ANNUAL REPORT AND ACCOUNTS

2009

STORE NORSKE SPITSBERGEN KULKOMPANI AS
STORE NORSKE SPITSBERGEN GRUBEKOMPANI AS

Photo: Tommy Dahl Markussen

Store Norske Spitsbergen Kulkompani AS	94th year of operations
Enterprise no.:	916 300 395
Share capital l:	164 490 000

Store Norske Spitsbergen Grubekompani AS	8th year of operations
Enterprise no.:	984 015 097
Share capital l:	150 100 000

Board of Directors:	
Bård Mikkelsen	Chairman
Lisbeth Alnæs	Vice-Chairman
Anne-Cathrine Haadem	
Grethe Fossli	
Egil Ullebø	
Henning Kløften	Staff representative
Thomas Hukkelås	Staff representative
Bjørn Martinsen	Staff representative

Senior management group (as of 31 December 2009):	
Bjørn Arnestad	Chief Executive Officer
Dag Ivar Brekke	Deputy Chief Executive Officer
Ingrid Dahn	Human Resources Director
Sissel Danielsen	Financial Director
Harry Higraff	Director of Technical Development and Project
Gunnar Østby/Per Nilssen	Mining Manager Svea Nord
Roy Are Hanssen	Technical Manager

Thomas Hukkelås (left), Chief Executive Officer Bjørn Arnestad, Vice-Chairman Lisbeth Alnæs, Henning Kløften, Anne-Cathrine Haadem, Bjørn Martinsen, Chairman Bård Mikkelsen, Egil Ullebø and Grethe Fossli. Photo: Torbjørn Johnsen

Contents

Into a new era

Health, safety and the environment (HSE) have first priority at Store Norske and are the most important items on the agenda in every context. We were spared any major, serious accidents in 2009, but the personal injury situation for workers can still be improved. To address this issue, in the past year we initiated a number of measures to intensify the focus on HSE work in the company. We are now beginning to see the concrete results of these efforts. During the first three months of 2010, in the entire enterprise we had only one lost-time injury. That is one injury too many, but it is also a great improvement on our previous performance.

High HSE goals are not simply the goals that we as a business set ourselves. HSE is the first item of business on the agenda of every single meeting of the Board of Directors of Store Norske. The importance of safety in our operations is also emphasised in the new white paper to the Storting on Svalbard which was announced in April last year. The paper, which was passed unanimously by the Norwegian Storting in June 2009, states categorically that *'Ensuring adequate safety is the most important task of the company's management and board of directors'*.

Other quite clear political guidance for Store Norske's operations is laid down in White Paper No. 22 to the Storting (2008–2009). The paper establishes that Store Norske and its coal mining operations are – and will remain – important for maintaining a Norwegian family-based community in Longyearbyen.

For Store Norske, it is important that the Norwegian government and the Storting take a positive view of the company's plans for continuing operations and establishing new mines in the Svea area. But it is also important to note that we do not yet have a final authorisation to do this. The authorities are also stating clear conditions that if coal mining is to continue, it must be, as the paper has it, *'subject to strict environmental standards and the requirements for commercial profitability'*.These are challenges we are willing to embrace.

2009 was in many ways the start of a new era for Store Norske and our operations. The Svea Nord core is coming to an end and the quality of the coal is declining due to increasing ash and rock content in the final seam panels. As it is also currently a buyer's market for coal in Europe, and our coal will not be saleable unless we take measures to improve the quality. We are therefore planning to invest in a concentration plant to improve the coal quality and thus substantially improve its marketability. The same investment will be used for the coal from Lunckefjell.

According to the original plan, the Lunckefjell project was to be presented to the authorities for their decision in 2009. As the company has reduced the annual production in its long-term plan to between 1.5 and 2 million tonnes, the lifetime of the Svea Nord core has been extended by about two years. We are thus under no time pressure to present Lunckefjell this year and will be able to refine the project even further. We will also have more time to carry out the required efficiency measures and cost-adaptations.

For the Lunckefjell investment to be profitable, we will need a higher price for coal than the current market price. To date, the forecasts for 2014–2018 are promising, but we will investigate this further. We also need a lower cost level at Store Norske in the months and years ahead, to make us a competitive supplier of coal in Europe. Today, our competitors are capable of supplying cheaper coal to the European market.

Undoubtly, we have many and major challenges ahead. But we also have many highly skilled and hard-working employees, we have a well-run organisation, and we have a sound financial platform thanks to the extremely good results achieved in 2008 and 2009. Taken together, these things give us freedom of action and security. Being able to think in the long term with regard to our operations, jobs and presence on Svalbard are important for us at Store Norske.

I am an optimist and believe that we will achieve the goals we have set ourselves and that Store Norske will continue to guarantee the existence of a viable, Norwegian family-based community in Longyearbyen, where miners and other Store Norske staff and their families are a vital and important part of the town.

Longyearbyen, 5 May 2010

Bjørn Arnestad

Photo: Kim Bierbrauer

Key figures for Store Norske

	2003	2004	2005	2006	2007	2008	2009
Production (1,000 tonnes)	2 944	2 904	1 471	2 395	4 073	3 430	2 641
Number of employees at 31.12 – group	233	265	314	366	396	387	368
Sickness absence – group (percentage)	8.8	6.0	8.3	8.7	8.9	8.1	8.5
Injuries involving absence	4	10	23	17	14	20	13
Turnover (NOK million)	945	1 315	1 139	1 267	1 827	3 445	2 041
Tonnes/employee	12 854	11 664	5 081	7 044	10 691	8 761	6 996
Profit before tax (NOK million)	74	227	53	– 85	130	1 056	432
Profit after tax (NOK million)	65	219	46	– 78	112	881	362
Depreciation (NOK million)	64	85	66	101	154	152	225
Equity %	32.2	35.4	35.9	26.9	26.1	42.6	62.0
Interest-bearing debt (NOK million)	495	390	777	1 035	614	24	23
Coal price (USD per tonne)	39	64	67	72	83	175	128


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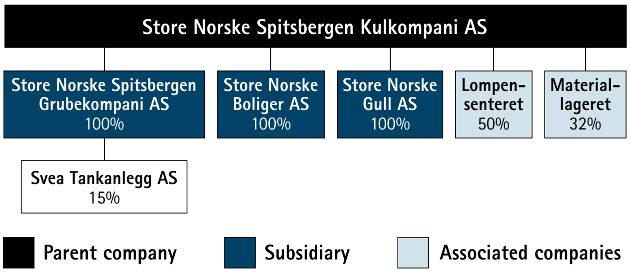
Photo: Idar J. Nikolaisen

Annual report of Store Norske Spitsbergen Kulkompani AS

Store Norske Spitsbergen Kulkompani AS (SNSK) was founded in 1916, and is the parent company in the Store Norske group. The company has three wholly-owned subsidiaries: Store Norske Spitsbergen Grubekompani AS (SNSG), which carries out mining operations on Svalbard, Store Norske Boliger (SNB), which owns and lets the group's residential accommodation to tenants, and Store Norske Gull AS (SNG), which conducts prospecting operations.



The Norwegian State, represented by the Ministry of Trade and Industry, owns 99.9 per cent of the shares in SNSK. The remaining shares are held by private shareholders.

Key facts about the company in 2009

The company's core business is the development of properties and rights on Svalbard.

SNSK owns several properties on Svalbard, including the two central properties of Longyeardalen and Adventdalen, which cover most of the Longyearbyen administrative territory. The company leases land to companies and inhabitants in Longyearbyen.

SNSK and its subsidiaries have mining claim areas and concessions and have located coal and mineral deposits in large parts of Svalbard. The concessions not in operation are held in reserve for future operations.

Financial review

In the opinion of the Board of Directors, the annual financial statements presented for the parent company and for the group give a true and fair view of the performance, results and financial position of the company and the group. The accounts have been prepared on the assumption that each entity is a going concern.

Operating income and profit

Turnover in the parent company for 2009 was NOK 6.8 million, compared with NOK 136.2 million for 2008. In 2008 the parent company sold administrative services to other companies in the group. In 2009 all employees of the group were employed by SNSG, and SNSK purchases services from SNSG.

Turnover in the group was NOK 2 040.8 million in 2009, compared with NOK 3 444.6 million in 2008.

The parent company made an operating loss of NOK 23.7 million for 2009, compared with an operating loss of NOK 46.9 million for 2008. The group recorded an operating profit for the year of NOK 392 million, compared with an operating profit of NOK 1 253.2 million for 2008. Profit after tax for the parent company was NOK 151.4 million, compared with NOK 211.1 million for 2008, while the group posted a profit after tax for the year of NOK 362.6 million, compared with NOK 880.8 million for 2008. The decrease in turnover was as a result of lower coal prices in 2009 compared with 2008 when coal prices were record-high, and also because sales quantities were down by about 1 million tonnes on 2008 in accordance with the group's long-term plan.

