ANNUAL REPORT AND ACCOUNTS 2007

Store Norske Spitsbergen Kulkompani AS · Store Norske Spitsbergen Grubekompani AS

PHOTO: TOMMY DAHL MARKUSSEN

Store Norske Spitsbergen Kulkompani	92nd year of operations
Enterprise no.:	916 300 395
Share capital l:	164 490 000

Store Norske Spitsbergen Grubekompani	6th year of operations
Enterprise no.:	984 015 097
Share capital l:	150 100 000

Board of Directors:	
Bård Mikkelsen	Chairman
Ole Fredrik Hienn	Vice-Chairman
Esther Kostøl	
Lise Chatwin Olsen	
Lisbeth Alnæs	
Henning Kløften	Staff representative
Bjørn Helge Nygård	Staff representative
Anita Johansen	Staff representative

Administration:	
Robert Hermansen	Chief Executive Officer (up to 2 March 2008)
Bjørn Arnestad	Chief Executive Officer (from 3 March 2008)
Dag Ivar Brekke	Deputy Chief Executive
Magne Larsen	Production Director
Nils Tokheim	Marketing Director
Terje Carlsen	Human Resources Director
Sissel Danielsen	Financial Director
Ester Knudsen	Strategy Director
Øyvind Aasgaard	Chief HSE Officer

Chairman Bård Mikkelsen (left), Lise Chatwin Olsen, Esther Kostøl, Anita Johansen, Lisbeth Alnæs, Vice-Chairman Ole Fredrik Hienn, Bjørn Helge Nygård and Henning Kløften.

Contents

PHOTO: TORBJØRN JOHNSEN

Change of management at Store Norske

Foreword by the departing Chief Executive Officer

Record production and total focus on safety

In 2007, Store Norske produced over 4.1 million tonnes of coal. 2008 began with stocks of half a million tonnes at Svea, which have provided a good basis for our current year. Reasons for this record production include good deposits and good equipment, but the main reasons, now as before, are the solid expertise and hard work of the company's workforce. The fact that this record production was achieved without any serious accidents is clearly a positive thing. However, where safety and the working environment are concerned, it never pays to be complacent. We are also faced with considerable challenges and potential improvements in this area. Safety, well-being and productivity are all closely connected, with knowledge and attitudes being decisive factors. People with both knowledge and self-respect are able to plan and carry out the most challenging tasks, and training and education are becoming increasingly important.

Society is changing

The community at Longyearbyen is changing in line with changes in Norway. There is increasing demand for family homes and for jobs for women. Here the company is faced with a number of major tasks requiring cooperation with both the authorities and other companies. While more and more of the company's employees wish to have their families join them up in Svalbard, there are also an increasing number who would like working patterns that would allow them to have a good, close family life back home in Norway while retaining their workplace in Svea. Our personnel department has been working with Dr. Rolf Hanoa MD to monitor all trends, both for the individual and for the community. Fortunately the system of 14-day shifts followed by 14 days leave has not as yet produced any negative consequences. Store Norske is entirely dependent on being able to retain its well-educated and trained employees.

Mining as harvesting

Mining consists of harvesting limited resources. Stable, long-term operation requires new deposits to replace those that are extracted. Store Norske has sufficient deposits in both the Svea and the Longyearbyen areas for approx. 15–18 years of operation at current production levels. In a few years, we will start production from the Lunckefjell deposit and, in time, the other deposits that can be extracted using Svea Nord's transport system and infrastructure. At 1.5–2.5 metres, the thickness of these seams requires the use of new equipment, although the mining methods that have been employed to such good effect in Svea Nord can also be used in seams that are less thick. All over the world, seams of similar thickness are being worked with convincing productivity levels. We are at least as good as the best of our competitors, so it is certain that we will succeed here as well!

Coal and man-made climate changes

We are all aware of the changes in weather from one year to the next, as well as a long-term change in the climate. The fact that the climate changes we are now experiencing are due in part to human activities such as burning coal and other fossil fuels has gradually become accepted, and this also presents challenges for coal-mining companies like Store Norske. The company participates in research and development projects on CO_2 capture and storage, and the company also contributes to the development of expertise at both UNIS (the University Centre in Svalbard) and NTNU (the Norwegian University of Science and Technology).

Almost 3 billion people do not have access to electrical energy. Energy is essential for growth and development and the need for sufficient energy and for clean energy must be at the top of the agenda. As Norway's only coal producer, Store Norske is clearly aware of its responsibility and aims to contribute to the development of knowledge and understanding.

We are currently seeing record coal prices on the global market and an increasing demand for coal, which puts Store Norske in an excellent position to make arrangements for the future. The company is able to pay off debts, open new deposits and purchase new equipment. The most important thing is maintaining high levels of safety and well-being and also productivity. However, we must not rest on the laurels of good prices and high revenues. Our competitors are constantly improving their efficiency, and we also have to make continuous improvements. As part of these improvements we are making our workplaces safe and secure for the years ahead. In this way Store Norske aims to continue to be the most important reason for Norwegian habitation and industrial activity on Svalbard.

Longyearbyen, February 2008

Robert Hermansen

Key figures for Store Norske

	1999[1]	2000[1]	2001[1]	2002[2]	2003[2]	2004[2]	2005[2]	2006[2]	2007[2]
Production (1,000 tonnes)	404	632	1 788	2 132	2 944	2 904	1 471	2 395	4 073
Number of employees at 31.12 – group	226	223	248	225	233	265	314	366	396
Sickness absence – group (percentage)	6,8	7,0	7,1	6,2	8,8	6,0	8,3	8,7	8,9
Injuries involving absence	10	11	19	4	4	10	23	17	14
Turnover (NOK m)	124	223	557	687	940	1 310	1 132	1 256	1 854
Tonnes/employee	1 787	2 834	7 209	9 474	12 633	10 960	4 684	6 544	10 285
Profit/loss before subsidies/taxes (NOK m)	-87	-176	-133	63	78	217	52	-111	153
Subsidies (NOK m)	87	154	136	0	0	0	0	0	0
Depreciation (NOK m)	30	97	136	32	62	82	65	101	152

[1] SNSK [2] SNSG

PHOTO: SNSG BILDEARKIV

Change of management in Store Norske

Foreword by the new Chief Executive Officer

Whereas the demanding task of reconstruction following the fire was of central importance in 2006, during 2007 there has been considerable focus on the task of consolidating and developing operations. An important area of focus for this work has been ensuring that the conditions are in place for the group's operations, including the supply of capital, insurance conditions and operational matters.

As the new Chief Executive Officer, my aim is to work together with the company's skilled and motivated employees, to promote the company and to ensure the long-term survival of Store Norske and the coal-mining operation on Svalbard. The planning process for the new deposit at Lunckefjell will be of considerable importance for the time ahead.

Under my management I will promote and develop what Robert Hermansen and all the employees of Store Norske have built up over many years. This has given us a solid platform on which to continue building in order to achieve maximum yield for the shareholder, for employees and for society.

Coal-mining operations on Svalbard are the company's core activity. Store Norske has significant resources in the form of proven coal reserves, and the company has a highly competent mine management team, skilled mine workers and a solid organisation. We are however also developing operations in Finnmark and Troms that have considerable potential and that will ensure that we continue to produce good results in the years ahead.

The outlook for 2008 is for a positive development in coal prices. We have signed contracts at prices that are considerably higher than last year, and although the dollar is falling significantly, this means better results and better liquidity for Store Norske. Our strategy for this period is to capitalise on the positive period ahead of us in order to secure the future.

However, good times do not come without challenges and sooner or later things are certain to take a turn for the worse. I believe that the main strategy for Store Norske's operations must entail prioritising long-term profitability ahead of maximum production, and the profile for this must be put in place now. It is essential that we have reasonable cost levels and a productivity level that will allow us to cope with lower coal prices than those anticipated for 2008.

I would also like to draw attention to two concrete areas on which we will be concentrating. One is health, safety and the environment (HSE). The other is our recruitment policy, which is especially important with regard to our responsibility, as a cornerstone company, to make a positive contribution towards social development.

HSE occupies the top position on my list of priorities. Years of experience in industrial operations have taught me that a good HSE standard helps to set a good standard in all other areas within the company – and that good HSE work is primarily about a good attitude and an emphasis on HSE in our day-to-day work. From discussions on the working environment held in 2007 and 2008, it is clear to me that there is work to be done, and it is work that we must do together. Everyone says that injuries and accidents are properly followed up and investigated at meetings and conferences, but there are still a lot of people who say that injuries are "something that happens and something we just have to accept". We must work systematically to change attitudes like this. Being a miner is a tough and demanding job, but even though it is tough and demanding, we must still have a goal of zero tolerance for injuries in our operation.

I have considerable faith in the excellent level of collective knowledge and expertise present in Store Norske. We have committed and motivated employees who care about the company and the people who work for it, and this is a good basis on which to build, also in our HSE work.

The most important element of Store Norske's recruitment strategy must be to recruit the best mineworkers and the best employees in all other areas. Evaluation of our working hours system reveals a number of challenges. Of the 280 employees who work shifts or rotation systems in Svea, 200 (70%) commute from the mainland. About a half of all employees in Store Norske commute from the mainland. As part of the work on the new Svalbard White Paper, it is claimed that coal-mining on Svalbard accounts for about 600 jobs, including associated

operations. Store Norske's coal-mining activities therefore represent the only major stable, year-round place of work, making the company a guarantor of Norwegian presence on Svalbard.

As a company we are entirely dependent on a smoothly-functioning working hours system, though in our future recruitment policy we must focus more on measures aimed at supporting family life on Svalbard. These measures could involve building more family accommodation, as well as providing places of work for spouses and partners.

Store Norske must take an active and conscious approach to its responsibility as a cornerstone company in Longyearbyen. This is an obligation that we have both to Store Norske as a company and to society in general. The Government ownership policy document is based on the requirement that companies in which the state has a holding must take a leading role in the work on social responsibility.

This is a challenge that we accept.

Longyearbyen, March 2008

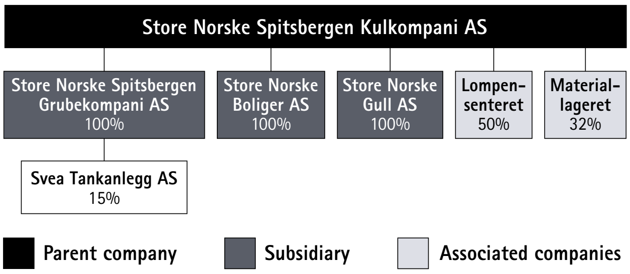
Bjørn Arnestad

PHOTO: EINAR FJERDINGØY

PHOTO: TOMMY DAHL MARKUSSEN

Annual report of Store Norske Spitsbergen Kulkompani AS

Store Norske Spitsbergen Kulkompani AS (SNSK) is the parent company in the Store Norske group. The company has three fully-owned subsidiaries: Store Norske Spitsbergen Grubekompani AS (SNSG), which carries out mining operations on Svalbard, Store Norske Boliger (SNB), which manages the group's residential accommodation, and Store Norske Gull AS (SNG), which conducts prospecting operations.



The Norwegian state, represented by the Ministry of Trade and Industry, owns 99.9% of the shares in SNSK. The remainder of the shares are owned by private shareholders, largely with shareholdings as a result of a special interest in the company and Svalbard.

SNSK has not carried out active mining operations since 2001 but still has mining concessions over large areas of Svalbard. These concessions are held in reserve for future operations. The company owns several properties on Svalbard, including the two central properties covering Longyearbyen. The company leases land to companies establishing in Longyearbyen. SNSK has entered into a cooperation agreement with Longyearbyen Local Administration concerning management of the land.

Key facts about the company in 2007

The work of consolidating and developing operations following a demanding period involving fire and reconstruction in 2005 and 2006 has been of central importance in 2007. As a parent company, SNSK has worked hard on securing conditions for the group operations, including the supply of capital, insurance conditions and recruitment.

Another feature of the year was the subsidiary company SNSG's insurance settlement following the fire in Svea Nord in 2005. The positions taken by SNSG and the insurance companies were so widely opposed that the case was referred to the courts. In its decision of 30.11.2007, Nord-Troms Court ruled in favour of SNSG on most of the main points in the case, though it awarded only about NOK 540 million of the NOK 790 million that had been claimed in compensation. SNSG has therefore decided to lodge an appeal against parts of the court's ruling with the court of appeals. The appeal case has been set for September 2008.

The progress of the insurance claim represented a challenge to the group's capital situation. In February 2007, the Board of Directors decided to ask the shareholder for a new equity injection. After considering a revised national budget, the shareholder decided to give SNSK a subordinated loan of NOK 250 million to strengthen the company's liquidity situation in anticipation of a final insurance settlement.

At the same time, Store Norske applied to the Ministry of Trade and Industry for permission to change the company's Articles of Association to allow the company also to operate outside of Svalbard. This application was based on the Board of Directors' consideration of the company's strategic platform, especially in the light of the development initiated by the company in Finnmark. In June 2007, the Annual General Meeting decided to change Store Norske's Articles of Association to allow the company to use its expertise in the environmentally-friendly exploitation of resources on Svalbard and also in Finnmark and Troms.

A new working hours system was introduced in SNSG in January 2007 as a trial arrangement. In addition, the work of reducing sickness absence and improving well-being has had a high priority.

Financial review

The Board of Directors considers that the annual report published for the parent company and the group provides a true and fair description of the performance, results and financial position of the company and the group. The accounts have been prepared under the going concern assumption.

Operating income and profit

Turnover in the parent company was NOK 146.3 million. Turnover in the group was NOK 1,826.5 million. Operating profit was NOK 5.4 million for the parent company and NOK 102.4 million for the group. The parent company posted a profit before tax of NOK 7.1 million while the group recorded a pre-tax profit of NOK 129.7 million. The profit after tax was NOK 10 million for the parent company and NOK 111.8 million for the group.

Financial information
The company had investments of NOK 6.8 million in 2007. The group had investments of NOK 101 million.

SNSK contributed share capital of NOK 150 million to the subsidiary SNSG at the time of the opening of Svea Nord in 2001. The subsidiary has invested in equipment and plant totalling NOK 1 billion. Until the fire in 2005, earnings in the subsidiary were high enough for this capital to be sufficient as risk capital in accordance with the banks' requirements.

As a result of the loss suffered by the subsidiary in connection with the fire and the delay in the insurance settlement, the parent company has approached the shareholder for a cash injection of NOK 250 million. It was decided in a revised national budget in 2007 to issue a short-term loan to the parent company of NOK 250 million in anticipation of an insurance pay-out. The parent company has transferred this loan, subject to the same conditions, to SNSG.

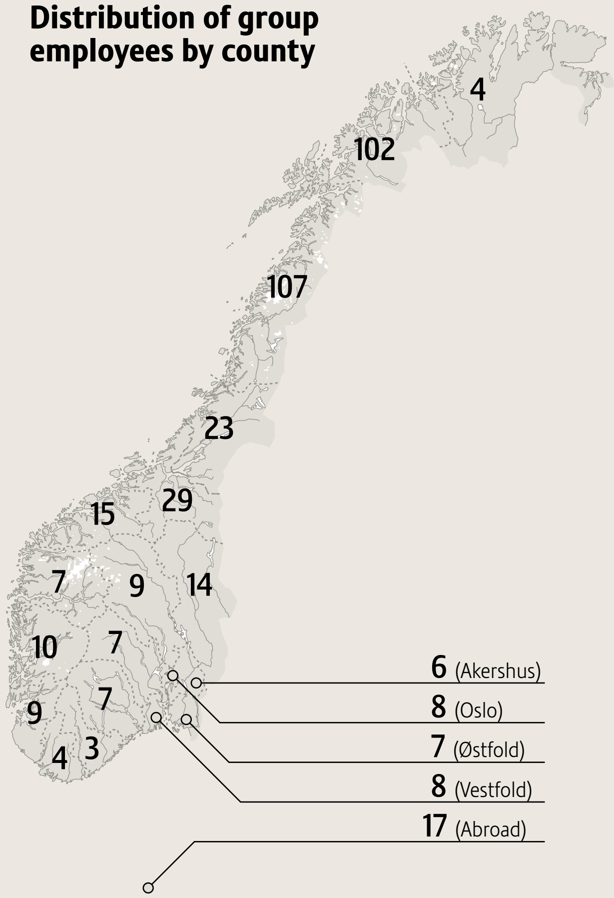
SNSG's liquidity requirement is also affected by the fact that the company only generates sales income for five months of the year, as the ice conditions in Van Mijenfjorden restrict outgoing shipments of coal from Svea. From January to July production is stockpiled and credit requirements increase steadily throughout this period until shipments can restart. As SNSG is the main customer of SNSK, the parent company's liquidity will also be affected by these factors.

