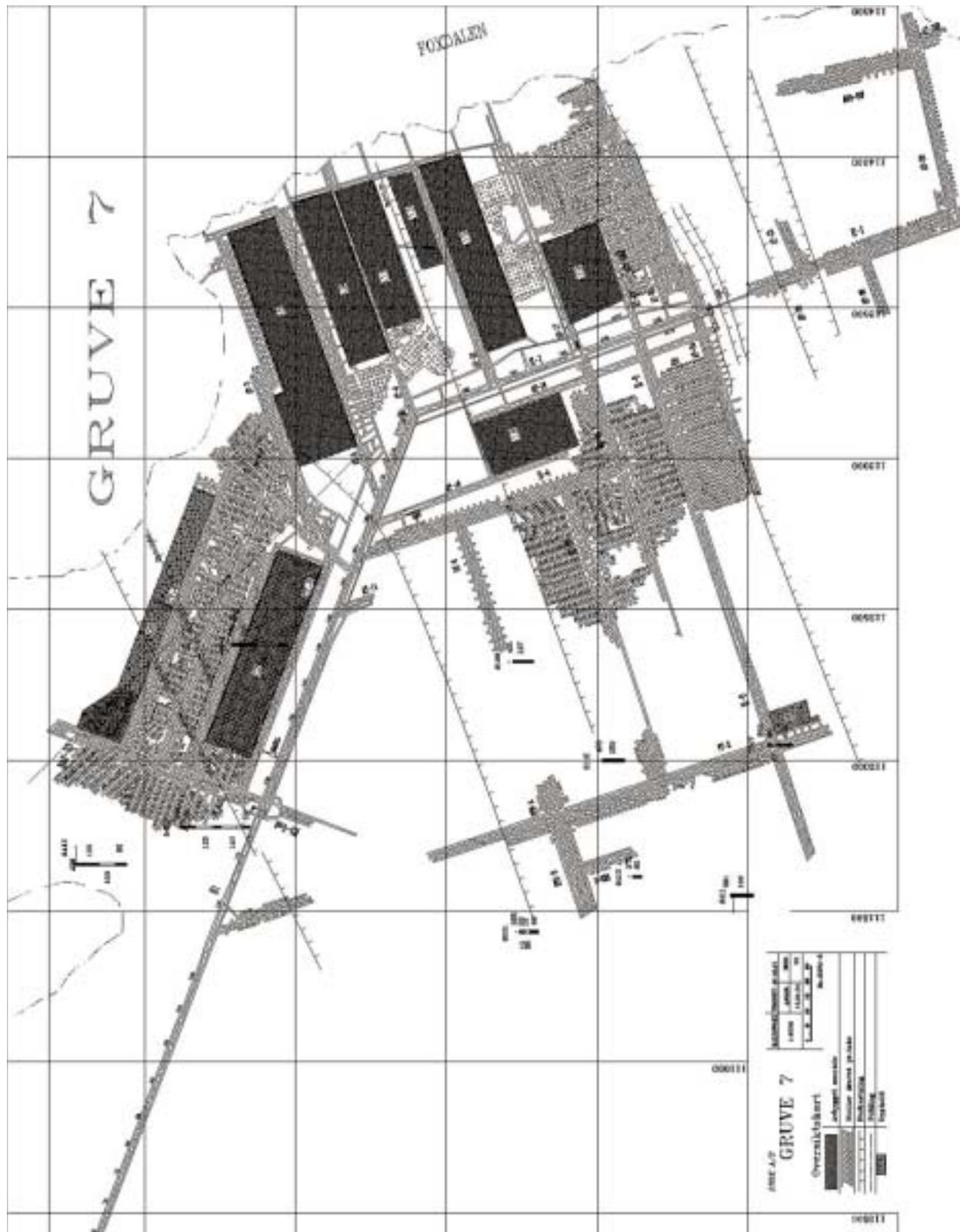
	Share capital	Other Owners' equity	Total
Owners' equity as per 01.01.2003	150 100	35 732	185 832
The year's profit		69 467	69 467
Charged group contributions (net)		-22 500	-22 500
Owners' equity as per 31.12.2003	150 100	82 699	232 799

The share capital consists of 150, 000 shares with a face value of NOK 1000 per share.

Note 23 Owner structure

As of 31.12.03 Store Norske Spitsbergen Kulkompani AS owned 100% of shares in the company.







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