Financial information

The parent company had no investment in 2009, while there was investment in the group for NOK 44.3 million, compared with NOK 134.2 million in 2008.

The parent company has no foreign currency exposure, although at group level most sales are transacted in foreign currency, primarily the US dollar. Active hedging reduces the currency risk and is carried out as part of SNSG's hedging strategy.

All sales of coal in SNSG are conducted through Oxbow Coal B.V., and consequently all credit risk is through one single customer. The company does, however, have a parent company guarantee from Oxbow Carbon LLC in Florida, USA. All receivables as of 31 December 2009 were settled in 2010.

At year-end, the parent company had no long-term debt. Short-term debt was NOK 184 million, of which NOK 164 million is in the form of provision for dividends to shareholders. The group had long-term debt of NOK 23.1 million and short-term debt of NOK 493.3 million.

At year-end, non-restricted equity in the parent company was NOK 2.3 million, compared with NOK 3.6 million in 2008, while the group's non-restricted equity was NOK 1288.4 million, compared with NOK 857.7 million in 2008.

Allocation of profit

Of the parent company's after-tax profit of NOK 151.4 million, the Board recommends that NOK 164 million be allocated to dividends and that NOK 12.6 million be allocated from other reserves (other equity).

Contract audit

The group has recently performed an extended audit of parts of its commercial contracts, with particular focus on contract duration and the competitiveness of land and marine transport contracts, as well as sales commission. These contracts account overall for a significant share of the group's fixed and variable costs, and thus affect the group's historic and future earning potential. Indications have been found that give reason to question the commercial terms and conditions of these contracts, as well as their duration. During the first half of 2010, assessments of the commercial and legal aspects of these contracts will form the basis for any measures required and any further consequences of the audit.

Wholly-owned subsidiaries

Store Norske Spitsbergen Grubekompani AS

Most of Store Norske's operations are conducted within this company, SNSG. In 2009, SNSG posted an after-tax profit of NOK 394.1 million and operating income of NOK 2 028.4 million. The company had 368 employees at 31 December 2009. SNSG sells administrative services to the other companies in the Store Norske group.

Store Norske Boliger AS

The company owns housing stock comprising 421 units in Longyearbyen which are let out to the group companies for their employees and the employees of LNSS. Most of the income is internal to the group, and the company posted an after-tax profit of NOK 12.6 million and operating income of NOK 39.8 million. The company had no employees at 31 December 2009. All services are purchased from SNSG.

Store Norske Gull AS

The company was founded in 2003 and is engaged in prospecting activities on Svalbard, and in Finnmark and Troms on the Norwegian mainland. The company had no revenues of its own in 2009 and reported a loss after tax of NOK 26.4 million.

Store Norske Gull AS had no employees at 31 December 2009. All services are purchased from SNSG.

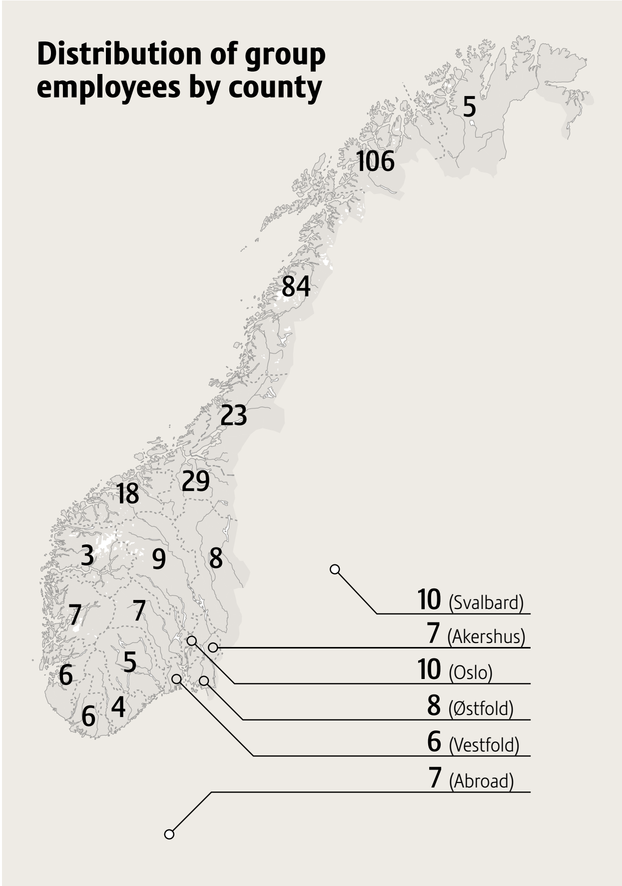
Associated companies and other companies

Materiallageret AS

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

Lompensenteret AS

The company is 50 per cent owned by Store Norske Spitsbergen Kulkompani AS. The company's object is to operate business premises in Longyearbyen.



Svea Tankanlegg AS

The company is 15 per cent owned by Store Norske Spitsbergen Grubekompani AS. The company's objects are to procure, store and distribute fuel in Svea.

Corporate social responsibility

White Paper No. 13 to the Storting (2006–07), Active and long-term ownership, states that the object of State ownership of SNSK is to contribute to ensuring that the community in Longyearbyen is maintained and developed in a manner that supports the over-arching objectives of Norwegian Svalbard policy. The company is to be run on commercial principles and with a view to achieving a market return on the capital invested.

The Norwegian parliament, Stortinget, has also made it clear that it expects Store Norske to take account of cross-sectoral interests in its activity. This expectation is also expressed in White Paper No. 22 to the Storting (2008–2009) Svalbard.

SNSK is mindful of the importance of fulfilling its community responsibilities. The parent company has adopted ethical guidelines, which all the subsidiaries in the group comply with. These ethical guidelines form the framework for the ethical conduct required from all the group's employees, and they also contain rules designed to combat corruption and safeguard human rights.

After the Norwegian State, the parent company is the largest land-owner on Svalbard. In order to ease the changeover brought about by the introduction of local democracy in the Longyearbyen planning area, the company has entered into agreements with the Longyearbyen local government that will provide a safety net in dealings with all planning and building matters as well as reduced ground rents for use of land for the public functions.

In preparation for White Paper No. 22 to the Storting (2008–2009) Svalbard, a study was made by the Norwegian Institute for Urban and Regional Research of the importance of coal mining for the Longyearbyen community (NIBR Report 2008:22). The study's conclusion was that the Store Norske group was still the most important basis for the community in Longyearbyen and that it contributes to strengthening and maintaining a robust, family-based community. This despite the fact that many employees choose to spend their leisure time on the mainland. In the reorganisation and workforce reductions the group is now undertaking, Store Norske attaches importance to effecting measures that will help encourage more employees to take their families with them to Svalbard. In 2009 the focus in this respect was on working time arrangements and housing facilities.

Store Norske is an important contributor to sport and culture in Longyearbyen. This is essential in order to create an attractive society for the company's employees and their families.

Health, safety and the environment

Health, safety and the environment (HSE) is a priority issue for the entire group. Safety was also advanced as an important task for the group in White Paper No. 22 to the Storting (2008–2009) Svalbard. Safety in the mines and in prospecting activities has always had high priority, and the entire group works systematically to identify risk and to mitigate it.

The parent company has been engaged in mining operations in the area around Longyearbyen since 1916, and during this period local pollution has occurred, such as acid run-off and the remains of abandoned mining operations. The consequences of current mining operations are dealt with promptly and in consultation with local and central environmental authorities.

SNSG has a permit to operate in Svea issued by the Norwegian Climate and Pollution Agency (KLIF), and has incorporated the conditions for the permit in its internal control procedures.

Clearing up and maintenance operations continued in 2009 on and around Store Norske's existing and closed-down facilities in the Longyearbyen area. In collaboration with the Governor of Svalbard, a strategy is being prepared for managing the industrial and cultural heritage and archaeology in Longyearbyen and surrounding areas.

Gender equality and equal opportunities

Mining has traditionally been a male-dominated occupation, as is still the case at Store Norske. The company is aware of the need for gender equality and encourages women to seek employment with the company. The senior management team consists now of two women and six men. The Board of Directors has three women among its shareholder-elected representatives. The group now has 29 female employees.

Discrimination

The group's ethical guidelines state that there shall be no discrimination against employees, partners, customers or other interested parties on the grounds of religion, gender, sexual orientation, age, nationality, ethnicity, marital status, disability or other factors.

Research and Development

Store Norske has no R&D department of its own, but has to a great extent pursued collaboration with established research institutions. The company has collaborative agreements with the University Centre in Svalbard (UNIS), the University of Tromsø and the Norwegian University of Science and Technology, Trondheim (NTNU), and is a participant in the 'CO_2-free Svalbard' research project.