The parent company did not have any long-term debt at the year-end. Short-term debt was NOK 307.5 million, with NOK 250 million of this in the form of a subordinated loan to the shareholder. The group had long-term debt of NOK 366.6 million and short-term debt of NOK 767.3 million.

At year-end, the parent company did not have any long-term debt. Short-term debt was NOK 307.5 million, with NOK 250 million of this in the form of a subordinated loan to the shareholder. The group had long-term debt of NOK 366.6 million and short-term debt of NOK 767.3 million.

Allocation of profit
Of the parent company's after-tax profit of NOK 10 million, the Board of Directors proposes that NOK 7 million be paid in dividends, NOK 6.9 million be paid as a group contribution to Store Norske Gull AS, while NOK 3.9 million should be transferred from other equity.

Distribution of group employees by county

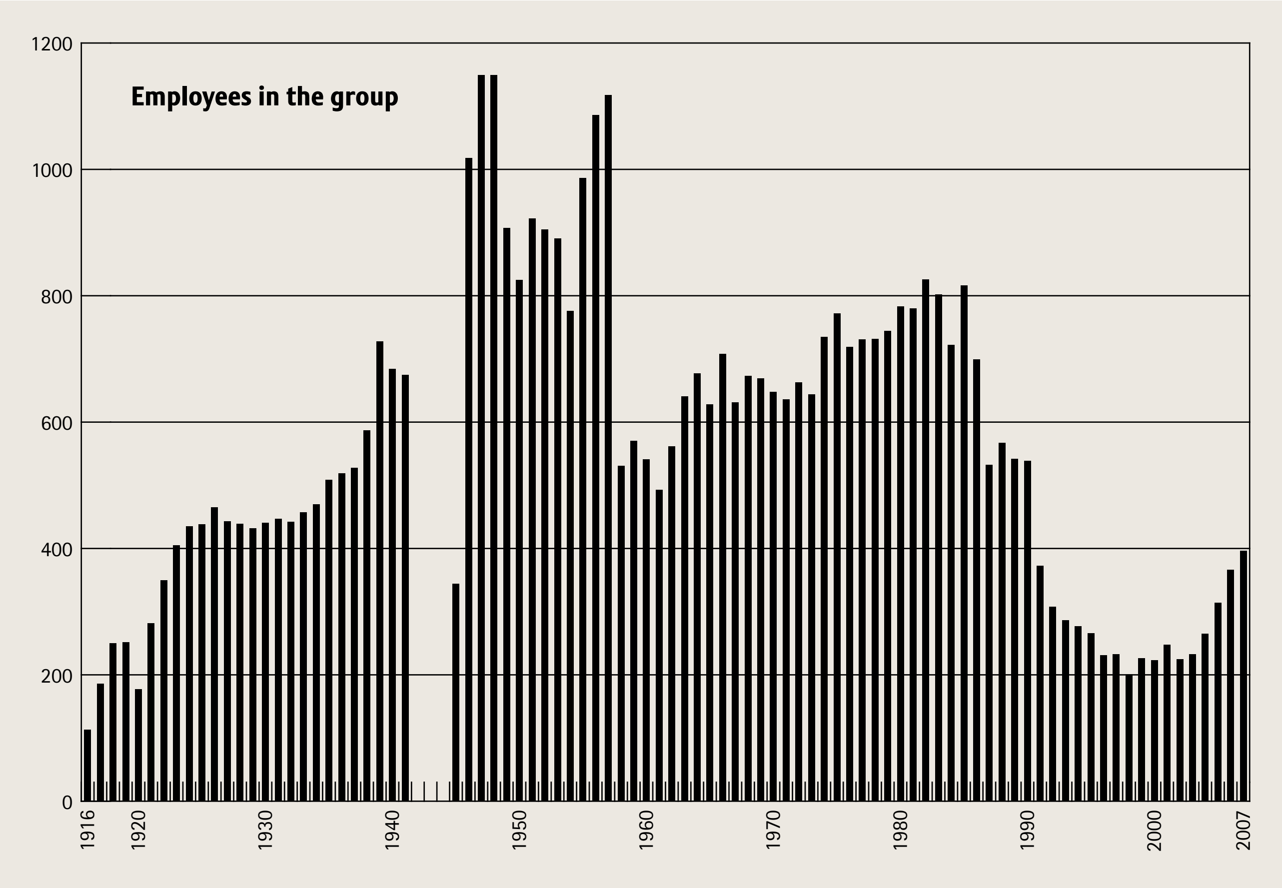


Personnel
As of 31.12.2007, SNSK had 59 employees. Functions within the company include finance and accounting, salaries, personnel and training, purchasing and material administration (warehouse staff), ICT and management. With the exception of the coal stocks, which are kept in Svea, all the company's operations are based at the head office in Longyearbyen.

Sickness absence was 4.7% for SNSK and 8.9% for the group.

Personnel turnover in 2007 was 10% for SNSK and 9% for the group as a whole. The average period of employment in the company and in the group are 11 and 8 years respectively. The employees' average age is 44 years in the company and 39 years in the group.

Store Norske invests heavily in training and skills development. Between 1996 and the end of 2007, 158 mineworkers underwent vocational training and passed the qualifying examination in mining engineering. In all a total of 263 employees have passed qualifying examinations in a total of 17 different subjects over the last 20 years.



In autumn 2004, Store Norske started a collaboration project with Stjørdal technical college in the subject of mining technology. During 2007, 18 employees completed and passed in all subjects. It is planned to start a new class in 2008 with approx. 20 students. The teaching model used has attracted some interest amongst other companies which are now considering initiating vocational training. For some of the students who have completed technical college courses, further education courses have now been started in chemistry and mathematics as a basis for admission to NTNU.

In 2007, a number of examinations were passed in subjects providing a basis for enrolment for qualifying examinations. Mining engineering represents the largest group, though a high number of employees qualified in industrial engineering and materials and administration. Store Norske organised tuition in these subjects prior to the exams. The process of passing qualifying exams in mining has been initiated and will continue into 2008.

The work in connection with ISO certification in SNSG also includes describing routines for education in the companies. By implementing the various specialist courses, the company is significantly raising its overall level of skills.

Social responsibility

Store Norske has an active and conscious approach to the comprehensive considerations that must be taken into account by state-owned companies in particular in order to make a positive contribution to society. The socio-economic perspective and the responsibility that falls to a cornerstone company are central guiding principles for the group's activities.

The social and commercial analysis for 2007 shows that continued coal-mining plays a decisive role for stability and therefore for the family community on Svalbard. The company's role as an employer and generator for local growth continues to be entirely dominant.

Store Norske has supported a number of events in Longyearbyen in 2007, primarily activities aimed at children and young people but also sporting and cultural events for the population at large. Most of the company's employees are from North Norway, and Store Norske considers it natural to contribute to some degree towards culture and sport in this part of the country too.

Research and development

In general, Store Norske's research and development activities are attracting growing interest from Norwegian politicians, public administration and the business community. With last year's significant media focus on climate, interest in the group's commitment to CO2 research has been particularly evident.

Store Norske continues to note that the company is recognised for its expertise in resource extraction, development and operating infrastructure in the Arctic. This expertise is being further developed in collaboration with the University Centre in Svalbard (UNIS). In 2007 Store Norske donated to UNIS a professorship in the subjects of energy and the environment. The professorship was donated for a period of five years. The position had not been occupied by the end of 2007.

Store Norske is supporting research into the treatment of greenhouse gases from the production of fossil fuels. The company is a partner in the EU-financed DYNAMIS research project, the goal of which is to build a zero-emissions coal power station in Europe. By the end of 2007/start of 2008, the project was entering its third and final year.

The company is also participating in the steering group for the "CO2-free Svalbard" research project, initiated by UNIS and the research foundation SINTEF Energiforskning. In 2007, Store Norske supported the drilling of a test borehole in Longyearbyen in order to investigate the suitability of the bedrock for depositing and storing CO2.

The development of expertise in Store Norske Gull is also an important part of the development work carried out in the group.

Wholly-owned companies

Store Norske Spitsbergen Grubekompani AS

Most of Store Norske's operations are conducted within this company. The fire which occurred at the end of July 2005 continued to have a bearing on operations in the company in 2006 and 2007. In 2007, the company posted an after-tax profit of NOK 134.6 million and operating income of NOK 1,854.2 million. The company had 337 employees at 31.12.2007. All administrative services are bought in from SNSK.

Store Norske Boliger AS

In 2007, the shares in Store Norske Boliger were transferred from the subsidiary SNSG to the parent company. The company owns housing stock comprising 419 units in Longyearbyen which are let out to the group companies for their employees and the employees of LNSS. Most income is internal to the group, and profit after tax was NOK 15.2 million from a turnover of NOK 38.0 million. The company had no employees at 31.12.2007. All services are purchased by SNSK.

Store Norske Gull AS

The company was founded in 2003 and is primarily engaged in prospecting activities on Svalbard and in Finnmark and Troms. In 2007, the company was working on a strategic plan and ethical guidelines in line with the guidelines established within the parent company.

The company has mining claims in Finnmark and in Troms. On the basis of the explorations carried out in 2007, an early estimate has been made of the ore potential in two of the areas in which the company operates. The potential is assumed to be substantial. Work is still at an early stage and further exploration work is planned, with core drilling to take place in 2008. The company is working on the development of a prospecting and extraction model that can work well together with Sami reindeer herders.

As a consequence of a planned increase in activity on the mainland in 2008, an Extraordinary General Meeting has decided to relocate the company's head office to Tromsø on the mainland. Employees who have worked in prospecting will be outsourced to Store Norske Gull AS early in 2008.

The company had no income of its own in 2007. The loss after tax was NOK 6.9 million.

The company had no employees at 31.12.2007. All administrative services were purchased from the parent company.

Associated and other companies

Materiallageret AS

32% owned by Store Norske Spitsbergen Kulkompani AS. The company lets out properties in Longyearbyen, where Store Norske has its offices.

Lompensenteret AS

50% owned by Store Norske Spitsbergen Kulkompani AS. The purpose of the company is to operate business premises in Longyearbyen.

Svea Tankanlegg AS

15% owned by Store Norske Spitsbergen Grubekompani AS. The purpose of the company is to procure, store and distribute fuel in Svea.

External environment
The parent company has carried out mining operations in the area around Longyearbyen since 1916. During this period, locally restricted pollution has occurred in the form of acid run-off and scrap metal. Measures have been taken to counteract pollution from operations which took place prior to Svea Nord. The consequences of current operations continue to be dealt with in consultation with local and central environmental authorities.

The group's activities do entail some limited local pollution in the form of waste, dust and methane emissions. The group maintains a firm focus on the external environment and has extensive measures in place to reduce the impact its operations have on the natural environment.

As a result of the environmental impact studies carried out, the group has gained a high level of expertise in mining-related environmental issues. Monitoring programmes and collaboration with universities have provided valuable insight into the working methodology needed to devise good solutions. As a result of the work on Svea Nord, many employees have acquired important knowledge of environmental issues in the Arctic and gained considerable experience in obtaining, organising and applying this knowledge.

Equal opportunities
SNSK is concerned with equal opportunities and is aware of possible sex discrimination. There are four women on the company's Board of Directors, and two of the five management positions in SNSK are occupied by women. The chair of the Longyearbyen Workers' Association, branch 142 of the Norwegian Union of General Workers (NAF), is a woman. The Longyearbyen Workers' Association represents most of the company's employees. The chair of the workers' association is also an employee representative on the company's Board of Directors.

The Board of Directors and the Chief Executive Officer
The Board of SNSK met seven times, once on Svalbard. No new Board Members were elected in 2007. The recruitment process for a new Chief Executive Officer to succeed Robert Hermansen continued during autumn 2007 and Bjørn Arnestad took up the position on 3 March 2008. The Board of Directors would like to thank Robert Hermansen for the very important work he has done for the group as Chief Executive Officer from 1999 to 2008.

PHOTO: TOMMY DAHL MARKUSSEN

Future prospects

Coal-mining operations on Svalbard are the company's core activity and they will form the basis for its existence and development for many years to come. The seam in Svea Nord is expected to be worked out by 2013. The company is then planning to continue operations in Svea by opening up the deposit in Lunckefjell, which is located northeast of the Svea Nord seam. A project group for planning Lunckefjell was set up in summer 2007 and basic technical and financial planning had been completed by the end of the year. A progress plan has been drawn up and the extent of public executive work has been clarified.

Operations outside Svalbard could provide the company with additional sources of income in the future and strengthen both expertise and the basis for existence. A broader base in the northern areas combined with the main base and main operations on Svalbard would reinforce the company's role as a commercial player with an important national function.

The employees represent a broad and well-balanced mix of the expertise the group needs both for its current operations and in order to invest in future activities. The group continues to pursue extensive prospecting activities for coal and mineral deposits on Svalbard.

A review of the financial position of the wholly-owned subsidiary Store Norske Spitsbergen Grubekompani AS shows that the company can run coal-extraction operations on Svalbard at a profit. Coal mining also continues to represent an important means of sustaining stability in Longyearbyen, and the company acts as a socially responsible player.

Thank you to the group's employees

The Board of Directors would like to thank all the employees and representatives in the group and its subsidiaries and associated companies for the motivation and loyalty demonstrated in 2007.

Longyearbyen, 31st December 2007 / 5th April 2008

The Board of Directors of Store Norske Spitsbergen Kulkompani AS

Bård Mikkelsen Chairman	Ole Fredrik Hienn Vice-Chairman	Henning Kløften	Lise Chatwin Olsen

Lisbeth Alnæs	Anita Johansen	Bjørn Helge Nygård	Esther Kostøl	Bjørn Arnestad Chief Executive Officer

PHOTO: TOMMY DAHL MARKUSSEN

Profit & loss account,
Store Norske Spitsbergen Kulkompani AS

NOK 1000

Group				Parent company	
2007	2006		Note	2007	2006
1 871 527	1 096 672	Coal sales CIF	1)2)		
1 274	2 626	Other sales income		139 016	118 872
11 810	10 755	Rental income		4 471	4 185
-58 090	156 816	Other operating income	2)	2 767	441
1 826 520	**1 266 868**	**Total operating income**		**146 254**	**123 498**
141 761	9 170	Change in stocks	13)		
-376 279	-293 775	Wages and salaries, national insurance contributions and pension expenses	3)4)5)	-66 759	-61 742
-669 204	-395 640	Freight relating to coal sales			
-666 854	-526 078	Other production and operating costs	7)	-73 336	-50 450
-153 502	-101 072	Depreciation	8)	-781	-83
-1 724 079	**-1 307 396**	**Total operating costs**		**-140 877**	**-112 274**
102 442	**-40 528**	**Operating profit/loss**		**5 378**	**11 223**
108 203	18 994	Financial income	9)15)	13 193	1 578
-80 913	-63 116	Financial expenses	9)	-11 426	-3 256
27 290	**-44 122**	**Net financial items**		**1 767**	**-1 678**
129 731	**-84 650**	**Profit/loss before tax**		**7 145**	**9 545**
-17 933	7 179	Changes in deferred tax	10)	2 828	-2 221
111 798	**-77 470**	**Profit/loss after tax**		**9 972**	**7 324**
		Application of profit/loss for the year:			
		Dividend		7 004	7 004
		Group contribution paid		6 917	
		Other equity		-3 949	320

Longyearbyen, 31st December 2007 / 5th April 2008

The Board of Directors of Store Norske Spitsbergen Kulkompani AS

Bård Mikkelsen
Chairman

Ole Fredrik Hienn
Vice-Chairman

Henning Kløften

Lise Chatwin Olsen

Lisbeth Alnæs

Anita Johansen

Bjørn Helge Nygård

Esther Kostøl

Bjørn Arnestad
Chief Executive Officer

Balance sheet, Store Norske Spitsbergen Kulkompani AS

NOK 1000

Group				Parent company	
2007	**2006**		**Note**	**2007**	**2006**
0	22 109	Intangible assets	5)10)	9 579	6 751
789 731	843 282	Tangible assets	8)	8 034	1 967
11 935	10 058	Financial assets	11)	237 277	177 495
801 665	**875 449**	**Total fixed assets**		**254 889**	**186 213**
351 245	192 316	Stocks	13)	150	0
554 872	639 013	Receivables	12)14)	261 326	43 898
33 247	37 335	Bank deposits, cash		4 728	10 775
939 364	**868 664**	**Total current assets**		**266 204**	**54 673**
1 741 028	**1 744 114**	**Total assets**		**521 094**	**240 885**
164 490	164 490	Share capital	19)20)	164 490	164 490
408 752	303 957	Other equity	19)	29 366	33 315
573 242	**468 447**	**Total shareholders' equity**		**193 856**	**197 805**
33 966	13 230	Provisions	5)10)17)	19 743	17 010
366 548	438 955	Long-term debt	16)	0	0
767 273	823 481	Short-term debt	10)16)17	307 494	26 071
1 167 787	**1 275 666**	**Total debt**		**327 237**	**43 080**
1 741 028	**1 744 114**	**Total debt and shareholders' equity**		**521 094**	**240 885**

Cash flow statement, indirect model
Store Norske Spitsbergen Kulkompani AS

NOK 1000

Group			Parent company	
2007	2006		2007	2006
		Cash flow from operating activities:		
129 731	-84 650	Profit/loss before tax	7 145	9 545
-1 017	-1 284	Tax paid for the period		
248	-3 385	Profit/loss on sale of fixed assets		
	-3 384	Gain on sale of shares		
153 502	101 072	Ordinary depreciation	781	83
	12 128	Capitalisation in 2005 reversed		
-158 929	-10 460	Change in stocks	-150	
-3 522	-131 624	Change in accounts receivable	898	-672
5 487	8 152	Change in accounts payable	3 541	8 379
23 839	9 282	Differences in pension funds/ commitments	2 733	11 780
1 258	-1 052	Profit/loss using the equity and gross method		
		Write-down of financial assets		3 209
-9 249	-5 574	Effect of exchange rate movements		
		Items classified as investing or financing activities		
146 098	-127 837	Change in other accruals	-175 152	-26 160
284 931	**-238 617**	**Net cash flow from operating activities**	**-160 205**	**6 164**
		Cash flow from investment activities:		
600	3 385	Sale of tangible assets		
-101 036	-82 844	Purchase of tangible assets	-6 848	-296
237		Reduced sales consideration in respect of assets sold previously		
		Sale of shares and units in other companies		
-500	-100	Purchase of shares and units in other companies	-78 782	
-100 699	**-79 559**	**Net cash flow from investment activities**	**-85 630**	**-296**
		Cash flow from financing activities:		
24 000	34 555	New long-term debt		
250 000	46 722	New short-term debt	250 000	7 187
-106 158	-86 587	Repayment of existing long-term debt		
		Repayment of existing short-term debt		
-349 158	326 517	Net change in overdraft facility		
		Shareholders' equity		
		Repayments of shareholders' equity		
-7 004	-7 004	Dividends paid	-7 004	-7 004
		Group contribution paid/received	-3 209	-1 499
-188 320	**314 203**	**Net cash flow from financing activities**	**239 787**	**-1 316**
		Effect of exchange rate movements on cash and cash equivalents		
-4 088	-589	Net change in cash and cash equivalents	-6 047	4 552
37 335	37 924	Cash and cash equivalents at beginning of period	10 775	6 223
33 247	**37 335**	**Cash and cash equivalents at end of period**	**4 728**	**10 775**

Notes to the accounts, Store Norske Spitsbergen Kulkompani AS and the group

Note 1 Accounting principles

The accounts have been prepared in accordance with Norwegian accounting rules and standards and generally accepted accounting principles. All figures are stated in NOK 1000 unless otherwise specified. Amounts in foreign currencies are stated separately.

Consolidated accounts

The consolidated accounts cover the parent company Store Norske Spitsbergen Kulkompani AS and subsidiaries and associated companies. An overview of the companies is provided in Note 11. Associated companies are included in the consolidated accounts using the equity method.

The group's results and financial position are shown as one unit. Internal transactions among the companies such as revenues, expenses, receivables, debt and paid-up shares have been eliminated.

The following abbreviations are used to refer to the companies:

Parent/Subsidiary

SNSK AS – Store Norske Spitsbergen Kulkompani AS
SNSG AS – Store Norske Spitsbergen Grubekompani AS
SNB AS – Store Norske Boliger AS
SNG AS – Store Norske Gull AS

Associated companies

Materiallageret AS
Lompensenteret AS

Valuation and classification principles

Income recognition

Sale of goods and services is recognised in income at the time of delivery.

Classification and valuation of balance sheet items

Current assets and short-term debt cover items which fall due for payment within one year, as well as items associated with the operating cycle. Other items are classified as fixed assets/long-term debt.

Current assets are valued at the lower of cost and fair value. Short-term debt is recognised in the balance sheet at the original nominal amount.

Fixed assets are valued at cost but written down to fair value if the decrease in value is not expected to be temporary. Long-term debt is recognised in the balance sheet at nominal value at year-end.

Subsidiaries and associated companies

Subsidiaries are valued using the cost method in the company accounts. The investment is valued at cost price of the shares unless a write-down has been necessary. The investment is written down to fair value if the decrease in value is due to reasons which cannot be assumed to be temporary and the write-down is considered necessary in accordance with generally accepted accounting principles. Write-downs are reversed if the basis for the write-down no longer exists.

Dividends and other payments are recognised in income for the year in which the subsidiary made the allocation. If the dividend exceeds the share of retained profit after the acquisition, the excess represents repayment of the capital invested and the value of the investment is deducted from the payments in the balance sheet.

Associated companies are valued at cost in the company accounts, while the equity method is used in the consolidated accounts. The share of profit/loss is based on profit/loss after tax in the company in which the investment has been made, less internal gains and any amortisation of goodwill as a result of the cost price of the shares being higher than the acquired share of equity in the balance sheet. In the profit & loss account the share of profit/loss is shown under financial items.

Stocks

The stock of coal is valued at the total cost of coal production. The stock of operating materials and spare parts is valued at the lower of cost and fair value.

Tangible assets and depreciation

Tangible assets are recognised in the balance sheet and depreciated if they have a useful life of more than three years and if they have a significant cost price. Depreciation is based on the useful life of the assets.

Receivables

Accounts receivable and other receivables are recognised in the balance sheet at nominal value less provision for bad debts. Provision for bad debts is made on the basis of a specific assessment of the individual items. An unspecified provision to cover expected losses is also made for other accounts receivable.

Insurance settlement after the fire
The fire in Svea Nord on 30 July 2005 resulted in substantial costs for the company. The company had insurance cover for loss of equipment and loss of profit. For 2005 and 2006, insurance losses were recognised in income based on a conservative estimate. The case between the company and the insurance companies was heard in the Nord-Troms Court in autumn 2007. In 2007 the insurance sum was adjusted downwards to the same compensation amount plus interest ordered by the ruling. An appeal against the ruling was submitted to the Hålogaland court of appeals and a date has been set for the appeal hearing in September 2008.

Cash flow
The cash flow statement has been compiled using the indirect method. Cash and cash equivalents cover cash, bank deposits and other short-term, liquid investments which can be converted into known cash amounts with immediate effect and negligible currency risk, and which have a due date within three months of the acquisition date.

Receivables and payables in foreign currency
Receivables and payables in foreign currency are recognised at the exchange rate prevailing at 31 December.

Mine development costs
The cost of mine development and preparation of new coalfields is recognised as an expense. The preparation of new fields includes moving stopes from one panel to the next.

Exploration costs
The cost of exploring new deposits is recognised as an expense.

Pension commitments
The group has a pension scheme for all its employees. Pension assets and costs are shown net in the balance sheet. Actuarial calculations of pension commitments and costs are carried out each year, taking account of expected wage increases based on straight line accrual. The net pension cost for the period is included under Wages and salaries.

Taxes
Tax costs for the year are calculated on the basis of the bottom-line result. This covers both taxes payable for the period and changes in deferred tax. Deferred tax is calculated on the basis of differences between book and tax values.

Note 2 Revenue, group

TONNES

Coal sales CIF can be broken down as follows:

	Energy	Cement	Metallurgical industry	Other industry	2007	2006
Svalbard	27 258				27 258	27 085
Norway		174304		3802	178 106	62 451
Denmark	324 365				324 365	128 757
Finland					0	46 501
Netherlands			42 253		42 253	0
Iceland		25 281			25 281	6 595
Germany	969 100	77 856	979 561	312 736	2 339 253	1 552 475
England	74 978				74 978	0
Portugal	219 263				219 263	143 264
France	280 561				280 561	255 027
Greece		66 835			66 835	72 891
USA	32 257				32 257	63 644
Tonnes 2007	**1 927 782**	**344 276**	**1 021 814**	**316 538**	**3 610 410**	
Tonnes 2006	**1 229 664**	**154 480**	**773 970**	**200 577**		**2 358 690**

Coal sales CIF totalled NOK 1.878,7 million. Total coal export levies of NOK 7.2 million have been deducted from sales income.

Other sales income

The parent company sells administrative services to the subsidiaries SNSG, SNB and SNG. In the consolidated accounts, this income is eliminated against the costs in the respective companies.

Other operating income

SNSG AS has insurance for operational losses as a result of interruptions caused by fire. The operating loss is calculated as the difference between the result of operations which would have been achieved in the indemnity period with and without the damage which occurred. The indemnity period is 12 months.

An insurance settlement following the fire in Svea Nord on 30 July 2005 was considered in the Nord-Troms Court in autumn 2007, when the compensation was reduced in proportion to what was recognised in the accounts for 2005 and 2006. An appeal in the case was submitted to Hålogaland court of appeals. In the accounts for 2007 the profit has been reduced by the difference between the compensation recognised in 2005 and 2006 and the result of the case, in accordance with the available ruling, plus interest.

Note 3 Management Remuneration

NOK 1000

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
Remuneration of Chief Executive Officer:				
Salary	2 463	2 429	2 463	2 429
Other reportable payments	23	31	23	31
Directors' fees	1 055	1 024	1 000	1 024
Audit fee	836	685	120	76
Other auditor services	585	125	31	5

The subsidiaries are charged for their share of the Chief Executive Officer's pay and directors' fees. The Chief Executive Officer is covered by the same pension scheme as the rest of the staff. No pension premiums have been paid for the Chief Executive Officer this year. The Chief Executive Officer does not have a severance pay agreement or bonus scheme.

Note 4 Specification of wages, salaries and national insurance contributions

NOK 1000

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
Wages and salaries	299 082	240 531	46 561	35 573
Pension costs	65 206	67 425	10 414	18 364
Other payments	11 991	12 879	9 784	7 805
Insurance compensation	0	-27 060	0	0
TOTAL	**376 279**	**293 775**	**66 759**	**61 742**

The total number of man-years for SNSK and the group in 2007 was 61 and 484 respectively.

Note 5 Pension costs and commitments – group

SNSK has a pension scheme covering 52 persons.

The group has pension schemes covering a total of 441 persons, 39 of whom have taken early retirement. There are 128 persons in receipt of an ordinary pension, 60 of whom receive a retirement pension, 34 a spouse's pension, 14 a children's pension and 20 a disability pension. The schemes provide a right to defined future benefits, primarily dependent on the number of contribution years, salary at retirement age and the amount of state pension received. The pension commitments are covered by an insurance company.

The company's pension schemes comprise both an ordinary retirement pension scheme (from the age of 67) and a voluntary early retirement pension scheme (from the age of 60) for all employees. The assumption of retirement age for accounting purposes for the ordinary retirement pension scheme (the 67 scheme) has been calculated based on a normal retirement age of 60 years. The reason for this is that the pension cost should be recognised as an expense in the periods during which the employees are actually working for the company, cf. the matching principle of the Norwegian Accounting Act. A high proportion of the employees working for Store Norske who have reached the age of 60 are expected to take up the offer of the early retirement pension. In reality the right to an ordinary retirement pension is accrued when an employee takes early retirement. For this reason, it has been decided that the retirement age for the ordinary retirement pension is calculated based on a retirement age of 60.

The ordinary retirement pension (from the age of 67) is covered by an insurance company. In previous years other pension schemes (including voluntary early retirement from the age of 60) have been secured by means of an insurance company. As a consequence of new tax rules, among other things, these schemes have been closed down in insurance terms. Employees have been issued with paid-up policies for accrued rights in accordance with early retirement as at the closing date. Although the early pension schemes have been closed down in insurance terms, this does not mean that the early retirement scheme is no longer available to employees. The schemes are being continued for now as schemes financed by means of operations. This means that rights accrued from before closure of the insurance schemes up until retirement will be financed directly by the company/group. As a consequence of new tax rules and developments in various insurance schemes for pension insurance among other things, all of Store Norske's pension schemes are to be re-assessed during 2008. It may therefore be decided to implement changes to the pension schemes during 2008. In accountancy terms, such changes could be defined as plan changes, which in some cases could entail major changes to recognised commitments during 2008.

With cancellation in insurance terms of the early retirement schemes, the actuarial calculations (the cost estimates) for these schemes are based on basic data that is less accurate than in previous years. There is greater uncertainty concerning basic data for calculations of parts of the pension commitment than was the case in previous years.

As of 31.12.07, the parent company's pension commitment was NOK 14.5 million, while the group had a commitment of NOK 7.2 million

	Group, secured		SNSK, secured	
Pensjonskostnader	**2007**	**2006**	**2007**	**2006**
Pension rights accrued over the year	41 514	38 710	9 439	9 717
Interest on pension rights accrued	26 453	24 013	4 580	4 629
Return on pension assets	20 723	-21 147	3 376	-2 877
Amortisation of transitional amount (implementation)	0	0	0	0
Estimate difference/ change to plan recognised in profit & loss account	17 163	25 139	536	6 424
Administrative expenses	709	709	131	59
Net pension costs	**65 206**	**67 425**	**10 414**	**17 952**

	Group, secured		SNSK, secured	
Recognised in the balance sheet	**2007**	**2006**	**2007**	**2006**
Pension commitments accrued	-530 923	-548 507	-95 637	-118 515
Pension assets (at market value)	385 269	396 229	61 731	67 156
Deferred commitment (estimate differences not recognised in profit & loss account)	138 469	168 933	19 393	39 579
Surplus on total commitment not recognised in balance sheet	0	0	0	0
Over/underfunded pension commitment recognised in balance sheet	**-7 184**	**16 655**	**-14 513**	**-11 780**
Net over/under-funding included in the balance	**-7 184**	**16 655**	**-14 513**	**-11 780**

Economic premises:	**2007**	**2006**	**2007**	**2006**
Discount rate	5,50 %	5,00 %	5,50 %	5,00 %
Expected return	5,75 %	6,00 %	5,75 %	6,00 %
Wage increase	4,50 %	4,00 %	4,50 %	4,00 %
Adjustment to basic state pension	4,25 %	3,50 %	4,25 %	3,50 %
Adjustment to current pension	4,25 %	3,00 %	4,25 %	3,00 %
Expected rate of voluntary exit before age of 40	6,00 %	6,00 %	6,00 %	6,00 %
Expected rate of voluntary exit after age of 40	1,00 %	1,00 %	1,00 %	1,00 %

Note 6 Related party transactions

SNSG AS and SNSK AS lease properties from SNB AS for employees in Longyearbyen. SNSK AS sells administrative services to other companies in the group. Internal transactions have been eliminated in the consolidated accounts.