Store Norske is concerned to encourage skills and competence development among its own employees, and accordingly offers workers tuition in the mining craft certificate, other relevant craft and journeyman's certificates, tertiary vocational education and further education in specific subject areas such as mining, management and finance.

The group offers mining apprenticeships and accepts up to five apprentices annually. The company pursues an open dialogue with Longyearbyen school regarding the need for apprenticeship places and contributes in fields of education and training in which the company has resources.

With a limited business community on Svalbard, it is frequently problematic for spouses and partners to obtain satisfactory employment. To help remedy this, Store Norske has sponsored a part-time course in business development in collaboration with the University of Tromsø.

The Board of Directors

The Board of Directors of SNSK held seven meetings during the year, two of which took place in Svalbard. Ole Fredrik Hienn stepped down from the Board in 2009, and Egil Ullebø was elected as a new board member.

PHOTO: TOMMY DAHL MARKUSSEN

Outlook

SNSK is the parent company in the Store Norske group and owns properties and rights of significant national interest. The parent company's operations are performed by the subsidiaries, thus protecting the parent company's assets. This arrangement will continue in the future.

The company's principal activity is mining, and the Board of Directors is satisfied with the parliamentary support for White Paper No. 22 to the Storting (2008–2009) Svalbard, which states that coal mining operations should continue, subject to strict environmental standards and the requirements for commercial profitability, and in a manner which supports Store Norske's objective to support a robust settlement in Longyearbyen. The next coal field, at Lunckefjell, is undergoing feasibility preliminary studies with a planned start-up in 2014. There is prospecting for coal both in the Svea and Longyearbyen areas, and test drilling for gold has been started at St. Jonsfjorden. The company is also considering other, future commercial areas, such as Arctic logistics and further development of the company's properties and real estate.

The group's reserves are limited, as a result of which production volumes are being reduced. This will also give rise to workforce reductions in the mining operations over the next few years. Cost-effective solutions will be of central importance.

The group will also be focused on new business development connected with its properties and based on the expertise and competence within the group, and is now looking at organisational measures to initiate such development.

Thank you to the group's employees

The Board of Directors would like to thank all the group's employees and elected officers for the motivation, dedication and loyalty they have demonstrated in 2009.

Longyearbyen, 31st December 2009 / 8th April 2010

The Board of Directors of Store Norske Spitsbergen Kulkompani AS

Bård Mikkelsen Chairman	Lisbeth Alnæs Vice-Chairman	Egil Ullebø	Anne-Cathrine Haadem

Grethe Fossli	Thomas Hukkelås	Bjørn Martinsen	Henning Kløften	Bjørn Arnestad Chief Executive Officer

Profit & loss account,
Store Norske Spitsbergen Kulkompani AS

NOK 1000

Group				Parent company	
2009	2008		Note	2009	2008
2 012 809	3 353 487	Coal sales CIF	2)11)	0	0
1 464	5 270	Other sales income		15	129 424
25 461	14 307	Rental income		6 750	6 312
1 105	71 511	Other operating income		4	459
2 040 839	**3 444 575**	**Total operating income**		**6 768**	**136 195**
115 368	– 7 006	Change in stocks	3)	0	0
– 418 884	– 566 645	Wages and salaries, national insurance contributions and pension expenses	4)5)6)	0	– 93 938
– 432 253	– 684 944	Freight relating to coal sales		0	0
– 688 376	– 781 191	Other production and operating costs	7)8)	– 25 396	– 88 291
– 224 710	– 151 548	Depreciation	9)	– 5 058	– 838
– 1 648 855	**– 2 191 334**	**Total operating costs**		**– 30 454**	**– 183 068**
391 984	**1 253 241**	**Operating profit/loss**		**– 23 685**	**– 46 873**
53 077	27 212	Financial income	11)16)	186 393	269 054
– 12 730	– 224 072	Financial expenses	17)	– 55	– 17 953
40 346	**– 196 860**	**Net financial items**		**186 338**	**251 100**
432 331	**1 056 381**	**Profit/loss before tax**		**162 653**	**204 228**
– 69 698	– 175 632	Taxes	12)	– 11 244	6 857
362 633	**880 749**	**Profit/loss after tax**		**151 408**	**211 085**
		Application of profit/loss:			
164 000	200 000	Dividend		164 000	200 000
198 633	680 749	Other equity		– 12 592	11 085

Balance sheet, Store Norske Spitsbergen Kulkompani AS

NOK 1000

Group				Parent company	
2009	**2008**		**Note**	**2009**	**2008**
114 193	115 445	Deferred tax assets	12)	9 308	20 552
581 522	771 919	Tangible assets	9)	2 028	7 086
9 182	9 168	Financial assets	13)	237 277	237 277
704 896	**896 532**	**Total fixed assets**		**248 613**	**264 915**
450 449	378 968	Stocks	3)	185	1 032
122 709	223 284	Receivables	14)15)	124 062	243 136
1 238 644	1 171 640	Bank deposits, cash	16)	5 132	4 869
1 811 802	**1 773 892**	**Total current assets**		**129 379**	**249 038**
2 516 698	**2 670 425**	**Total assets**		**377 991**	**513 952**
164 490	164 490	Share capital	20)21)	164 490	164 490
1 402 591	973 187	Other equity	20)	11 569	24 161
1 567 081	**1 137 677**	**Total shareholders' equity**		**176 059**	**188 651**
433 211	552 505	Provisions	18)	17 929	93 329
23 134	24 205	Long-term debt	17)	0	0
493 271	956 039	Short-term debt	17)	184 003	231 973
949 617	**1 532 748**	**Total debt**		**201 932**	**325 301**
2 516 698	**2 670 425**	**Total debt and shareholders' equity**		**377 991**	**513 952**

Longyearbyen, 31st December 2009
8th April 2010

The Board of Directors of Store Norske Spitsbergen Kulkompani AS

Bård Mikkelsen
Chairman

Lisbeth Alnæs
Vice-Chairman

Egil Ullebø

Anne-Cathrine Haadem

Grethe Fossli

Thomas Hukkelås

Bjørn Martinsen

Henning Kløften

Bjørn Arnestad
Chief Executive Officer

Cash flow statement, indirect model
Store Norske Spitsbergen Kulkompani AS

NOK 1000

Group			Parent company	
2009	2008		2009	2008
		Cash flow from operating activities:		
432 331	1 056 381	Profit/loss before tax	162 653	204 228
– 280 473	– 626	Tax paid for the period	– 1 013	0
– 577	– 74	Profit/loss on sale of fixed assets	0	– 74
0	8	Gain on sale of shares	0	0
224 710	151 548	Ordinary depreciation	5 058	838
– 71 481	– 27 724	Change in stocks	847	– 882
100 575	– 32 756	Change in accounts receivable	1 194	– 1 019
68 588	225 612	Change in accounts payable	– 13 013	10 828
– 5 795	360 752	Differences in pension funds/ commitments	– 83 099	49 192
– 190	2 795	Profit/loss using the equity and gross method	0	0
0	124 727	Effect of exchange rate movements	0	0
0	0	Items classified as investing or financing activities	0	– 250 000
– 165 300	239 319	Change in other accruals	– 56 364	– 6 223
302 387	**2 099 962**	**Net cash flow from operating activities**	**16 263**	**6 888**
		Cash flow from investment activities:		
10 408	648	Sale of tangible assets	0	648
– 44 721	– 134 237	Purchase of tangible assets	0	– 391
0	43	Sale of shares and units in other companies	0	0
– 34 313	**– 133 546**	**Net cash flow from investment activities**	**0**	**257**
		Cash flow from financing activities:		
– 1 070	– 324 125	Repayment of existing long-term debt	0	0
0	– 250 000	Repayment of existing short-term debt	0	– 250 000
0	– 247 073	Net change in overdraft facility	0	0
– 200 000	– 6 824	Dividends paid	– 200 000	– 7 004
0	0	Group contribution paid/received	184 000	250 000
– 201 070	**– 828 022**	**Net cash flow from financing activities**	**– 16 000**	**– 7 004**
		Effect of exchange rate movements on cash and cash equivalents		
67 003	1 138 394	Net change in cash and cash equivalents	263	141
1 171 640	33 247	Cash and cash equivalents at beginning of period	4 869	4 728
1 238 644	**1 171 641**	**Cash and cash equivalents at end of period**	**5 132**	**4 869**

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 13. 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 abbreviated names of the companies are:
Parent/Subsidiary
SNSK – Store Norske Spitsbergen Kulkompani AS
SNSG – Store Norske Spitsbergen Grubekompani AS
SNB – Store Norske Boliger AS
SNG – Store Norske Gull AS

Associated companies
Materiallageret AS
Lompensenteret AS

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 / 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
Coal stocks are measured at the lower of the total coal production costs and net sales value. The stock of operating materials and spare parts is measured 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.