Note 7 Other operating costs

Operating costs mainly comprise consultants' fees, IT costs and administrative expenses. This item is also made up of insurance premiums, mining concession fees and loss on sales of operating equipment. NOK 6.5 million of the operating costs relate to research and development.

Note 8 Tangible fixed assets, depreciation schedule

Parent company	Machinery, fixtures, transport resources	Buildings	Technical plant	Mines, land	Plant under construction	TOTAL
Acquisition cost at 01.01.07	296	1 500	0	504	0	2 300
Additions in the year	848	6 000	0	0	0	6 848
Disposals in the year	0	0	0	0	0	0
Acquisition cost at 31.12.07	**1 144**	**7 500**	**0**	**504**	**0**	**9 148**
Accumulated depreciation at 01.01.07	8	325	0	0	0	333
Årets avskrivninger	106	675	0	0	0	781
Bokført verdi pr. 31.12.07	**1 030**	**6 500**	**0**	**504**	**0**	**8 034**
Estimated useful life	**7 år**	**10/20 år**	**0**	**0**	**0**	

Group	Machinery, fixtures, transport resources	Buildings	Technical plant	Mines, land	Plant under construction	TOTAL
Acquisition cost at 01.01.07	32 619	303 142	330 300	883 589	0	1 549 650
Additions in the year	8 455	52 955	17 076	21 048	1 503	101 037
Disposals in the year (disposals/scrapping)	1 014	0	3 868	101 600	0	106 482
Acquisition cost at 31.12.07	**40 060**	**356 097**	**343 508**	**803 037**	**1 503**	**1 544 205**
Accumulated depreciation at 01.01.07	19 814	55 583	180 156	450 813	0	706 366
Depreciation for the year	4 866	9 937	32 496	106 203	0	153 502
Reversed acc. depreciation on sale	769	0	3 868	100 757	0	105 394
Book value at 31.12.07	**16 149**	**290 577**	**134 724**	**346 778**	**1 503**	**789 731**
Estimated remaining useful life (incl. 2007)	**3-6 år**	**6/20 år**	**6år**	**3-7 år**	**0**	**0**

The mine is depreciated on the basis of the production volume in relation to the estimated quantity of coal in the core field in Svea Nord. Other fixed assets are depreciated according to expected useful life. The block of bedsits in Svea is depreciated for accounting purposes, while the dwellings in Longyearbyen are not. Disposals in the year include scrapping damaged equipment following the fire in 2005.

	2003		2004		2005		2006		2007	
	Additions	Disposals	Additions	Disposals	Additions	Disposals	Additions	Disposals	Additions	Disposals
Machines, fixtures, transport	4 594	29 437	4 192	0	2 922	137	8 250	0	8 455	1 014
Buildings	15 257	34 693	16 373	0	9 651	0	33 813	0	52 955	0
Technical plant	-354	22 080	10 957	0	43 084	0	8 497	0	17 076	3 868
Real estate/mines	22 959	8 116	147 774	0	91 167	0	32 284	0	21 048	101 600
Plant under construction	153 725	0	0	0	45 258	0	0	0	1 503	0
TOTAL	**196 180**	**94 325**	**179 296**	**0**	**192 082**	**137**	**82 843**	**0**	**101 037**	**106 482**

Note 9 Financial items

	Group		Parent company	
Financial income	**2007**	**2006**	**2007**	**2006**
Interest received, bank deposits	391	1 755	163	8
Interest received on subordinated loan	0	0	11 312	0
Unrealised gains on foreign currency loans	9 249	5 951	0	0
Foreign exchange gains from futures contracts	90 648	0	0	0
Other foreign exchange gains	5 505	8 711	12	11
Dividends	1 144	1 526	872	1 436
Interest received from group companies	0	0	834	123
Income on investments in associated companies	1 258	1 051	0	0
Other financial income	8	0	0	0
TOTAL	**108 203**	**18 994**	**13 193**	**1 578**

	Group		Parent company	
Financial expenses	**2007**	**2006**	**2007**	**2006**
Interest costs, bank debt	64 756	50 488	0	0
Interest costs, subordinated loan	11 312	0	11 312	0
Other foreign exchange losses	4 537	11 137	0	0
Interest received from group companies	0	0	98	34
Write-down of shares	0	0	0	3 209
Other financial expenses	307	1 491	16	13
TOTAL	**80 913**	**63 116**	**11 426**	**3 256**

Note 10 Tax costs

	Group		Parent company	
	2007	**2006**	**2007**	**2006**
Tax payable is made up as follows:				
Ordinary profit/loss before tax	135 390	-84 650	7 145	9 545
Permanent differences	618	13 911	496	12 666
Change in temporary differences	48 330	-270 681	-3 363	3 877
Group transactions, affiliated companies	0	-1 053	0	0
Use of loss carry-forward	-175 074	-26 088	-4 278	-26 088
Group elimination – gain on/write-down of shares	0	-3 209	0	0
Basis for tax payable	**9 264**	**-371 770**	**0**	**0**
Tax at 10%	**926**	**-37 177**	**0**	**0**
Tax payable on profit for the year	**926**	**679**	**0**	**0**
Tax cost for the year is made up as follows:				
Tax payable on profit for the year	926	679	0	0
Change in deferred tax, gross	17 005	-7 858	-2 828	2 221
Total tax cost for the year	**17 931**	**-7 179**	**-2 828**	**2 221**
Tax payable in the balance sheet is made up as follows:				
Tax payable on profit for the year	926	679	0	0
Total tax payable	**926**	**679**	**0**	**0**
Basis for deferred tax/tax benefit:				
Differences assessed:				
Fixed assets	41 016	22 444	122	341
Current assets	17 987	4 954	-220	-220
Receivable relating to insurance payment	368 572	427 039	0	0
Other differences	-83 526	-77 605	-30 489	-36 803
Accounting change in pension commitments	-7 185	16 655	-14 513	-11 780
Debt	18 218	9 589	0	0
Loss carry-forward	-296 548	-464 375	-14 674	-18 953
Unused dividend capacity	-93	-93	-93	-93
Total	**58 441**	**-61 391**	**-59 867**	**-67 507**
Deferred tax/tax benefit				
Deferred tax/tax benefit	9 351	-6 139	-9 579	-6 751
Unrecognised tax benefit	2 201	685	0	0
Deferred tax/deferred tax benefit, net	**11 552**	**-5 454**	**-9 579**	**-6 751**

It has been decided that the tax rate for 2008 would increase from 10% to 16%.

Note 11 Shares

			Group		Parent company	
		%	2007	2006	2007	2006
Subsidiary						
SNSG AS	Sveagruva	100	0	0	150 115	150 115
SNB AS	Longyearbyen	100	0	0	78 282	0
SNG AS	Longyearbyen	100	0	0	2 000	2 000
Associated company						
Materiallageret AS	Longyearbyen	32	4 349	3 859	2 880	2 880
Lompensenteret AS	Longyearbyen	50	6 064	5 296	3 500	3 500
Other shares						
Svea Tankanlegg AS	Sveagruva	15	752	752	0	0
FabLab Tecnolocy AS	Lyngen	17	51	51	0	0
Barentsinstituttet AS	Sør-Varanger	6	100	100	0	0
TIL-TAK	Tromsø		500	0	500	0
Total			**11 816**	**10 058**	**237 277**	**158 495**

In the company accounts the shares are recognised at cost, while in the consolidated account they are recognised using the equity method. SNSG has undertaken to buy back the shares in Svea Tankanlegg AS from the other shareholders at face value if there are no other buyers.

Note 12 Intercompany balances

Parent company	2007	2006
Receivables		
SNSG, long-term	0	19 000
SNSG, subordinated loan	250 000	0
SNSG, current	0	40 193
SNB, current	1 811	7
SNG, current	7 566	4 695
Debt		
SNSG AS, current	-19 745	0
SNB AS, current	0	-71
SNG AS, group contribution	-6 917	-3 209
Total	**232 715**	**60 615**

In 2007, the Norwegian state, as represented by the Ministry of Trade and Industry, issued a subordinated loan to the parent company in order to help with the liquidity situation pending an insurance settlement. The parent company lent the same amount as a subordinated loan to SNSG subject to the same interest rate and repayment terms.

Receivables - Group

Of other current receivables, there is a receivable of NOK 362 million in connection with the insurance settlement. Other current receivables mainly relate to prepayments to suppliers and prepaid insurance premiums.

Note 13 Stocks – group

Stock of coal - group

The stock of coal is valued at the total cost of coal production, which comes to NOK 300 per tonne. The production cost for 2006 was assessed at NOK 240 per tonne.

	2007		2006	
Group	Tonn	Nok	Tonn	Nok
Coal stocks, Longyearbyen	12 797	3 839	7 400	1 776
Coal stocks, Svea Mine	498 138	149 441	40 600	9 744
Total	**510 935**	**153 280**	**48 000**	**11 520**

Stock of operating materials

Stocks of operating materials and spare parts are valued at average cost from the supplier. Items which are more than two years old and which are not expected to be used in the next year are valued at 0 in the balance sheet.

	Group				Parent company	
	2007		2006		2007	2006
	Consumables	Spare parts	Consumables	Spare parts	Consumables	
Cost	103 150	169 391	107 236	136 263	150	0
Written down	-12 556	-62 021	-21 952	-40 752	0	0
Value in the balance sheet	**90 594**	**107 370**	**85 284**	**95 511**	**150**	**0**

Note 14 Accounts receivable

	Group		Parent company	
	2007	2006	2007	2006
Net accounts receivable at 31.12	167 266	163 673	239	1 066
Bad debt recognised in accounts	57	49	0	49
Change in loss reserves	0	90	0	90
Reserve for bad debts at 31.12	1 225	1 232	220	220

The reserve for bad debts is considered adequate to cover possible future losses.

Note 15 Forward contracts

Most coal sales are transacted in US dollars.
In order to reduce the risk of exchange rate fluctuations, the company enters into futures contracts to hedge future sales of US dollars. Coal sales and freights are recognised at the average hedged/achieved exchange rate. As the forward contracts are used as hedging instruments, unrealised exchange gains on the balance sheet date are not recognised.

At the end of December 2007, SNSG redeemed three futures contracts which were due for repayment in autumn 2008 and worth a total of USD 90 million. This generated a foreign exchange gain of NOK 90.6 million. Following redemption of these contracts, SNSG had the following forward contracts as of 31.12.07:

Matures	USD million	Average rate
2008	60	6,26
2009	60	6,55

Unrealised exchange gains as of 31.12.07 were NOK 119.9 million.

Matures	USD million	Minimum rate
2008	45	6,14
2009	15	6,58

Note 16 Debt

The parent company did not have any debt to credit institutions at 31.12.07, and therefore had not pledged any assets as security.

Group

Type of loan	2007	2006
Overdraft facility	247 073	596 230
Mortgage loans	366 548	438 955
Total secured debt	**613 621**	**1 035 185**
Debt which falls due for payment more than 5 years after the end of the financial year	92 087	101 679
Subordinated loan	250 000	0
Book value of pledged assets		
Tangible fixed assets	776 208	843 282
Shares	0	10 058
Stocks	351 095	192 316
Accounts receivable	167 993	163 673

The group has pledged the following assets as security:
- Land registry no. 12 Indre Lågfjord
- Mining concessions in the Svea area and around Gruve 7
- Operating materials and accessories
- Coal stocks and inventories
- Shares owned by the group
- Accounts receivable
- Dwellings in Longyearbyen and Svea

Guarantees

The group has issued a NOK 4 million guarantee to Norske Romsenter Eiendom AS to cover the costs of a possible breakage/failure of submarine fibre cables to the mainland.

Subordinated loan

In June 2007, the company was granted a subordinated loan of NOK 250 million by the principal shareholder, i.e. the Norwegian State. The loan falls due for repayment on conclusion of the insurance case following the fire in 2005. The parent company has transferred the loan to SNSG subject to the same conditions.

Note 17 Provisions

Other short-term debt includes provision for environmental measures and miscellaneous accrued costs. The parent company has made a provision of NOK 5.2 million for clearing up around the mine area in Longyearbyen, while SNSG AS has made a provision of NOK 10 million for future winding-down/clear-up costs in Svea.

Note 18 Coal reserves

Known commercial coal

As a result of extensive core drilling and experience of coal mining in Gruve 7, Svea Vest and Svea Nord, we have merged the categories 'definite' and 'probable coal' into a single category: 'known coal'.

In the future we do not expect to use coal seams of less than 1.5 metres. Narrower seams of coal can normally not be mined at a profit. In calculating the tonnage of commercial coal, account is taken of the chosen mining method. In the case of Gruve 7, this will continue to be room & pillar operations, like today. In the case of Svea, including Ispallen, we expect to make exclusive use of longwall stoping, including in the sections where we will be cutting seams of 1.5-2.5 metres.

Reserves of commercial coal, million tonnes

Area/thickness	2.5–3.8 m million tonnes	1,5–2,5 m million tonnes	Total million tonnes
Svea Nord, core	17		17
Svea Nord, marginal zone		6	6
Svea Øst		4	4
Lunckefjell		13	13
Ispallen	3	11	14
Total	**20**	**34**	**54**

Based on geological knowledge and theories of the formation of the coal deposits 60 million years ago, the company has an extensive programme of diamond drilling, both west of Sveagruva and south of Gruve 7 in Longyearbyen.

Protected areas

Nordenskiöld Land National Park was established in 2002 and it affects the company's known coal deposits in the Reindal area. Based on the current understanding of the restrictions on construction in protected areas, it has been decided not to include the deposits in Reindalen and Kolfjellet in the company's resource base.

Note 19 Shareholders' equity

	Group			Parent company		
	Share capital	Other equity	Total	Share capital	Other equity	Total
Shareholders' equity at 01.01.2007	164 490	303 957	468 447	164 490	33 315	197 805
Group contribution paid					-6 917	-6 917
Profit/loss for the year		111 798	111 798		9 972	9 972
Provision for dividend		-7 004	-7 004		-7 004	-7 004
Equity at 31.12.2007	**164 490**	**408 751**	**573 242**	**164 490**	**29 366**	**193 856**

Note 20 Shareholders

The share capital in the company comprises 328,980 shares of NOK 500 each with equal voting and dividend rights.

Overview of major shareholders at 31.12.2007:

Name	No. of shares	Percentage
The Norwegian state	328 782	99,9
P. Juls Sandvik AS	33	
Christiania Minekompani AS	20	
Morten Samuelsen	20	
Ivar Ytreland	17	

At 31.12 the following members of the Board of Directors etc. had shares in the company:

Ole Fredrik Hienn	Vice Chairman of the Board	1
Ester Kostøl	Board member	1
Lise Chatwin Olsen	Board member	1
Anita Johansen	Employee representative on the Board	1
Robert Hermansen	Chief Executive Officer	2

KPMG AS
Torvgt. 2
N-8037 Bodø

Telephone +47 04063
Fax +47 75 50 63 60
Internet www.kpmg.no
Enterprise 935 174 627MVA

To the Annual Shareholders' Meeting of Store Norske Spitsbergen Kulkompani AS

AUDITOR'S REPORT FOR 2007

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the Store Norske Spitsbergen Kulkompani AS as of 31 December 2007, showing a profit of TNOK 9 972 for the parent company and a profit of TNOK 111 798 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of 31 December 2007, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Bodø, April 5, 2008
KPMG AS

Ingar Andreassen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

KPMG AS is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo, Bodø, Alta, Arendal, Bergen, Elverum, Finnsnes, Hamar, Haugesund, Kristiansand, Larvik, Lillehammer, Mo i Rana, Molde, Narvik, Røros, Sandefjord, Sandnessjøen, Stavanger, Stord, Tromsø, Trondheim, Tønsberg, Ålesund

PHOTO: TOMMY DAHL MARKUSSEN

Annual report of Store Norske Spitsbergen Grubekompani AS

Store Norske Spitsbergen Grubekompani AS (SNSG) is a wholly-owned subsidiary of Store Norske Spitsbergen Kulkompani AS (SNSK), which is the parent company in the Store Norske group. 2007 was SNSG's sixth year of operations. SNSG has its headquarters in Svea.

Key facts about the company in 2007
SNSG carries out operations in two coalmines: Gruve 7 in Adventdalen, 15 kilometres outside Longyearbyen and Svea Nord in Svea, approximately 60 kilometres south of Longyearbyen. In 2007, some 3,998,146 tonnes of coal were produced in Svea Nord and 75,199 tonnes in Gruve 7. A total of 4,073,345 tonnes of coal was produced in 2007. This is an historical production record for the company.

2007 was the first complete production year following the fire in the mine, which had caused a production stoppage from August 2005 to April 2006. In 2007, the company was still affected by the financial knock-on effects of the fire. During the subsequent insurance case the parties took such widely opposed positions that the major parts of the case had to be submitted for the consideration of the courts. The main hearing took place at Nord Troms Court in autumn 2007 and the ruling was issued on 30 November.

SNSG won on most of the main points. Of particular importance was the fact that the case established that no one in or associated with Store Norske had caused or could be blamed for the fire. Of the total claim for approx. NOK 790 million, the company was however awarded only approx. NOK 540 million plus interest. SNSG has therefore decided to lodge an appeal against parts of the court's ruling with the court of appeals. The case has been set for September 2008.

The fire was also investigated by the District Governor of Svalbard, and in March 2007 the company was informed that the case had been dropped.

Following application by the company, the owner decided in 2007 to give SNSK a subordinated loan of NOK 250 million to strengthen the company's liquidity situation in anticipation of a final insurance settlement. The parent company then transferred these funds to SNSG.

The quality certification work in accordance with NS-ISO 9000 continued throughout 2007 according to schedule. Certification audits were carried out in the second quarter of 2008.

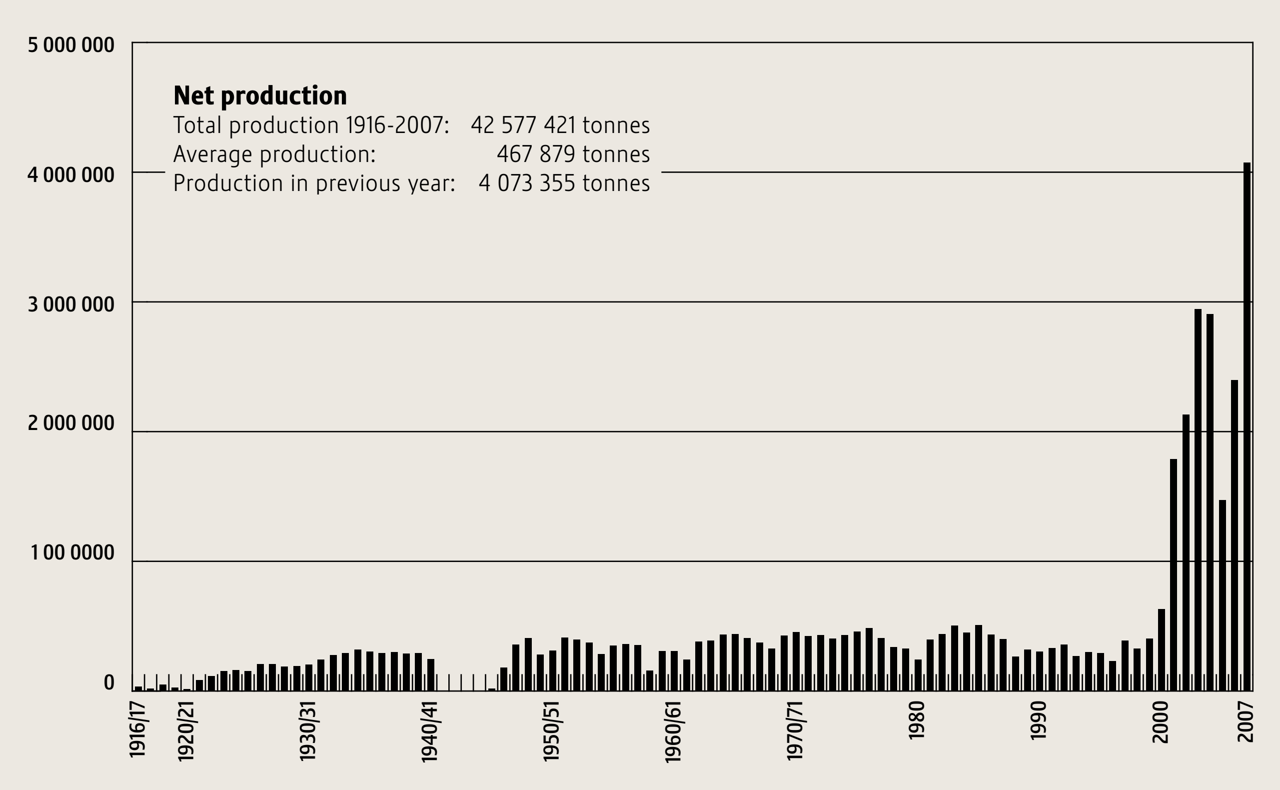
Market
Coal sales during 2007 consisted of 3,540,608 tonnes from Svea Nord and 69,802 tonnes from Gruve 7.

28% of these sales went to steelworks and 18% went to cement production and other smaller areas of consumption. The remaining 54% went to coal-fired power stations, primarily in Germany, which represent by far the largest market for coal from Store Norske. Northern continental Europe continues to be the company's natural geographic market.

The price of coal is determined internationally, and this rose throughout the year. At the start of the year, the price (CIF ARA) was USD 66.71 per tonne. The increase was particularly pronounced during the autumn, and by the end of the year the price had almost doubled to USD 127.40. These prices are quoted based on a calorific value of the coal of 6,000 kcal/kg. The calorific value of the coal from Svea and Longyearbyen is 15-20% higher than this, and so the actual prices obtained will be correspondingly higher.

All sales except those to the power plant in Longyearbyen are in US dollars. Most contracts were entered into at the end of 2006 and during the first half of 2007. Other than a limited number of spot deliveries towards the end of 2007 and agreements entered into for 2008, the prices obtained by the company do not therefore reflect the actual coal price at the end of the year.

World prices for coal were forced up by the considerable demand in Asia. European buyers are experiencing ever-increasing difficulties sourcing stable suppliers, and in addition freight prices increased significantly in 2007. As a result, there is increased focus on the coalmines in Europe and the Near East. The coal from Svea Nord has a higher calorific value and a shorter transport route to Europe compared with other coal producers. In addition to systematic marketing, this means that the Svea coal is increasingly benefiting from familiarity and demand on the market. All of the coal is sold through the company Oxbow Coal GmbH.



Financial review
The Board of Directors considers that the annual report published for the company provides a true and fair description of the company's results and financial position at year-end.

The accounts have been prepared under the going concern assumption.

Operating income and profit
Total coal sales CIF were worth NOK 1,871.6 million compared to NOK 1,096.7 million for the previous year. Operating profit was NOK 128.5 million compared to NOK -63.9 million in 2006, whereas the profit before tax increased from NOK -110.5 million to NOK 152.6 million. The profit after tax was NOK 134.6 million compared to NOK -99.6 million in 2006.

The fire in Svea Nord in 2005 resulted in a substantial weakening of the company's profit in both 2005 and 2006. Insurance compensation worth a total of NOK 654 million was recognised for these two years. The size of the insurance compensation was considered by Nord-Troms Court in autumn 2007. The insurance companies were ordered to pay insurance compensation of NOK 541 million plus interest. In 2007, NOK 64 million was reversed in the accounts for the insurance compensation, which related to the loss in 2005 and 2006.

Investments
The company made investments of NOK 60 million in 2007 compared to NOK 54.1 million in 2006.

Liquidity
Because the Van Mijenfjord is iced over for parts of the year, shipping only takes place in the period July-December. As a result, the company produces for stocks during much of the year and operations during this period have to be financed by means of credit.

The company's liquidity was also affected in 2007 by the fire in 2005. As a consequence of the losses the fire caused the company and non-payment by the insurance companies, in 2007 the parent company asked for a new equity injection of NOK 250 million. In a revised national budget the owner decided to give SNSK a short-term loan of NOK 250 million in anticipation of an insurance settlement. SNSK has transferred a corresponding loan to SNSG.

Financial information
Coal is primarily sold in US dollars on the world market, while most of SNSG's costs are in Norwegian kroner. The dollar rate has fallen from just over NOK 9 at the start of 2002 to NOK 5.41 at the end of 2007.

In order to reduce its currency risk the company enters into forward contracts for future sale of dollars. In 2007, the company obtained an average of NOK 6.27 compared with NOK 6.49 in 2006. The average market rate for USD/NOK in 2007 was NOK 5.86.

In 2007, the company reduced its debts to credit institutions (incl. overdraft facilities) by NOK 429.2 million. At the same time the debt owed to the parent company increased by NOK 250 million in the form of a subordinated loan.

By the end of 2007 the company had received NOK 227.2 million as a payment on account for the insurance settlement. A receivable in the balance sheet as of 31 December has been recognised at NOK 362.2 million. The main part of this receivable was paid in January and February 2008. The amount is based on the court's ruling and it includes interest.

Allocation of profit
The Board of Directors proposes that the profit after tax for the year of NOK 134.6 million should be transferred to other equity.

Resource base
The company has implemented a comprehensive programme aimed at exploring the resources in the Svea area.

The resource base includes the coal deposits which can most probably be extracted at a profit. Depending on the mining method and production volume, the coal reserves form the basis for mining operations in the Svea area for a period of 15-20 years. Explorations have also provided a basis for allocating the resources between the areas with coal seams which correspond to current equipment (2.5-3.8 metres) and areas with coal seams of 1.5-2.5 metres. The quality of the coal is comparable with the quality of the coal in Svea Nord.

The deposits in Lunckefjell, Svea Øst, the Svea Nord marginal zone and Ispallen deposits are all included in the company's concrete operating plans. They have all been principally charted and can be phased in gradually. The coalfields in Svea Øst and the Svea Nord marginal zone are accessible from the existing tunnel and drift system in Svea Nord.

According to the plan the Lunckefjell deposit will be the next stage in operations in Svea, once the Svea Nord core area has been worked out in 2013. In 2007, a project group for this extension carried out basic technical and financial planning. A progress plan was drawn up and the extent of public executive work has been clarified. Access to Lunckefjell will be via the Svea Nord core area, where the main drifts can be continued right out into the Martha glacier, where the glacier is at the same level as the coal seam. The glacier will then be crossed by a road that is comparable to the road over the Höganäs glacier at Svea Nord. The Lunckefjell deposit can be opened up in the same way as the Svea Nord deposit, by going into the coal seam where it is at the same level as the glacier. Prior notification for an environmental impact assessment of the project was sent to the District Governor of Svalbard on 3 March 2008.

Ispallen will need to be opened by means of a road bridge across the sound at Braganza Bay and a tunnel up to the deposit. As with all deposits in the Svea and Longyearbyen area, the deposits in both Lunckefjellet and Ispallen are relatively flat.

With a production of 70,000 tonnes per year, Gruve 7 has surveyed reserves for the next 20 years.

Svea Nord
The Svea Nord mine accounts for most of the company's total production, with longwall stoping the primary method of production. 2007 was the first complete production year following the fire in the mine in autumn 2005, which caused a production stoppage that lasted for eight months. High production was therefore required in 2007 in order to improve the financial situation and to restore faith in Store Norske on the market. The result was a record production of 3,998,146 tonnes from Svea Nord, of which 415,015 tonnes came from mine development. Approx. 8,875 metres of stoping drifts and approx. 4,050 metres in the primary drift system were developed, compared to a total of 3,338 metres in 2006.

The people living in Svea are engaged in work related to mining operations. Employees have various working hours systems, with most employees in administration and management commuting to Svea from Longyearbyen on a weekly basis. Mine workers and employees in other departments work shifts of either 7 days on and 7 days off, or 14 days on and 14 days off.

There is no road connection between Longyearbyen and Svea. All transport of personnel is by means of 18-seater planes. The air route is operated by Lufttransport AS based on a contract with SNSG. There are flights five days a week with several departures each day. In 2007, more than 21,000 passengers were ferried by air between Longyearbyen and Svea.
In summer 2007, the company carried out extensive

PHOTO: TOMMY DAHL MARKUSSEN

work on the security zone around the airport, which achieved AFIS approval that same year.

In Svea, SNSG purchases transport services from Leonhard Nilsen & Sønner Spitsbergen AS and catering services (canteen and cleaning) from ISS AS.

Gruve 7
Gruve 7 in Adventdalen is run as a separate business unit. The production method used is room and pillar working. 75,199 tonnes of coal were produced in 2007 compared to 73,492 tonnes in 2006.

The mine delivers approximately 25,000 tonnes a year to the coal-fired power station in Longyearbyen. Operationally and financially, the ideal annual production level is 70-80,000 tonnes, and with such volumes Gruve 7 can also supply coal to the international market. Coal from this mine is of a very high quality and there is a great demand for it from the German metallurgical industry and elsewhere. In 2007, two shipments of Gruve 7 coal were dispatched from the old coal pier at Hotellneset outside Longyearbyen.

The mine is worked five days a week on daytime shifts. The workforce consists of 23 men, 12 of whom work underground (inside the mine itself).

Shipping
The market for bulk cargo (such as coal) remained very high throughout 2007, with an additional increase in the second half of the year. SNSG has long-term shipping contracts with Jebsen Management AS, which reduces the company's exposure to the strong and long-term increase in the freight market.

The ice in Van Mijenfjorden means that coal can only be shipped from Svea during the second half of the year. Production began late in 2006 due to the fire in the mine the previous year. It was therefore necessary to continue with shipping operations for as long as possible towards the end of the sailing season. The District Governor of Svalbard allowed the shipping of just less than 400,000 tonnes of coal in January and February 2007. This took place with thick ice conditions and using extremely expensive vessels that are specially designed for this type of operation.

All shipping in 2007 took place according to established plans in terms of oil protection preparedness, port safety (ISPS) and reporting to the authorities.

External environment
Since 2001, when the Norwegian parliament voted in favour of permanent operation of Store Norske's coal mines on Svalbard and the responsible authority (the District Governor of Svalbard and the Directorate of Mining) approved the company's operations, SNSG has complied with all the rules and regulations that were set out in accordance with the company's own environmental impact assessment. There has been no infringement of any of these regulations, and there is no disagreement between the governing authorities and the company on any of these issues.