Financial instruments
The company transacts coal sales in US dollars. Financial instruments are used on US dollars and coal to secure (hedge) future revenues. As the hedging instruments used are forward contracts, unrealised gains or losses are not recognised.

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 costs of preliminary mine development and facilitating coal extraction from new coal fields are charged to expense during the current period in line with production. Facilitating extraction in new coal fields includes moving mining equipment from one coal panel to the next.

Exploration costs
The costs of surveying for future deposits are charged to expense during the current period.

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

Coal sales CIF

	2009	2008
Coal sales	2 020 300	3 368 759
Coal export tax	– 7 491	– 15 272
Total coal sales	2 012 809	3 353 487

Coal sales CIF can be broken down as follows:

Tonnes	Energy	Cement	Metallurgical industry	Other industry	2009	2008
Svalbard	26 307				26 307	24 457
Norway		46 545		2 156	48 701	53 084
Denmark	157 719				157 719	412 037
Finland						64 598
Netherlands			264 231		264 231	70 919
Iceland						9 335
Germany	961 221	25 005	341 270	82 717	1 410 213	1 944 265
Poland						104 434
England						142 803
Portugal	240 559				240 559	226 662
France	141 891	36 443		72 316	250 649	292 346
Greece						76 320
Switzerland				27 610	27 610	32 343
Belgium				37 138	37 138	
Tonnes 2009	**1 527 697**	**107 993**	**605 501**	**221 937**	**2 463 128**	
Tonnes 2008	**2 303 725**	**125 266**	**834 116**	**190 494**		**3 453 602**

Note 3 Stocks – group

Coal stocks – group

Coal stocks are measured at the lower of net sales income and total coal production costs. In 2008 the net sales price was measured lower than production cost, at a value of NOK 300 per tonne. At year-end 2009, the lowest production cost was measured as NOK 400 per tonne. Freight and sales costs are added to the value of coal stocks in Europe, with stocks being measured at NOK 500 per tonne.

	2009		2008	
	Tonnes	NOK	Tonnes	NOK
Coal stocks, Longyearbyen	11 934	4 774	15 020	4 506
Coal stocks, Svea Mine	583 105	233 242	448 141	134 442
Coal stocks, Europe	69 969	34 949	24 420	10 873
Total	**664 975**	**272 965**	**487 581**	**149 821**

Stocks of operating materiel

Stocks of operating materiel and spare parts are measured at the average cost price 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 (zero) in the balance sheet.

	Group						Parent company	
	2009			2008			2009	2008
	Cost price	Written down	Book value	Cost price	Written down	Book value	Book value	Book value
Consumables	138 775	– 38 532	100 243	164 313	– 35 877	128 436	185	1 032
Spare parts	181 968	– 104 727	77 241	197 240	– 96 528	100 711	0	0
	320 743	**– 143 259**	**177 484**	**361 552**	**– 132 405**	**229 147**	**185**	**1 032**

Note 4 Management Remuneration

	Parent company	
	2009	2008
Remuneration of Chief Executive Officer/General Manager:		
- Salary	0	1 910
- Other reportable payments	0	56
- Salary, pension scheme age 60–67	0	0
- Pension benefits age 67	0	130
Directors' fees	0	1 000
Statutory audit	53	99
Tax consultancy service/assessment papers	18	13
Other auditor services	37	354

The CEO receives his remuneration from subsidiaries.

Note 5 Specification of wages, salaries and national insurance contributions

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Wages and salaries	274 271	300 751	0	42 907
Pension costs	115 911	258 628	0	42 584
Other payments	28 702	7 265	0	8 447
TOTAL	**418 884**	**566 645**	**0**	**93 938**

SNSK had no employees in 2009. All employees were moved on 1 January to SNSG, which sells services to other companies in the Store Norske group.

The group employed 426 full-time equivalents in 2009, compared with 467 in 2008. The number of full-time equivalents is the sum of all hours worked in the group (including temporary workers and overtime) divided by the normal working hours for the various working time schemes.

Note 6 Pension costs and commitments – group

The group's pension schemes cover a total of 404 people, 47 of whom have taken early retirement. There are 135 persons in receipt of an ordinary pension, 66 of whom receive a retirement pension, 36 a spouse's pension, 12 a children's pension and 22 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 contributory period 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 in the Norwegian Accounting Act.

The ordinary retirement pension (from age 67) is covered by an insurance scheme. This scheme meets the requirements of the Norwegian legislation on compulsory occupational pensions, while pensions under the scheme for voluntary early retirement between age 60 and 67 are paid directly from the group's day-to-day operations. For accounting purposes, the pension commitment relating to the early retirement scheme is calculated by an actuary and allowance made in the accounts using the same principles as for the ordinary retirement pension scheme from age 67.

As part of the company's downsizing process, in the autumn of 2009 early retirement from the age of 55 was offered to those employees who had been employed by the company for more than five years. Fifteen employees accepted the offer and will retire with a pension by June 2010. These 15 have been removed from the ordinary actuarial calculations and separate provision has been calculated for them. Employees residing in Finland are covered by a separate pension scheme in accordance with Finnish law.

In order that the accounts should reflect the actual pension commitment, it was decided in 2008 to reset unamortised estimate variances to zero. To avoid major fluctuations in pension costs in the profit and loss account, annual changes in estimate variances are carried directly in equity with effect from 2009.

As of 31 December 2009, the company had a net pension commitment recognised in the balance sheet of NOK 367.3 million.

	Group		Parent company	
Pension costs	**2009**	**2008**	**2009**	**2008**
Current value of the year's pension contributions	70 107	35 930	0	7 510
Interest cost on the pension commitment	43 342	22 656	0	3 565
Return on pension assets (less admin. costs)	– 31 593	– 13 856	0	– 1 486
Actuarial loss/gain recognised in profit & loss account	0	201 653	0	38 814
Effect of change to cost of scheme recognised in profit & loss account	– 5 079	12 245	0	– 5 819
Net pension costs	76 777	258 628	0	42 584
Pension cost age 55 scheme 2009	38 971	0	0	0
Pension cost employees Finland	163	0	0	0
Total net pension cost	**115 911**	**258 628**	**0**	**42 584**

	Group		Parent company	
The pension commitment	**2009**	**2008**	**2009**	**2008**
Accrued pension commitments (DO)	– 582 661	– 648 333	0	– 108 435
Pension assets (at market value)	254 316	261 004	0	25 336
Accrued pension commitments (DBO)	– 328 345	– 387 329	0	– 83 099
Effect of estimate variances not recognised in profit & loss account	0	0	0	0
Net pension comm. recogn. in balance sheet – pension scheme	– 328 345	– 387 329	0	– 83 099
Net pension comm. recogn. in balance sheet age 55 scheme 2009	– 38 971	0	0	0
Net pension commitment recognised in balance sheet	**– 367 316**	**– 387 329**	**0**	**– 83 099**

Economic premises:	**2009**	**2008**	**2009**	**2008**
Discount rate	4.40%	3.80 %	–	3.80 %
Expected return	5.60%	6.30 %	–	6.30 %
Wage increase	4.25%	4.50 %	–	4.50 %
Adjustment to basic state pension	4.00%	4.25 %	–	4.25 %
Adjustment to current pension	4.00%	4.25 %	–	4.25 %
Expected rate of voluntary exit before age of 40	6.00%	6.00 %	–	6.00 %
Expected rate of voluntary exit after age of 40	1.00%	1.00 %	–	1.00 %

Note 7 Related party transactions

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

Note 8 Other operating costs

Operating costs are chiefly consultancy fees, IT costs and purchased services. The item also includes mining claim tax.
For the group, operating costs consist of production costs, accommodation and community costs at Svea, administrative costs, insurance premiums and mining claim tax. Research and Development activities account for NOK 5.2 million of the operating costs.