In 2003, the Norwegian Pollution Control Authority (SFT) introduced the requirement for SNSG to have an emissions licence for Svea. The application, which was submitted in April 2004, followed the template for similar documents for mainland operations. Collaboration with SFT on the emissions licence and on the process concerning the environmental risk analysis for operations in Svea has been constructive and positive. This analysis forms the basis for the acute pollution preparedness plans which SFT requires to be drawn up in the future. The company was granted an emissions licence by SFT that was valid from 1 January 2007.

Clear-up operations in and around Svea continued in 2007. Maintenance work on the stock of buildings in Svea continued throughout the summer. The waste management plans implemented in 2003 are carefully monitored.

There were no environmental problems associated with the shipping of coal in 2007.

SNSG has an environmental monitoring programme which includes monitoring of flora and fauna within the impact area. Cultural remains within the impact area have been mapped and measures taken in collaboration with the District Governor of Svalbard's environmental department.

Procedures linked to the external environment were incorporated in the company's internal control system in connection with the application for an emissions licence.

Health, safety and the environment
HSE is given top priority within SNSG. The company's HSE policy states firstly that operations will not result in anyone being injured or becoming ill. Secondly, all injuries and work-related illnesses must be preventable. Recognition of this is of decisive importance to the company's work. Thirdly, operations

must be entirely defensible with regard to the external environment and comfortably within the limits set by the authorities.

There were a total of 14 personal injuries in 2007. The frequency of injuries is measured as the number of injuries involving absence per 1 million working hours (lost-time incidence). The figure for 2007 was 19 compared with 29 in 2006. Total sickness absence in 2007 was 9.7% compared with 9.6% in 2006.

In 2007, considerable work was carried out in order to investigate the causes of this high rate of absence due to illness. This included individual working environment discussions and closer monitoring of absence from the line, the personnel department and the HSE department. This work will be continued in 2008.

The number of injuries involving absence has shown a positive development in 2007, and there is active and continuous work on investigating causal connections and assessing measures aimed at further reducing numbers of undesired events, circumstances and situations.

Key tools in the HSE work are the safety service, with safety delegates and a head safety delegate. In 2007, there were a total of 30 safety delegates and one head safety delegate.

SNSG has a number of preparedness teams: the mine rescue team, the emergency preparedness team, the fire and rescue service and oil pollution protection. All emergency personnel practice and attend courses in accordance with in-house requirements and requirements issued by the authorities.

Factors related to rock mechanics, methane gas, ventilation, coal dust and water can all affect safety in a coal mine, as can the use of equipment and how the individual work operations are performed. SNSG works closely with the leaders in the field, NTNU and SINTEF in Trondheim, and equipment suppliers to increase the level of safety and prevent injuries.

A company health service is purchased from Longyearbyen hospital, and representatives from here have regular meetings with the company's working environment committee. The company health service has regular days in Svea and its activities consist of health check-ups, monitoring the mine rescue team and providing advice in connection with all preventive HSE work.

Since SNSG is the main company in Svea, it also has overall responsibility for its subcontractors' safety measures. The safety services of the various players are therefore coordinated. In the case of major projects involving external companies, HSE plans are drawn up to highlight potential risks and describe preventive measures. HSE is a fixed item on the agenda at all operations and construction meetings.

In 2007, there was a comprehensive fire risk analysis for the mine and plant in Svea. All the conclusions and recommendations contained in the analysis have been taken into account and processed internally.
On the whole, all proposed measures are implemented in line with the recommendations.

Personnel
As of 31.12.2007, the company had 337 employees.
Of these, 250 (including Gruve 7) worked underground. The Store Norske group has experienced an overall increase in manpower during 2007, from 366 to 396 employees. The biggest increase was in the production department in Svea Nord during the first half of 2007. This increase is in line with the planned increase in activity in the mine. The mine has increased in size and additional resources are needed to maintain infrastructure and mine safety. Following the increase in employee numbers in spring 2007, there is no need to further increase employee numbers in Svea Nord.

Employee turnover in SNSG was 9% in 2007. The average period of employment in the company was 7 years. The breakdown of employees by age group shows that the workforce is relatively stable in terms of age. The average age in the company is 38.

In mid-January 2007, SNSG tried out a new working hours system for the shift workers in Svea. Those who wanted to could choose between continuing with the traditional system of 7 days on and 7 days off, or going over to the new system of 14 days on and 14 days off. About 160 employees wanted to change over to the 14/14 system, whereas about 70 wished to continue with the 7/7 system. More employees have changed from 7/7 to 14/14 during the year.

The 14/14 system was set up in response to a request from the employees and their organisations. This system requires a dispensation from the working environment act's provisions on resting time.
The company applied for and was granted such dispensation from LO [the Norwegian Confederation of Trade Unions] in autumn 2006 and experience of the new system has been positive. So far there is nothing to indicate that the system is having any

negative effects in the form of increased absence due to sickness or more occupational injuries.
In summer and autumn 2007, a major health survey was conducted by medical experts and the company health service. The conclusion of the survey is that the employees are happy with the 14/14 system.

Store Norske has requested dispensation from LO for another two years in order to continue with the 14/14 system. Health surveys will be carried out each year by medical experts and the company health service in order to find out if the system has any negative health consequences.

The company's 337 employees and their families play an important role in maintaining a stable family community in Longyearbyen.

Store Norske invests heavily in training and skills development. Between 1996 and the end of 2007, 158 mineworkers underwent vocational training and passed the qualifying examination in mining engineering. In all, a total of 263 employees have passed qualifying examinations in a total of 17 different subjects over the last 20 years. In autumn 2004, Store Norske started a three-year vocational training course in mining technology in collaboration with Stjørdal technical college. 18 employees went forward for final examinations in spring 2007. Several of the students at the technical college wished to continue their studies at university level. The company offered the first course of this kind in collaboration with the Norwegian University of Science and Technology (NTNU) in autumn 2007. Three employees are also attending a separate course on mine safety under the auspices of NTNU. A number of specialist courses are also being arranged.Three employees are also attending a separate course on mine safety under the auspices of NTNU. A number of specialist courses are also being arranged.

Equal opportunities
SNSG is concerned with equal opportunities and aware of possible sex discrimination. Mining is a traditionally male-dominated industry involving hard physical work, and for this reason there have never been many women involved in mining.
The company has a target of recruiting more women to traditionally male-dominated functions in the company.

There are four women on the company's Board of Directors. The chair of the Longyearbyen Workers' Association, branch 142 of the Norwegian Union of General Workers (NAF), is a woman. The Longyearbyen Workers' Association represents most of the company's employees. The chair of the workers' association is also an employee representative on the company's Board of Directors.

The Board of Directors and the Chief Executive Officer
The Board of SNSG met seven times, once on Svalbard. No new Board Members were elected in 2007. The employment process for a new Chief Executive Officer to succeed Robert Hermansen continued during autumn 2007 and Bjørn Arnestad took up the position on 3 March 2008. The Board of Directors would like to thank Robert Hermansen for the very considerable work he has done as Chief Executive Officer of the group from 1999 to 2008.

PHOTO: TOMMY DAHL MARKUSSEN

Future prospects
2007 was the first full year of production following the fire in summer 2005, which had resulted in an eight-month interruption to production. With a record production of over 4 million tonnes in 2007, Store Norske achieved its target of restoring confidence on the market and securing the company's financial position. A fifth panel in Svea Nord was cut at the end of February 2008 and production of about 3.4 million tonnes is expected in the course of this year.

Coal prices doubled in 2007, and market analyses indicate that prices will remain high for a number of years to come. Thanks to a higher level of production, the company is therefore continuing its strategy of building up its equity and making the company more resilient to economic slowdowns. An increased number of employees and increased investments in modern equipment have provided the basis for this.

Modern mining demands ever-higher levels of expertise. SNSG will continue to invest heavily in training and skills development for its employees, including a collaboration project with Stjørdal Technical College and educational institutions such as NTNU in Trondheim, the University of Tromsø and the University Centre in Svalbard (UNIS).

Hedging of coal prices has become increasingly common on the international coal market in recent years, and SNSG also uses hedging as an instrument in its operations.

SNSG will continue, both on and outside Svalbard, to support research and take part in projects concerning the sustainable exploitation of coal as an energy resource and also other energy and environmental measures.

The level of ambition for HSE work was raised in 2007, and it will continue to be the subject of considerable focus in the time ahead. The aim is for the company to have one of the best HSE records amongst comparable industries.

Thank you all for your contribution
The Board of Directors would like to thank all the employees of Store Norske Spitsbergen Grubekompani AS for their motivation, technical expertise and loyalty demonstrated in 2007. This strong collective resource has helped the company to make it through a difficult period and was responsible for a record production during the past year. These two factors have created a positive basis for continued operations.

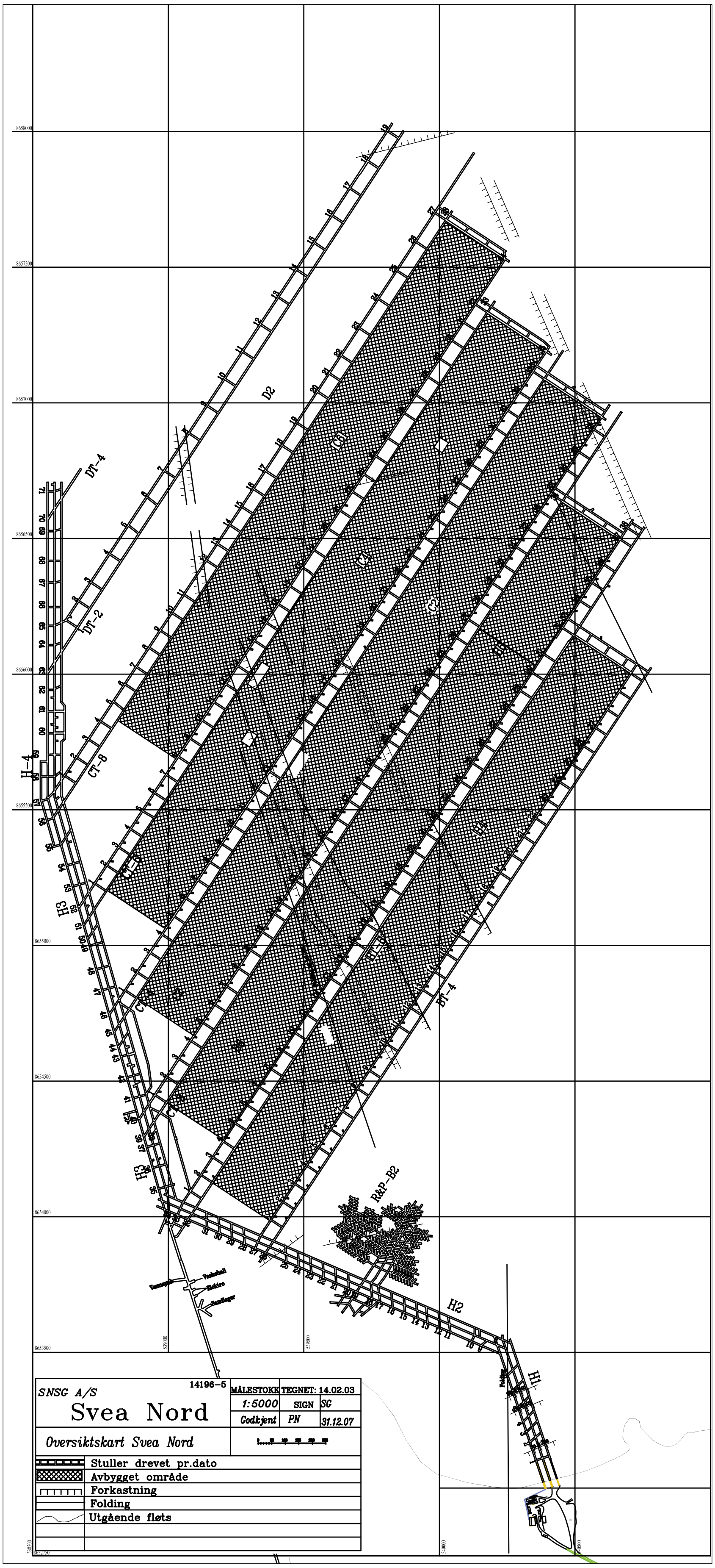
Longyearbyen, ~~31st December 2007~~ 5th April 2008

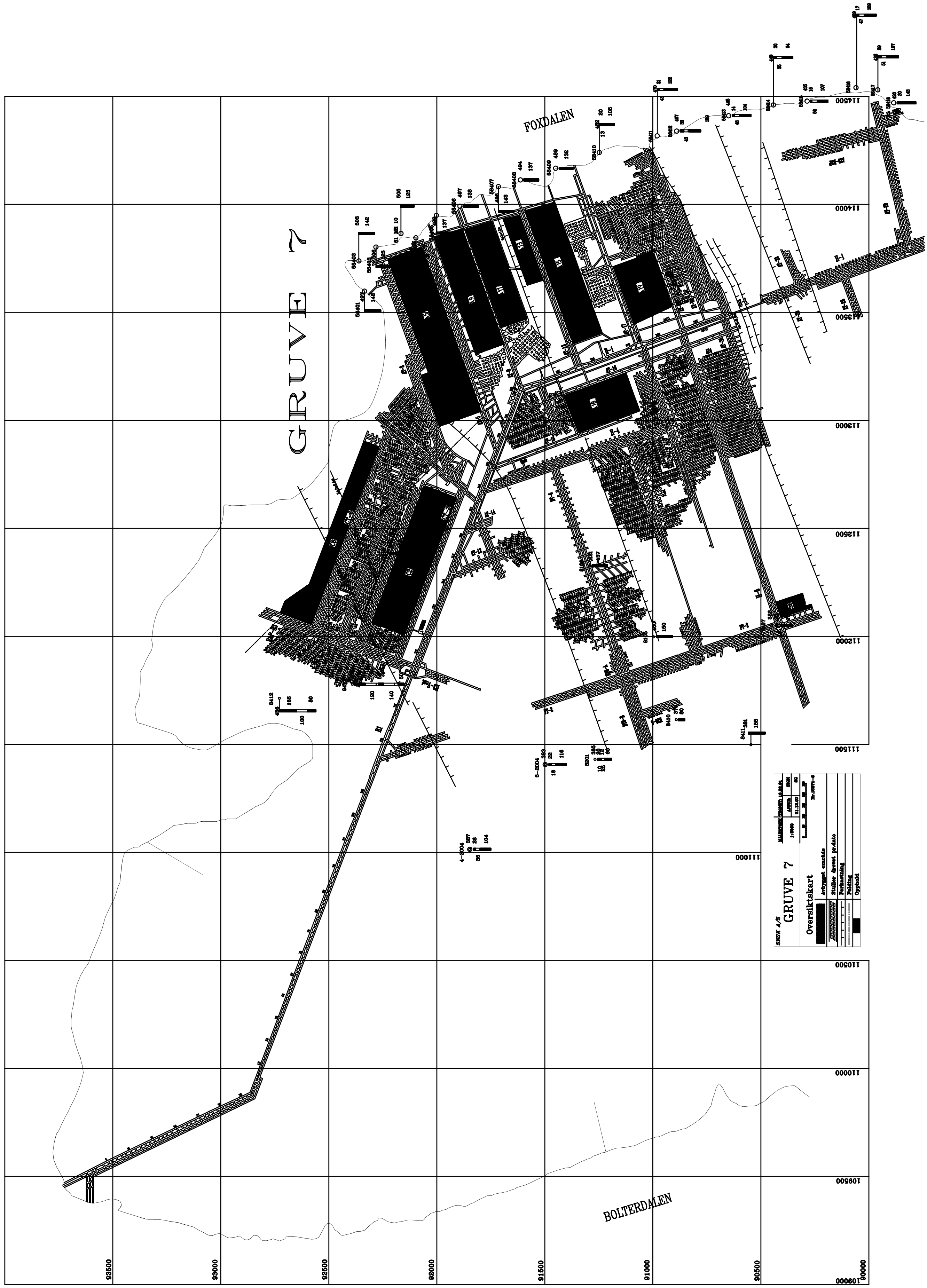
The Board of Directors of Store Norske Spitsbergen Grubekompani AS

Bård Mikkelsen Chairman	Ole Fredrik Hienn Vice-Chairman	Henning Kløften	Lise Chatwin Olsen

Lisbeth Alnæs	Anita Johansen	Bjørn Helge Nygård	Esther Kostøl	Bjørn Arnestad Chief Executive Officer

PHOTO: TOMMY DAHL MARKUSSEN


D2
DT-4
DT-2
CT-8
H-4
H3
H2
H1
R&P-B2
Vannsyk
Elektro
Sandlager
SNSG A/S
14196-5
Svea Nord
MÅLESTOKK
TEGNET: 14.02.03
1:5000
SIGN
SG
Godkjent
PN
31.12.07
Oversiktskart Svea Nord
Stuller drevet pr.dato
Avbygget område
Forkastning
Folding
Utgående fløts


GRUVE 7
FOXDALEN
BOLTERDALEN
GRUVE 7
Oversiktskart

Profit & loss account, Store Norske Spitsbergen Grubekompani AS

			NOK 1000
	Note	2007	2006
Coal sales CIF	2)	1 871 527	1 096 672
Other sales income		1 274	2 585
Rental income		0	191
Other operating income	3)	-18 582	156 347
Total operating income		**1 854 219**	**1 255 794**
Changes in stock	4)	141 761	9 170
Wages and salaries, national insurance contributions and pension expenses	5)6)7)	-338 777	-256 309
Freight/ commission relating to coal sales	8)	-669 204	-395 640
Production costs	9)	-313 591	-196 185
Housing and social costs	10)	-202 670	-151 858
Costs of exploration	11)	-20 387	-14 887
Other operating costs	12)	-170 470	-213 179
Depreciation and write-downs	13)	-152 352	-100 826
Total operating costs		**-1 725 691**	**-1 319 713**
Operating profit/loss		**128 528**	**-63 919**
Financial income	14)	97 345	10 407
Financial expenses	15)	-73 278	-56 966
Net financial items		**24 067**	**-46 559**
Profit/loss before tax		**152 596**	**-110 478**
Changes in deferred tax	16)	-18 006	10 925
Profit/loss after tax		**134 590**	**-99 552**
Allocation of the profit for the year			
Other equity		134 590	-99 552

Longyearbyen, 31st December 2007 / 5th April 2008

The Board of Directors of Store Norske Spitsbergen Grubekompani AS

Bård Mikkelsen
Chairman

Ole Fredrik Hienn
Vice-Chairman

Henning Kløften

Lise Chatwin Olsen

Lisbeth Alnæs

Anita Johansen

Bjørn Helge Nygård

Esther Kostøl

Bjørn Arnestad
Chief Executive Officer

Balance sheet,
Store Norske Spitsbergen Grubekompani AS

			NOK 1000
	Note	**2007**	**2006**
Intangible assets	7)	7 329	28 435
Tangible assets	13)	545 438	638 660
Financial assets	17)18)	903	47 108
Total fixed assets		**553 669**	**714 202**
Stocks	4)	351 094	192 316
Receivables	18)19)	583 403	634 128
Bank deposits, cash		25 202	20 311
Total current assets		**959 699**	**846 755**
Total assets		**1 513 369**	**1 560 957**
Share capital	24)25)	150 100	150 100
Other equity	24)	363 334	228 744
Total shareholders' equity		**513 434**	**378 844**
Provisions	16)23)	28 566	8 560
Long-term debt	15)18)20)	240 000	339 000
Short-term debt	15)16)18)20)	731 369	834 554
Total debt		**999 935**	**1 182 113**
Total debt and shareholders' equity		**1 513 369**	**1 560 957**

Cash flow statement, indirect model
Store Norske Spitsbergen Grubekompani AS

		NOK 1000
	2007	**2006**
Cash flow from operating activities:		
Profit/loss before tax	152 596	-110 478
Tax paid for the period		
Gain/loss on sale of fixed assets	240	-3 385
Gain/loss on sale of shares	-42 282	
Ordinary depreciation	152 352	100 826
Capitalisation in 2005 reversed		12 128
Change in stocks	-158 779	-10 460
Change in accounts receivable	-2 988	-130 728
Change in accounts payable	1 296	-204
Differences in pension funds/ commitments	21 106	-2 498
Profit/loss using the equity and gross method		
Effect of exchange rate movements		
Items classified as investing or financing activities		
Change in other accruals	60 596	-99 694
Net cash flow from operating activities	**184 137**	**-244 493**
Cash flow from investing activities		
Sale of tangible assets	600	3 385
Purchase of tangible assets	-59 971	-54 121
Sale of shares and units in other companies	78 282	
Purchase of shares and units in other companies	0	-100
Net cash flow from investing activities	**18 911**	**-50 836**
Cash flow from financing activities		
New long-term debt		
New short-term debt	250 000	39 579
Repayment of existing long-term debt	-99 000	-80 000
Repayment of existing short-term debt		
Net change in overdraft facility	-349 158	326 517
Shareholders' equity		
Repayments of shareholders' equity		
Dividends paid		
Group contribution paid		
Net cash flow from financing activities	**-198 158**	**286 095**
Effect of exchange rate movements on cash and cash equivalents		
Net change in cash and cash equivalents	4 891	-9 234
Cash and cash equivalents at beginning of period	20 311	29 545
Cash and cash equivalents at end of period	**25 202**	**20 311**

Notes to the accounts, Store Norske Spitsbergen Grubekompani AS

Note 1 Accounting principles

The accounts have been prepared in accordance with Norwegian accounting rules and standards and generally accepted accounting principles. All figures are stated in NOK 1000 unless otherwise specified. Amounts in foreign currencies are stated separately.

Valuation and classification principles

Income recognition

Sale of goods and services is recognised in income at the time of delivery.

Classification and valuation of balance sheet items

Current assets and short-term debt cover items which fall due for payment within one year, as well as items associated with the operating cycle. Other items are classified as fixed assets/ long-term debt.

Current assets are valued at the lower of cost and fair value. Short-term debt is recognised in the balance sheet at the original nominal amount.

Fixed assets are valued at cost but written down to fair value if the decrease in value is not expected to be temporary. Long-term debt is recognised in the balance sheet at nominal value at year-end.

Subsidiaries and associated companies

Subsidiaries are valued using the cost method in the company accounts. The investment is valued at cost price of the shares unless a write-down has been necessary. The investment is written down to fair value if the decrease in value is due to reasons which cannot be assumed to be temporary and the write-down is considered necessary in accordance with generally accepted accounting principles. Write-downs are reversed if the basis for the write-down no longer exists.

Dividends and other payments are recognised in income in the year in which the subsidiary made the allocation. If the dividend exceeds the share of retained profit after the acquisition, the excess represents repayment of the capital invested, and the value of the investment is deducted from the payments in the balance sheet.

Associated companies are valued at cost in the company accounts, while the equity method is used in the consolidated accounts. The share of profit/loss is based on profit/loss after tax in the company in which the investment has been made, less internal gains and any amortisation of goodwill as a result of the cost price of the shares being higher than the acquired share of equity in the balance sheet. In the profit & loss account, the share of profit/loss is shown under financial items.

Stocks

The stock of coal is valued at the total cost of coal production.

The stock of operating materials and spare parts is valued at the lower of cost and fair value.

Fixed assets and depreciation

Fixed assets are recognised in the balance sheet and depreciated if they have a useful life of more than three years and have a significant cost price. Depreciation is based on the useful life of the assets. In the case of operating assets linked to production and mines in Svea Nord, depreciation is based on the useful life of the assets linked to the total resources in Svea Nord.

Receivables

Accounts receivable and other receivables are recognised in the balance sheet at nominal value less provision for bad debts. Provision for bad debts is made on the basis of a specific assessment of the individual items. An unspecified provision to cover expected losses is also made for other accounts receivable.

Insurance settlement after the fire

The fire in Svea Nord on 30 July 2005 resulted in considerable costs for the company. The company had insurance cover for loss of equipment and loss of profit. For 2005 and 2006, insurance losses were recognised in income based on a conservative estimate. The case between the company and the insurance companies was heard in the Nord-Troms Court in autumn 2007. In 2007, the insurance sum was adjusted downwards to the same compensation amount plus interest ordered by the ruling. An appeal against the ruling was submitted to the Hålogaland court of appeals and a date has been set for the appeal hearing in September 2008.

Receivables and payables in foreign currency
Receivables and payables in foreign currency are recognised at the exchange rate prevailing on 31 December.

Cash flow
The cash flow statement has been compiled using the indirect method. Cash and cash equivalents cover cash, bank deposits and other short-term, liquid investments which can be converted into known cash amounts with immediate effect and negligible currency risk, and which have a due date within three months of the acquisition date.

Mine development costs
The cost of mine development and preparation of new coalfields is recognised as an expense.
The preparation of new fields includes moving equipment from one panel to the next.

Exploration costs
The cost of exploring new deposits is recognised as an expense.

Pension commitments
The group has a pension scheme for all its employees. Pension assets and costs are shown net in the balance sheet. Actuarial calculations of pension commitments and costs are carried out each year, taking account of expected wage increases based on straight line accrual. The net pension cost for the period is included under Wages and salaries.

Taxes
Tax costs for the year are calculated on the basis of the bottom-line result. This covers both taxes payable for the period and changes in deferred tax. Deferred tax is calculated on the basis of differences between book and tax values.

Note 2 Revenue

TONNES

Coal sales CIF can be broken down as follows:

	Energy	Cement	Metallurgical industry	Other industry	2007	2006
Svalbard	27 258				27 258	27 085
Norway		174304		3802	178 106	62 451
Denmark	324 365				324 365	128 757
Finland					0	46 501
Netherlands			42 253		42 253	0
Iceland		25 281			25 281	6 595
Germany	969 100	77 856	979 561	312 736	2 339 253	1 552 475
England	74 978				74 978	0
Portugal	219 263				219 263	143 264
France	280 561				280 561	255 027
Greece		66 835			66 835	72 891
USA	32 257				32 257	63 644
Tonnes 2007	**1 927 782**	**344 276**	**1 021 814**	**316 538**	**3 610 410**	
Tonnes 2006	**1 229 664**	**154 480**	**773 970**	**200 577**		**2 358 690**

Coal sales CIF totalled NOK 1,878.7 million. Total coal export levies of NOK 7.2 million have been deducted from sales income.

Note 3 Other operating income

TONNES

Other operating income comprises:

	2007	2006
Sale of services	0	47
Business interruption compensation	-64 791	151 334
Other compensation	2 275	0
Other income	1 652	4 966
Sale of shares	42 282	0
Total	**-18 582**	**156 347**

The company has insurance for operational losses as a result of interruptions caused by fire. The operating loss is calculated as the difference between the result of operations which would have been achieved in the indemnity period with and without the damage which occurred. The indemnity period is 12 months.

An insurance settlement following the fire in Svea Nord on 30 July 2005 was considered in the Nord-Troms Court in autumn 2007, when the compensation was reduced in proportion to what was recognised in the accounts for 2005 and 2006. An appeal in the case was submitted to Hålogaland court of appeals. In the accounts for 2007 the profit has been reduced by the difference between the compensation recognised in 2005 and 2006 and the result of the case, in accordance with the available ruling, plus interest.

In 2007, the shares in Store Norske Boliger were sold to the parent company. The gain on the sale of the shares was NOK 42 million.

Note 4 Stocks

TONNES

Coal stocks are valued at total production cost, which for 2007 was NOK 300 per tonne.
The value of incoming stock was NOK 240 per tonne.

	2007		2006	
	Tonnes	NOK	Tonnes	NOK
Coal stocks, Longyearbyen	12 797	3 839	7 400	1 776
Coal stocks, Svea Mine	498 138	149 441	40 600	9 744
Total	**510 935**	**153 280**	**48 000**	**11 520**

Stocks of operating materials and spare parts are valued at average cost from the supplier. Items which are more than two years old and which are not expected to be used in the next year are valued at 0 in the balance sheet.

	2007			2006		
	Consumables	Spare parts	Total	Consumables	Spare parts	Total
Cost	103 000	169 391	272 391	107 236	136 263	243 499
Written down	-12 556	-62 021	-74 577	-21 952	-40 752	-62 704
Balance sheet value	**90 444**	**107 370**	**197 814**	**85 284**	**95 511**	**180 795**

Note 5 Management Remuneration

	2007	2006
Audit fee	670	550
Other auditor services	554	120

The parent company is charged for the Chief Executive Officer’s pay and directors’ fees in their entirety.

Note 6 Specification of wages, salaries and national insurance contributions

	2007	2006
Wages and salaries	258 573	204 894
Pension costs	54 792	49 061
Other payments	25 411	29 414
Insurance compensation	0	-27 060
Total	**338 777**	**256 309**

The number of man-years for SNSG in 2007 was 423.

Note 7 Pension costs and commitments

SNSG has pension schemes covering a total of 389 persons, 39 of whom have taken early retirement. There are 128 persons in receipt of an ordinary pension, 60 of whom receive a retirement pension, 34 a spouse's pension, 14 a children's pension and 20 a disability pension.

The company's pension schemes comprise both an ordinary retirement pension scheme (from the age of 67) and a voluntary early retirement pension scheme (from the age of 60) for all employees. The assumption of retirement age for accounting purposes for the ordinary retirement pension scheme (the 67 scheme) has been calculated based on a normal retirement age of 60 years. The reason for this is that the pension cost should be recognised as an expense in the periods during which the employees are actually working for the company, cf. the matching principle of the Norwegian Accounting Act. A high proportion of the employees working for Store Norske who have reached the age of 60 are expected to take up the offer of the early retirement pension. In reality the right to an ordinary retirement pension is accrued when an employee takes early retirement. For this reason it has been decided that the retirement age for the ordinary retirement pension is calculated based on a retirement age of 60.

The ordinary retirement pension (from the age of 67) is covered by an insurance company. In previous years other pension schemes (including voluntary early retirement from the age of 60) have been secured by means of an insurance company.
As a consequence of new tax rules among other things, these schemes have been closed down in insurance terms. Employees have been issued with paid-up policies for accrued rights in accordance with early retirement as at the closing date. Although the early pension schemes have been closed down in insurance terms, this does not mean that the early retirement scheme is no longer available to employees. The schemes are being continued for now as schemes financed by means of operations. This means that rights accrued from before closure of the insurance schemes up until retirement will be financed directly by the company/group. As a consequence of new tax rules and developments in various insurance schemes for pension insurance, among other things, all of Store Norske's pension schemes are to be re-assessed during 2008. It may therefore be decided to implement changes to the pension schemes during 2008. In accountancy terms such changes could be defined as plan changes, which in some cases could entail major changes to recognised commitments during 2008.

With cancellation in insurance terms of the early retirement schemes, the actuarial calculations (the cost estimates) for these schemes are based on basic data that is less accurate than in previous years. There is greater uncertainty concerning basic data for calculations of parts of the pension commitment than was the case in previous years.

As of 31.12.07, the company had an overfunded pension commitment totalling NOK 7.4 million, which is included in the balance sheet. At the start of the year the overfunded commitment was NOK 28.4 million.