Note 9 Tangible fixed assets, depreciation schedule

Parent company	Machinery, fixtures, transport resources	Building	Mines, land	TOTAL
Acquisition cost at 01.01.09	887	7 500	504	8 891
Additions in the year				
Disposals in the year				
Acquisition cost at 31.12.09	**887**	**7 500**	**504**	**8 891**
Accumulated depreciation at 01.01.09	130	1 675		1 805
Reversed acc. depreciation on sale				
Depreciation for the year	183	4 875		5 058
Book value as at 31.12.09	**574**	**950**	**504**	**2 028**
Estimated useful life	**7 years**	**10/20 years**		

Group	Machinery, fixtures, transport resources	Buildings	Technical plant	Mines, land	TOTAL
Acquisition cost at 01.01.09	44 684	390 620	354 002	888 488	1 677 794
Additions in the year	2 804	9 047	14 532	17 896	44 279
Disposals in the year (disposals/scrapping)	5 209			23 246	28 455
Acquisition cost at 31.12.09	**42 279**	**399 667**	**368 534**	**883 138**	**1 693 618**
Accumulated depreciation at 01.01.09	29 426	76 712	243 523	556 214	905 875
Depreciation/write-downs for the year	5 459	17 139	46 370	155 742	224 710
Reversal of accum. depreciation at sale/scrappage	4 888			13 601	18 489
Book value at 31.12.09	**12 282**	**305 816**	**78 641**	**184 783**	**581 522**
Estimated remaining useful life (incl. 2009)	**3–6 years**	**6/20 years**	**6 years**	**3–6 years**	

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 their expected useful life. The block of bedsits in Svea is depreciated for accounting purposes, while the dwellings in Longyearbyen are not.

Fixed assets in respect of Gruve 7, Svea Øst and Isfjord Radio are written down in their entirety.

Note 10 Financial items

	Group		Parent company	
Financial income	**2009**	**2008**	**2009**	**2008**
Interest received	29 998	22 410	808	16 959
Foreign exchange gains	21 923	6 372	0	12
Share dividend/income from investment in associated companies	1 155	– 1 569	875	1 047
Group contribution/interest			184 710	251 037
TOTAL	**53 077**	**27 212**	**186 393**	**269 054**

	Group		Parent company	
Financial expenses	**2009**	**2008**	**2009**	**2008**
Interest costs	8 758	59 061	43	16 875
Foreign exchange losses	3 892	164 846		7
Interest received from group companies		0		1 061
Other financial expenses	80	165	12	10
TOTAL	**12 730**	**224 072**	**55**	**17 953**

Note 11 Hedging transactions

The group has a hedging strategy that is intended to provide stability and long-term protection by limiting the economic effects of unexpected fluctuations in the foreign currency, coal and freight markets. Coal sales, coal freights and commission are recognised at the average hedged/achieved exchange rate and coal price.

Forward contracts, USD

Most coal sales are transacted in US dollars. In order to reduce the risk of exchange rate fluctuations, the company enters into forward contracts to hedge future sales of USD. As the forward contracts are used as hedging instruments, unrealised exchange gains or losses are not recognised on the balance sheet date.

As at 31.12.09 the following forward exchange contracts had been entered into:

Matures	USD million	Average rate
2010	120	6.97
2011	100	7.25

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

Matures	USD million	Minimum rate
2010	40	6.60
2011	20	7.50

The average rate obtained in 2008 was 6.40 NOK/USD. The average rate at Norges Bank for 2009 was 6.28 NOK/USD.

Coal hedging

By year-end 2009 the company had entered into the following transactions to hedge coal prices:

Year	Tonnes	Average price in USD per tonne
2010	825 000	180
2011	400 000	149

In 2009 a quantity of 600,000 tonnes of coal was hedged at a price of USD 156 per tonne. The hedging gain for 2009 was NOK 318.8 million.

Note 12 Tax cost

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
The tax charge for the year is made up as follows:				
Tax payable on profit for the year	91 316	280 474	0	1 013
Change in deferred tax assets	1 252	– 104 842	11 244	– 7 870
Tax on equity transfers	– 22 871	0	0	0
Total tax charge on profit on ordinary activities for the year	**69 698**	**175 632**	**11 244**	**– 6 857**
Tax payable is made up as follows:				
Ordinary profit/loss before tax	432 141	1 060 082	162 653	204 228
Permanent differences	64 024	– 134 299	– 92 376	– 266 479
Change in temporary differences	– 7 680	1 075 811	– 70 277	83 350
Group transactions, affiliated companies	0	– 906	0	0
Use of loss carry-forward	0	– 282 341	0	– 14 674
Utilised remuneration carried forward from previous years	0	– 93	0	– 93
Taxable loss SNG	0	34 708	0	0
Basis for tax payable	**488 485**	**1 752 962**	**0**	**6 332**
Tax, 16%, representing the total tax payable on the profit for the year	**78 158**	**280 474**	**0**	**1 013**
Tax payable in the balance sheet is made up as follows:				
Tax payable on profit for the year	91 316	280 474	0	1 013
Tax payable on group contribution	0	0	0	0
Total tax payable	**91 316**	**280 474**	**0**	**1 013**
Specification of the basis for deferred tax, differences assessed				
Fixed assets	– 143 657	– 13 199	– 4 839	– 194
Current assets	– 22 027	– 79 314	– 220	– 220
Profit and loss account	– 16 166	– 20 207	– 16 166	– 20 207
Other differences	– 154 861	– 63 232	– 27 929	– 10 230
Provision for loss on contracts	– 9 019	– 157 445	– 9 019	– 14 500
Accounting change in pension commitment	– 367 316	– 387 330	0	– 83 099
Loss carry-forward	– 75 205	– 48 914	0	
Total	**– 788 251**	**– 769 641**	**– 58 173**	**– 128 449**
Deferred tax/tax asset (-), 16%	**– 126 120**	**– 123 143**	**– 9 308**	**– 20 552**
Unrecognised tax asset	11 928	7 698	0	0
Recognised tax asset	**– 114 193**	**– 115 445**	**– 9 308**	**– 20 552**
Reconciliation of tax charge for the year:				
Profit before tax	432 331	1 060 082	162 653	204 228
16% tax on the profit before tax	69 173	169 613	26 024	32 676
Total tax charge for the year	**39 698**	**175 632**	**11 244**	**– 6 857**
Difference	525	6 019	– 14 780	– 39 533
The difference is due to the tax effect of:				
Permanent differences	– 23 366	– 21 488	– 14 780	– 42 636
Profit from associated companies according to the equity method	– 30	– 145		
Deferred tax asset not recognised in balance sheet - change		5 496		
Change in accounting principle	22 871	22 155		3 103
Total	**– 525**	**6 019**	**– 14 780**	**– 39 533**

Note 13 Shares

			Group		Parent company	
		%	2009	2008	2009	2008
Subsidiary						
SNSG	Sveagruva	100		0	150 115	150 115
SNB	Longyearbyen	100		0	78 282	78 282
SNG	Longyearbyen	100		0	2 000	2 000
Associated company						
Materiallageret AS	Longyearbyen	32	3 722	3 647	2 880	2 880
Lompensenteret AS	Longyearbyen	50	4 086	3 971	3 500	3 500
Other shares						
Svea Tankanlegg AS	Sveagruva	15	752	752		
TIL-TAK	Tromsø		500	500	500	500
Total			**9 060**	**8 870**	**237 277**	**237 277**

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 14 Intercompany balances

	Parent company	
	2009	2008
Receivable SNSG	123 921	241 801

Note 15 Accounts receivable

	Group		Parent company	
	2009	2008	2009	2008
Net accounts receivable at 31.12	104 441	200 023	141	1 259
Bad debt recognised in accounts	123	0	6	0
Change in loss reserves	7	0		0
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 16 Bank deposits, cash

	Group		Parent company	
	2009	2008	2009	2008
Cash	17	12	0	0
Bank deposits	1 216 975	1 146 501	5 079	804
Withholding deposit (tax)	21 652	25 127	53	4 065
Total	**1 238 644**	**1 171 640**	**5 132**	**4 869**

Note 17 Debt

The parent company did not have any debt to credit institutions at 31.12.09, and therefore had not pledged any assets as security.

Group

Type of loan	2009	2008
Overdraft facility		
Mortgage loans	23 134	24 205
Total secured debt	**23 134**	**24 205**
Debt which falls due for payment more than 5 years after the end of the financial year	16 930	19 101
Book value of pledged assets		
Tangible fixed assets	365 971	555 250
Shares	752	752
Stocks	450 264	377 936
Accounts receivable	105 291	199 678

The company has in addition furnished as security Register 12 Indre Lågfjord and Claims in the Svea area and around the Gruve 7 mine.

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.

Short-term debt

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Bank overdraft facility	0	0	0	0
Accounts payable	87 512	120 923	9 773	22 786
Prepayments from customers	230	237 653	230	230
Unpaid govt. charges & special taxes	21 585	24 739	0	4 014
Tax payable	91 316	280 474	0	1 013
Dividends owing	164 000	200 000	164 000	200 000
Wages/holiday pay owing	30 921	35 858	0	3 910
Provision for accrued costs	97 707	56 313	10 000	0
Other short-term debt	0	79	0	20
	493 271	**– 956 039**	**184 003**	**231 973**

Note 18 Provisions

Provisions for liabilities and charges consist of provisions for environmental measures and miscellaneous accrued costs. In the parent company provision of NOK 15.2 million has been made for clearing up the site around the mine and plant in Longyearbyen and NOK 2.3 million for demolishing the concentration plant in Longyearbyen, while in SNSG AS provision of NOK 42.5 million has been made for future closing down/clear-up costs in Svea.