	2007	2006
Pension costs	**Secured**	**Secured**
Pension rights accrued over the year	32 970	28 993
Interest on pension rights accrued	21 873	19 385
Return on pension assets	-17 347	-18 270
Amortisation of transitional amount (implementation)	0	0
Estimate difference/ change to plan recognised in profit & loss account	16 627	18 715
Administrative expenses	669	650
Net pension costs	**54 792**	**49 472**

Recognised in the balance sheet	**2007**	**2006**
Pension commitments accrued	-435 286	-429 992
Pension assets (at market value)	323 539	329 073
Deferred commitment (estimate differences not recognised in profit & loss account)	119 076	129 354
Surplus on total commitment not recognised in balance sheet	0	0
Overfunded pension commitment recognised in balance sheet	**7 329**	**28 435**

Economic premises:	**2007**	**2006**
Discount rate	5,50 %	5,00 %
Expected return	5,75 %	6,00 %
Wage increase	4,5 %	4,00 %
Adjustment to basic state pension	4,25 %	3,50 %
Adjustment to current pension	4,25 %	3,00 %
Expected rate of voluntary exit before age of 40	6,00 %	6,00 %
Expected rate of voluntary exit after age of 40	1,00 %	1,00 %

Note 8 Freight/Commission on coal sales

	2007	2006
Shipping costs	457 612	259 706
Analysis costs	857	888
Commission	60 543	39 288
Transport/Loading Svea	150 191	95 758
Total	**669 204**	**395 640**

Note 9 Production costs

Production costs mainly comprise materials and bought-in services for production and maintenance. Preparation of new panels is expensed on an ongoing basis.

Note 10 Housing and social costs in Svea

As there is no road link to Svea, employees live in Svea when they are working. This entails costs for accommodation, catering and operation of infrastructure as well as flights between Longyearbyen and Svea. Housing and social costs also include costs of transporting goods and people and running costs for the power station.

Note 11 Exploration costs

Exploration and search activities in new fields are expensed in the accounts. In 2007, the company conducted prospecting activities on Breinosa and Lunckefjellet. These areas lie in close proximity to Svea.

Note 12 Other operating costs

This item consists primarily of purchases of administrative services from SNSK. It also includes insurance premiums, mining concession fees and loss on sales of operating equipment.

Note 13 Tangible fixed assets, depreciation schedule

	Machinery, fixtures, transport resources	Buildings	Technical plant	Mines, land	Total
Acquisition cost at 01.01.07	31 015	100 122	330 300	883 085	1 344 522
Additions in 2007	6 381	15 466	17 076	21 048	59 971
Disposals in the year (disposals/scrapping)	727		3 868	101 600	106 195
Acquisition cost at 31.12.07	**36 669**	**115 588**	**343 508**	**802 533**	**1 298 298**
Accumulated depreciation at 01.01.07	19 653	55 237	180 156	450 814	705 860
Reversed acc. depreciation on sale	727		3 868	100 757	105 352
Depreciation for the year	4 432	9 221	32 496	106 204	152 353
Book value at 31.12.07	**13 311**	**51 130**	**134 724**	**346 273**	**545 438**
Estimated remaining useful life (inkl 2007)	**3-6 år**	**6/20 år**	**6,0 år**	**3-7 år**	

The mine is depreciated on the basis of the production volume in relation to the estimated quantity of coal in the core field in Svea Nord. Other fixed assets are depreciated according to expected useful life. Disposals in the year include scrapping damaged equipment following the fire in 2005.

Note 14 Financial income

	2007	2006
Interest received, bank deposits	195	1 607
Interest received, group	781	13
Foreign exchange gains from futures contracts	90 648	0
Other foreign exchange gains	5 450	8 697
Dividends	272	90
Total	**97 345**	**10 407**

In order to improve the liquidity situation, at the end of December the company redeemed three forward contracts worth a total of USD 90 million, which had originally been due for repayment on 2008. The average exchange rate for the contracts was NOK 6.54. This rate was NOK 5.54 on the closing date and the exchange gain was NOK 90.6 million.

Note 15 Debt

Interest-bearing debt:

		2007		2006	
Type of loan	**Bank**	**Balance**	**Interest cost**	**Balance**	**Interest cost**
Overdraft facility	DnB NOR	247 073	39 477	596 230	29 301
Mortgage loans	DnB NOR	240 000	17 655	320 000	15 380
Subordinated loan		250 000	11 313	0	0
Unutilised bank overdraft facility (limit 400 000)		152 927	0	0	0
Debt which falls due for payment more than 5 years after the end of the financial year		0	0	0	0

Subordinated loan

In June 2007, the company was granted a subordinated loan of NOK 250 million from the parent company. The loan becomes due for repayment on conclusion of the insurance case following the fire in 2005.

Note 16 Tax costs

	2007	2006
Tax cost for the year is made up as follows:		
Change in deferred tax	18 005	-10925
Total tax cost on ordinary profit for the year	**18 005**	**-10925**
Tax payable in tax cost for the year is made up as follows:		
Ordinary profit/loss before tax	152 595	-110 478
Permanent differences	-42 158	1 225
Change in temporary differences	60 359	-266 093
Utilised deficit from previous year	-170 796	0
Basis for tax payable	**0**	**-375 346**
Tax, 10%, representing the total tax payable on the profit for the year	**0**	**0**
Specification of the basis for deferred tax, differences assessed		
Fixed assets	40 451	21 992
Current assets	18 214	5 180
Provision relating to insurance payment	368 572	427 039
Other accounting provisions	-50 863	-38 585
Pension funds	7 328	28 435
Accumulated taxable loss	**-267 667**	**-438 463**
Total	**116 035**	**5 598**
Deferred tax/tax benefit (-), 16%	**18 566**	**560**

It has been decided that the tax rate for 2008 would increase from 10% to 16%.

Note 17 Shares in subsidiaries and other companies

Company	Location	Ownership %	Balance sheet 2006	Balance sheet 2005
Store Norske Boliger AS	Longyearbyen	100	0	36 000
Svea Tankanlegg AS	Sveagruva	15	752	752
FabLab Technology AS	Lyngen	17	51	51
Barentsinstituttet AS	Sør-Varanger	6	100	100
Total			**903**	**36 903**

The shares are recognised at cost in the balance sheet. SNSG has undertaken to buy back the shares in Svea Tankanlegg AS from the other shareholders at face value if there are no other buyers. All of the shares in Store Norske Boliger AS have been sold to SNSK.

Note 18 Balances with group companies

	2007				2006			
	Receivables	Short-term debt	Long-term debt	Total	Receivables	Short-term debt	Long-term debt	Total
SNSK	19 745	250 000	0	-230 255	0	40 193	19 000	-59 193
SNB	10 011	0	0	10 011	10 205	2 121	0	8 084
SNG	3 101	0	0	3 101	1 103	0	0	1 103
Total	**32 857**	**250 000**	**0**	**-217 143**	**11 308**	**42 314**	**19 000**	**50 006**

Note 19 Accounts receivable

	2007	2006
Net accounts receivable at 31.12	165 248	162 260
Bad debt recognised in accounts	57	0
Change in loss reserves	0	0
Reserve for bad debts at 31.12	1 005	1 005

The reserve for bad debts is considered adequate to cover possible future losses..

Other current receivables

Of the total figure for other current receivables, NOK 362 million represents the receivable in connection with the insurance settlement. Other current receivables mainly relate to prepayments to suppliers and prepaid insurance premiums.

Note 20 Pledges and guarantees

	2007	2006
Mortgage loans	240 000	320 000
Bank overdraft facility	247 073	596 230
Total	**487 073**	**916 230**
Book value of assets pledged as security for debt:		
Tangible assets	545 438	638 660
Shares owned by the company	903	36 903
Stocks	351 094	192 316
Accounts receivable	166 253	163 265
Total	**1 063 689**	**1 031 144**

The company has pledged the following assets as security:

- Land registry no. 12 Indre Lågfjord
- Mining concessions in the Svea area and around Gruve 7
- Operating materials and accessories
- Coal stocks and inventories
- Shares owned by the company
- Accounts receivable
- Buildings and plant in Svea

Guarantees

The company has issued a NOK 4 million guarantee to Norske Romsenter Eiendom AS to cover the costs of a possible breakage/failure of submarine fibre cables to the mainland.

Note 21 Forward contracts

Most coal sales are transacted in US dollars. In order to reduce the risk of exchange rate fluctuations, the company enters into futures contracts to hedge future sales of US dollars. Coal sales and freights are recognised at the average hedged/achieved exchange rate. As the forward contracts are used as hedging instruments, unrealised exchange gains on the balance sheet date are not recognised.

At the end of December 2007, SNSG redeemed three futures contracts which were due for repayment in autumn 2008 and worth a total of USD 90 million. This generated a foreign exchange gain of NOK 90.6 million. Following redemption of these contracts,

SNSG had the following forward contracts as of 31.12.07:

Matures	USD million	Average rate
2008	60	6,26
2009	60	6,55

Unrealised foreign exchange gains as of 31.12.07 were NOK 119.9 million.

In addition, the following options on the sale of USD have also been entered into:

Matures	USD million	Minimum rate
2008	45	6,14
2009	15	6,58

Note 22 Coal reserves

Known commercial coal

As a result of extensive core drilling and experience of coal mining in Gruve 7, Svea Vest and Svea Nord, we have merged the categories ‘definite’ and ‘probable coal’ into a single category: ‘known coal’.

In the future we do not expect to use coal seams of less than 1.5 metres. Narrower seams of coal can normally not be mined at a profit. In calculating the tonnage of commercial coal, account is taken of the chosen mining method. In the case of Gruve 7, this will continue to be room & pillar operations, like today. In the case of Svea, including Ispallen, we expect to make exclusive use of longwall stoping, including in the sections where we will be cutting seams of 1.5-2.5 metres.

Reserves of commercial coal, million tonnes

Area/thickness	2,5–3,8 m million tonnes.	1,5–2,5 m million tonnes.	Total m million tonnes.
Svea Nord, core	17		17
Svea Nord, marginal zone		6	6
Svea Øst		4	4
Lunckefjell		13	13
Ispallen	3	11	14
Total	**20**	**34**	**54**

Based on geological knowledge and theories of the formation of coal deposits 60 million years ago, the company has an extensive programme of diamond drilling, both west of Sveagruva and south of Gruve 7 in Longyearbyen.

Protected areas

Nordenskiöld Land National Park was established in 2002 and it affects the company’s known coal deposits in the Reindal area. Based on the current understanding of the restrictions on construction in protected areas, it has been decided not to include the deposits in Reindalen and Kolfjellet in the company’s resource base.

Note 23 Clear-up costs

Provision of NOK 2.0 million has been made in the accounts for 2006 for future clear-up costs in Svea.
The total provision for clear-up operations is NOK 10 million.

Note 24 Shareholders’ equity

	Share capital	Other equity	Total
Shareholders’ equity at 01.01.2007	150 100	228 744	378 844
Loss for the year		134 590	134 590
Shareholders’ equity at 31.12.2007	150 100	363 334	513 434

The share capital comprises 150,100 shares each with a nominal value of NOK 1,000.

Note 25 Ownership structure

At 31.12.2007 Store Norske Spitsbergen Kulkompani AS owned 100% of the shares in the company.

KPMG AS
Torvgt. 2
N-8037 Bodø

Telephone +47 75 50 63 50
Fax +47 75 50 63 60
Internet www.kpmg.no
Enterprise 935 174 627MVA

To the Annual Shareholders' Meeting of Store Norske Spitsbergen Grubekompani AS

AUDITOR'S REPORT FOR 2007

Respective Responsibilities of Directors and Auditors
We have audited the annual financial statements of the Store Norske Spitsbergen Grubekompani AS as of 31 December 2007, showing a profit of TNOK 134 590. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit. The annual financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to prepare the financial statements. These financial statements and the Board of Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion
We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion,

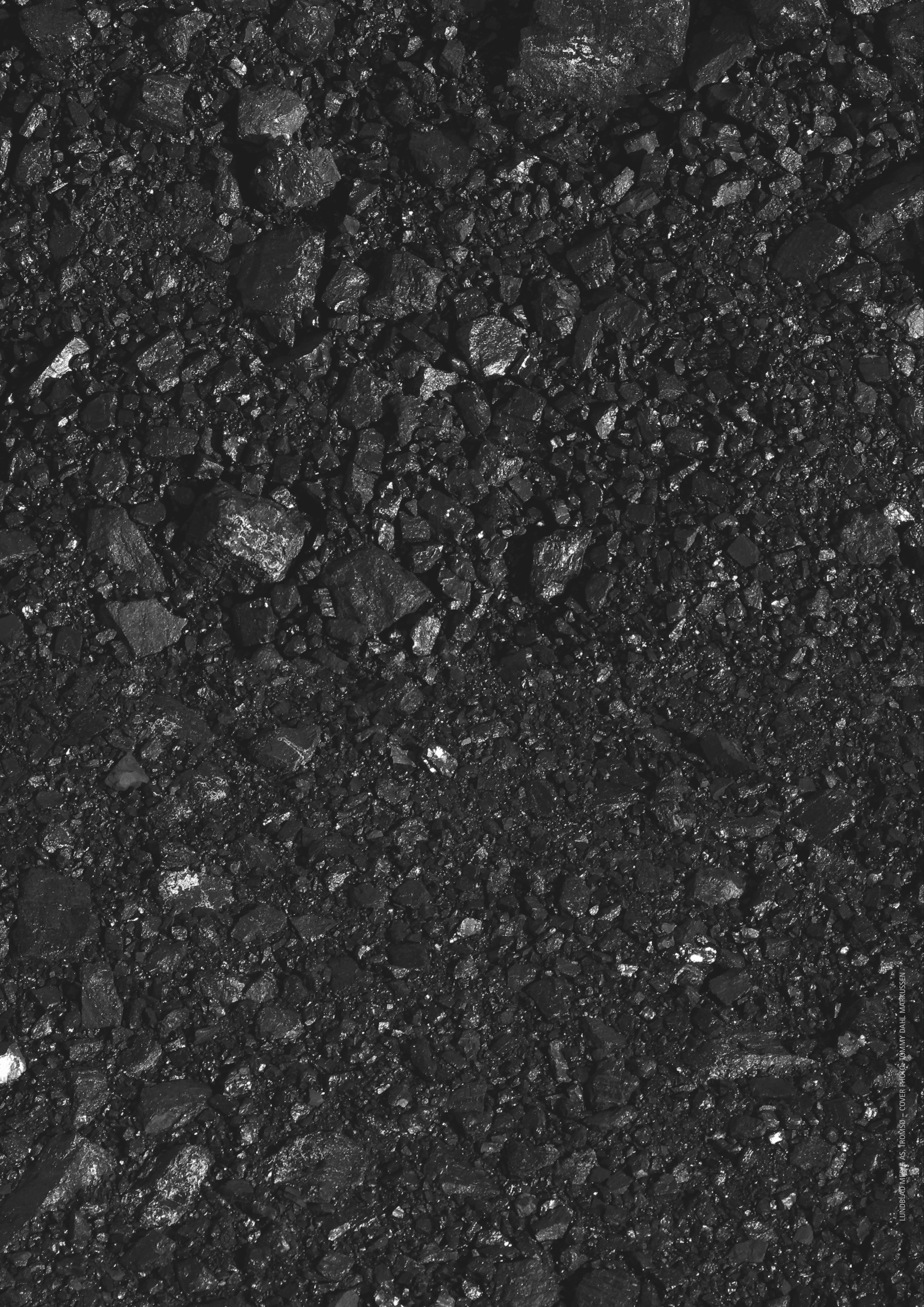
- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2007, the results of its operations and its cash flows for the year then ended, in accordance with the rules of the Norwegian accounting act and good accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and comply with the law and regulations.

Bodø, April 5, 2008
KPMG AS

Ingar Andreassen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

PHOTO: TOMMY DAHL MARKUSSEN


LUNDBLAD MEDIA AS, TROMSØ – COVER PHOTO: TOMMY DAHL MARKUSSEN