	Group		Parent company	
	2009	**2008**	**2009**	**2008**
Pension commitments	367 316	387 330	0	83 099
Education and training support	5 460	0	0	0
Clear-up costs	60 435	22 230	17 929	10 230
Unrealised foreign exchange losses	0	142 945	0	0
Total	**433 211**	**552 505**	**17 929**	**93 329**

Note 19 Coal reserves

The company uses the NI 43-101 standard as a guideline for assessing the mineral reserve base. The standard distinguishes between resources and reserves where within each group there is a sub-group indicating the level of certainty of the deposit. The table below shows how the company has classified its reserve base.

All figures are in millions of tonnes	Resources			Reserves	
Location	**Assumed**	**Indicated**	**Measured**	**Probable**	**Certain**
Svea Nord, core			0.8	3.4	2.1
Svea Nord, marginal zone			6.0		
Svea Øst		3.8			
Lunckefjell			11.1		
Ispallen		14.3			
Areas that can be worked from Svea		**18.1**	**17.9**	**3.4**	**2.1**
The Gruve 7 area	0.4	2.0	0.9	0.5	
Bassen	11.5				
The Gruve 3 area		5.0			
Areas that can be worked from LYB	**11.9**	**7.0**	**0.9**	**0.5**	
Reindalen		27.0			
Resources protected		**27.0**			
Total resources and reserves	**11.9**	**52.1**	**18.8**	**3.9**	**2.1**

Coal in the group's resources is shown as an in situ figure, i.e. the amount of coal in millions of tonnes that is in the mountain. Coal in the group's reserves is shown in tonnes of commercial coal.

Note 20 Shareholders' equity

	Group			Parent company		
	Share capital	**Other equity**	**Total**	**Share capital**	**Other equity**	**Total**
Shareholders' equity at 01.01.2009	**164 490**	**973 187**	**1 137 677**	**164 490**	**24 161**	**188 651**
Profit/loss for the year		362 633	362 633		151 408	151 408
Provision for dividend		– 164 000	– 164 000		– 164 000	– 164 000
Reversed foreign exchange loss 2008 net after tax		120 074	120 074			
Estimate variances pensions		110 698	110 698			
Equity at 31.12.2009	**164 490**	**1 402 591**	**1 567 081**	**164 490**	**11 569**	**176 059**

Note 21 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 31.12.2008:

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	

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

Auditor's report for 2009

We have audited the annual financial statements of Store Norske Spitsbergen Kulkompani AS as of December 31, 2009, showing a profit of NOK 151 408 000 for the parent company and a profit of NOK 362 633 000 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 financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements 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 other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. 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 auditing standards 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.

In our opinion,

- the financial statements have been 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 December 31, 2009, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information given in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Without qualifying our opinion above, we emphasise that the group through an extended audit on some of the group's commercial agreement has exposed indications that gives reason to raise question about the agreements commercial terms and length. We refer to the section "Avtalerevisjon" in the Board of Directors' report for further remarks. The extended audit is not ended, and in this manner the result and any possible consequences not clarified.

Tromsø, 10 May 2010
PricewaterhouseCoopers AS

Kent-Helge Holst
State Authorised Public Accountant (Norway)

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

Photo: Inge Bakkeland

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 of the Store Norske group. SNSG was founded in 2001, and 2009 was SNSG's eighth year of operations.

Key facts about the company in 2009

SNSG's core business is coal mining. The company owns Indre Lågfjord in Svalbard where the mining settlement of Svea is located and where the principal operations occur. The company has secured its rights to coal production through 127 mining claims in Svea and surrounding areas.

Coal is produced from two mines. Most of the production goes on in the Svea Nord mine, which is in Svea about 60 kilometres south of Longyearbyen. In Longyearbyen, coal production takes place in the Gruve 7 mine by agreement with the parent company.

A total of 2 640 521 tonnes of coal was produced in 2009, compared with 3 430 243 tonnes in 2008.

Market

Coal sales from Svea totalled 2 392 848 tonnes in 2009, compared with 3 387 365 tonnes in 2008. Sales from Gruve 7 totalled 70 280 tonnes in 2009, compared with 66 237 in 2008.

All of the company's coal is sold through the company Oxbow Coal B.V., with 25 per cent of sales going to steelworks and 13 per cent to cement production and other smaller areas of consumption in 2009. The remaining 62 per cent in 2009 went to coal-fired power stations, primarily in Germany, which remains the most important market, taking 57 per cent of sales. North-western continental Europe continues to be the company's natural geographical market.

The price of coal fell in the wake of the global financial crisis, and was below USD 60 per tonne several times in the first half of 2009. Some of the company's customers wanted to cancel contracts that had been signed prior to the financial crisis. Coal prices rose steadily, however, during the second half of the year and at year-end stood at USD 79.50 per tonne. It is still a buyer's market.

The company's biggest market challenge in 2009 was nevertheless the problem of quality. In autumn 2009 there was a substantial rise in the ash content in coal from the mines, and several shipments failed to conform to the agreed quality. A number of projects with quality improvement measures were consequently initiated during the autumn, including changes to production routines and analysis programmes. A washing plant for future production is also planned.

Financial review

In the opinion of the Board of Directors, the annual financial statements presented for the company give a true and fair view of the company's results and financial position at 31 December 2009.

The accounts have been prepared on the assumption that the entity is a going concern.

Operating income and profit

Total coal sales CIF were worth NOK 2 012.8 million, compared with NOK 3 353.5 million for 2008. The operating profit was NOK 425.5 million, compared with NOK 1 315.4 million for 2008, while profit after tax totalled NOK 394.1 million, compared with NOK 961.2 million for 2008. The decrease in turnover and operating profit from 2008 is attributable to significantly lower coal prices and a fall in sales volumes by 1 million tonnes. The decrease in sales volumes is in accordance with the company's long-term plan.

Investments

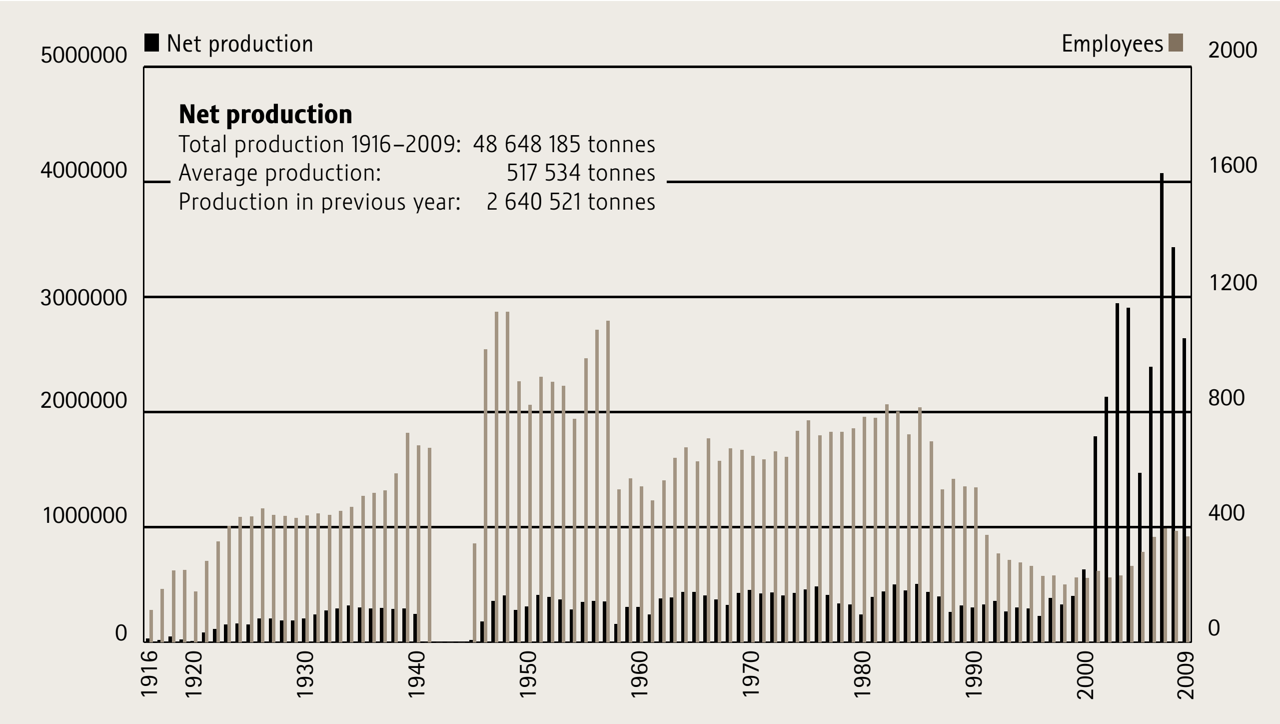
The company made investments of NOK 39.2 million in 2009, compared with NOK 118.1 million in 2008.

Liquidity

Because the Van Mijenfjord is iced over for parts of the year, shipping can only take place between July and December. As a result, the company produces coal for stocks for most of the year and there is no added liquidity for financing operations during this period. In 2009, the company had sufficient liquidity to finance operations during the winter period without raising loans.

Financial information

The company sells coal in a market with fluctuating prices and where sales transactions are chiefly in US dollars. As a consequence, the company's income is in US dollars, whereas most of its costs are in Norwegian kroner. In order to achieve the greatest degree of predictability in relation to price fluctuations, the company has a hedging strategy designed to limit the economic effects of unexpected fluctuations in the currency, coal and freight markets.



Coal prices are secured using the hedging market. In 2008 the price of coal was at an historically high level, and the company was able to hedge the price of coal for 2009 and 2010. The net gain from the hedging contracts in 2009 was NOK 318.8 million, as against NOK 189.3 million in 2008.

The company secured a net US dollar inflow for 2009. The average exchange rate attained for the year was 6.40 NOK/USD. The average rate at Norges Bank for the year was 6.28 NOK/USD. At the start of 2009, the USD exchange rate was NOK 6.99 and at year-end NOK 5.57.

All sales of coal are conducted through Oxbow Coal B.V., and consequently all credit risk is through one single customer. The company does, however, have a parent company guarantee from Oxbow Carbon LLC in Florida, USA. All receivables as of 31 December 2009 were settled in 2010.

At the end of the year the company had no interest-bearing debt to credit institutions. All liquid assets consist of deposits in Norwegian banks.

At year-end the company had non-restricted equity of NOK 1 114.2 million, compared with NOK 724.6 million at the end of 2008.

Allocation of profit

The Board of Directors recommends that the after-tax profit for the year of NOK 394.1 million is allocated to a group contribution of NOK 240.0 million, to be distributed as follows: NOK 184 million to SNSK, NOK 30 million to Store Norske Boliger and NOK 26 million to Store Norske Gull. It is proposed to allocate NOK 154.1 million to other reserves (other equity).

Contract audit

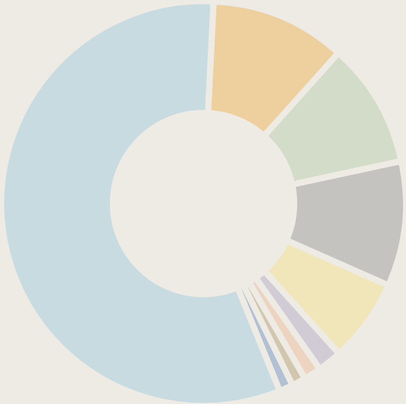
The company has recently performed an extended audit of parts of its commercial contracts, with particular focus on contract duration and the competitiveness of land and marine transport contracts, as well as sales commission. These contracts account overall for a significant share of the company's fixed and variable costs, and thus affect the company's historic and future earning potential. Indications have been found that give reason to question the commercial terms and conditions of these contracts, as well as their duration. During the first half of 2010, assessments of the commercial and legal aspects of these contracts will form the basis for any measures required and any further consequences of the audit.

Resource base

In 2008, Store Norske decided to conform to international standards for its reporting of mineral resources and reserves. The company's resource and reserve base is reported in Note 24 to the accounts, and is largely limited to surveyed deposits in the Svea area.

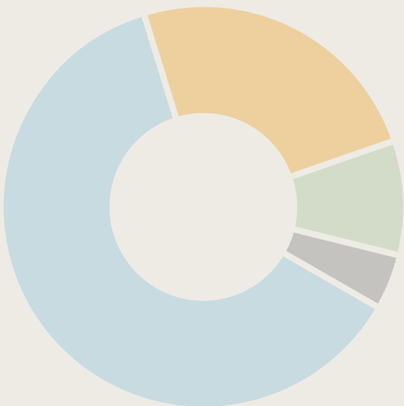
Work on a geological survey of the deposits in the Lunckefjell mountain north-east of Svea Nord with a view to determining the extent of mineable coal has now been completed, although detailed assessments of the coal quality that can be achieved remain to be done. Calculations

Store Norske's 2009 coal sales in tonnes, by country



Germany	57%
Netherlands	11%
France	10%
Portugal	10%
Denmark	6%
Norway	2%
Belgium	2%
Switzerland	1%
Svalbard	1%

Store Norske's 2009 coal sales in tonnes, by market



Energy	62%
Metallurgical industry	25%
Other	9%
Cement industry	4%

with regard to the profitability of the field are in progress as well as an environmental impact assessment.

A more detailed survey of the Svea Nord marginal zone still remains. For Svea Øst and for Ispallen south of Svea, there remains some core drilling in order for secure operating plans to be laid. The work is scheduled for completion in 2010.

The company estimates the Gruve 7 mine to have probable coal reserves of 500 000 tonnes. In addition, there are surveyed resources of a further 2.4 million tonnes. More surveys are planned of other possible deposits in the Longyearbyen area.

Svea Nord

The Svea Nord mine accounts for most of the company's total coal production. The main mining method used is longwall stoping. In 2009 there was preparatory development work for longwall stoping in DT6 and for the main gallery in H4. Longwall stoping was carried on in panel D4. The average height of the coal seam is 3.3 metres.

Coal production from Svea Nord in 2009 totalled 2 573 327 tonnes of saleable coal, compared with 3 361 783 tonnes in 2008. Of this amount, 2 358 201 tonnes were from longwall stoping (2008: 3 026 549) and 215 126 tonnes from drift development (2008: 335 234). 4 625 drift metres were developed in the course of stoping development, and 1 933 drift metres in main gallery H4.

Production conditions in the mine have become more challenging than previously. There is an increasing element of dirt band, making it heavier to cut, and an increasing proportion of the volumes netted consist of rock. The panels are getting shorter, and the development mining required per tonne of coal is increasing. The distance to the production sites is getting longer and so transport times are increasing. At the same time, more road maintenance is required as well as work to make safe the drifts in the mine. The geology is becoming more challenging in terms of fault zones, which is particularly challenging for the development mining.

Gruve 7

The Gruve 7 mine produced 67 194 tonnes of saleable coal in 2009, compared with 68 460 tonnes in 2008. The production method used is room-and-pillar mining, and at the end of 2009 there were two operating areas in progress: AT-12 and DT-6. The average seam height in these two production locations is 1.4 metres.

Work on making safe the main gallery, which commenced in 2008, continued in 2009 and will also be carried on into 2010.

Photo: Tommy Dahl Markussen

During 2009, the new sieving and silo plant, which is next to the pithead and the raw coal silo at Gruve 7, came into operation. At the same time, operations at a similar plant at Hotellneset finished, and work began to demolish it.

In the autumn of 2009, a new road route was aligned up the mountainside to Gruve 7.

Svea community
There is no road connection between Longyearbyen and Svea. All transport of personnel is by 16-seater aircraft. The air route is operated by Lufttransport AS on a contract with SNSG. A new 19-seater Dornier aircraft will come into operation in the fourth quarter of 2010, and the contract has been extended until 2016.

Shipping
The company has long-term shipping contracts with Polar Coal KS, which is 60 per cent owned by Kristian Jebsens Rederi.

The Van Mijenfjord is a shallow 'threshold' fjord with the island of Akseløya at its mouth, and is covered by ice for much of the year. As a result, coal is only shipped from Svea between July and December. All shipping in 2009 took place according to established plans in terms of oil protection preparedness, port safety and other reporting to the authorities. There were no events or non-conformances of significance for shipping safety or the natural environment on Svalbard in 2009.

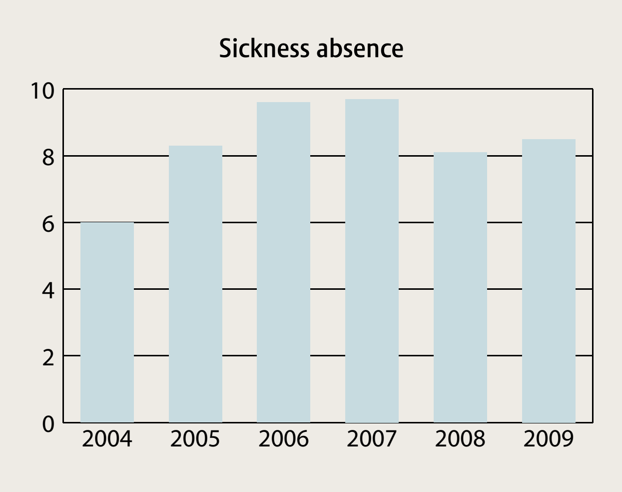
External environment
On 1 January 2007, the company was awarded an operating permit by the Norwegian Pollution Control Authority (STF), now the Norwegian Climate and Pollution Agency (KLIF), which comprises mining operations in Svea. KLIF conducted an audit in 2009. The non-conformances found have now been corrected.

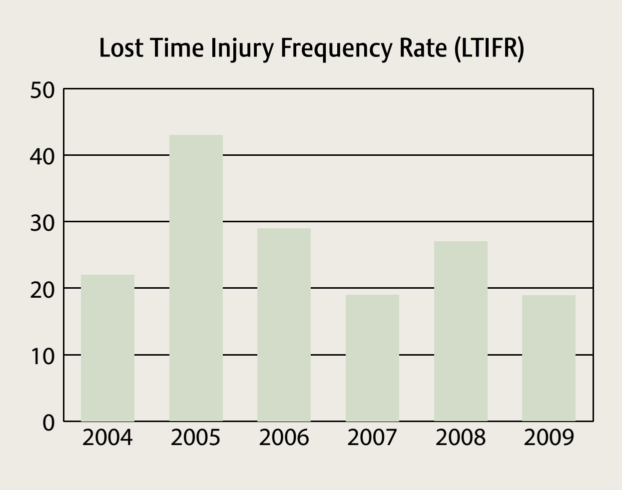
A new environmental station for handling waste was completed in 2009. Accounts are kept of all waste.

There were no instances of acute pollution or emissions in 2009.

In Longyearbyen, the external environmental conditions at Hotellneset and around Longyear airport have been improved inasmuch as coal sieving now takes place at the pithead of the Gruve 7 mine. However, there is much more dust discharged to the surroundings around the mine than previously. The company nevertheless believes that there has been an overall reduction in the environmental impact as a result of this reorganisation.

Health, safety and environment
Health, safety and the environment (HSE) have the highest priority at SNSG. The company's overall HSE goal is for it to operate so as to give rise to no work-related personal injuries or illness. Recognition of and compliance with this aim is of decisive importance for the company's work.





There were 13 work-related personal injuries in total in 2009 compared with 20 in 2008. Injury frequency is measured in terms of the number of injuries causing absence from work per 1 million working hours (Lost Time Injury Frequency Rate). For 2009 this figure was 18.9, compared with 26 in 2008. Total sickness absence in 2009 was 8.5 per cent, compared with 8.1 per cent in 2008.

The rate of sickness absence is high. Measures have been taken to reduce it, and towards the end of the year a trend was observed towards a lower rate of sickness absence. This trend has continued into 2010.

A number of measures were taken in 2009 to increase the focus on HSE, which included organising safety days for all employees, with exercises and training in fire protection, first aid, reviews of safety regulations and mine evacuation. A new project was also devoted to preventive work, with the main focus on training, machinery/equipment, and management.

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

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 most advanced technical and scientific environments at the Norwegian University of Science and Technology (NTNU) and SINTEF in Trondheim, and with equipment suppliers, to increase the level of safety and prevent injuries.

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

Personnel
As of 31 December 2009, the company had 368 employees, compared with 333 in 2008. On 1 January 2009, all 54 employees of SNSK were transferred to SNSG. At year-end, 230 employees (including those at the Gruve 7 mine) worked underground. Staff turnover in SNSG was 11.4 per cent in 2009, compared with 8.5 per cent in 2008. The average period of employment with SNSG is just over 7.6 years, and the age composition is stable. The average

Photo: Kim Bierbrauer

age of the company's employees was 40.4 years in 2009, compared with 38.5 years in 2008.

The company's staff in Svea are engaged in work related to the mining operations, based on three different working time schemes. About 210 employees work a shift/rotation system based on a 14/14 rotation on day shift or continuous shift, almost 70 employees work a 7/7 rotation on day shift or continuous shift, while about 20 employees in the administration and management work five days a week and commute weekly between Svea and Longyearbyen.

The Gruve 7 mine is worked five days a week on daytime shifts. The workforce consists of 25 employees, 14 of whom work underground.

In accordance with the company's long-term plan, there is now an ongoing workforce reduction process. It is the company's intention to effect the downsizing without redundancies, and so early retirement and educational packages are being offered to employees. As a consequence of the fall in coal prices, cost-saving measures have been implemented throughout the company. In order to create understanding for these measures, and to help the workers feel secure in these processes, regular joint meetings are held at which information is provided about the ongoing measures and about the company's status and the challenges facing it.

Education, training, skills and competence development

The mining operations and associated support functions represent a high level of technical expertise, and there are very demanding requirements for documented and certificated safety training for those operating the machinery involved.

The company registered 29 workers with new craft or journeyman's certificates in 2009. These included 24 in mining, two in materials administration, two in industrial machinery mechanics and one in carpentry. In addition, many employees have taken theoretical examinations and are waiting to take the practical exams.

At tertiary technical college level, the company has employees taking courses in mining engineering, electronics and mechatronics. In 2009, a new group of students began at Store Norske's school of management and supervision, with 22 participants from various managerial positions.

A business development course has been held on Svalbard, at which Store Norske had 16 participants, eight of whom are employees and eight employees' spouses or

Photo: Idar J. Nikolaisen

partners. UVETT, the University of Tromsø's higher education programme, was responsible for the course, which will conclude in the spring of 2010.

SNSG has also started an organisational development process aimed at creating a better adapted and efficient organisation in order to achieve the goals the company has been set.

Gender equality and equal opportunities
Store Norske is concerned with gender equality and equal opportunities, and is aware of possible gender discrimination. Mining has traditionally been a male-dominated industry involving hard physical work.

Store Norske aims to recruit more women to traditionally male-dominated functions in the company. The company employs 29 women and 339 men. There are three women on the Board of Directors, while the company's senior management consists of two women and six men.

Discrimination
The company complies with the ethical guidelines established by the parent company and has a value base according to which there shall be no discrimination against employees, partners, customers or other interested parties on the grounds of religion, gender, sexual orientation, age, nationality, ethnicity, marital status, disability or other factors.

The Board of Directors
The Board of Directors of SNSG held seven meetings in 2009, two of which were on Svalbard. Ole Fredrik Hienn stepped down from the Board in 2009, and Egil Ullebø was elected as a new board member.

Corporate social responsibility
Mining is the most important basic industry on Svalbard. According to a report from the Norwegian Institute for Urban and Regional Research (NIBR Report 2008:22), mining accounts for about 40 per cent of the man-labour years in Longyearbyen and Svea. Around 50 per cent of the

children in Longyearbyen have parents employed in mining. The company's employees and their families are important contributors to maintaining a stable, family-based community in Longyearbyen.

By maintaining family-friendly working time arrangements and building new family housing, Store Norske will make it more attractive for employees to settle in Longyearbyen with their families. Store Norske contributes to cultural and sporting activities in Longyearbyen and will continue to focus on this in the future.

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

Outlook

The Board has noted with satisfaction White Paper No. 22 to the Storting (2008–2009) Svalbard and the Storting's opinion that coal mining operations on Svalbard should continue, subject to strict environmental standards and the requirements for commercial profitability, and in a manner which supports Store Norske's objective to contribute to maintaining a robust settlement in Longyearbyen.

The company's principal aim is to continue the profitable and long-term management of the coal resources in Svea. Under the company's long-term plan, coal production will decrease to between 1.5 and 2 million tonnes annually. One consequence of this is that the workforce will be reduced from the current level of approximately 370 to 300 during the course of 2010. Based on the long-term plan, the company will have coal resources until 2026. The company expends major resources annually on prospecting for new coal fields. SNSG is planning to open a mine in Lunckefjell when the Svea Nord core has been worked out.

The current market is demanding a higher quality of coal than Store Norske is able to deliver as we approach the end of the Svea Nord core. Accordingly, the company is planning to invest in a washing plant which will significantly improve the quality and the market opportunities.

These measures, coupled with the strict environmental standards we must observe and the challenging topography, will make great demands on efficient and cost-saving production systems in the future.

Thanks to all our employees

The Board of Directors would like to thank all the employees of Store Norske Spitsbergen Grubekompani AS for the motivation, commitment, technical expertise and loyalty they have demonstrated in 2009.

Longyearbyen, 31st December 2009 / 8th April 2010

The Board of Directors of Store Norske Spitsbergen Grubekompani AS

Bård Mikkelsen
Chairman

Lisbeth Alnæs
Vice-Chairman

Egil Ullebø

Anne-Cathrine Haadem

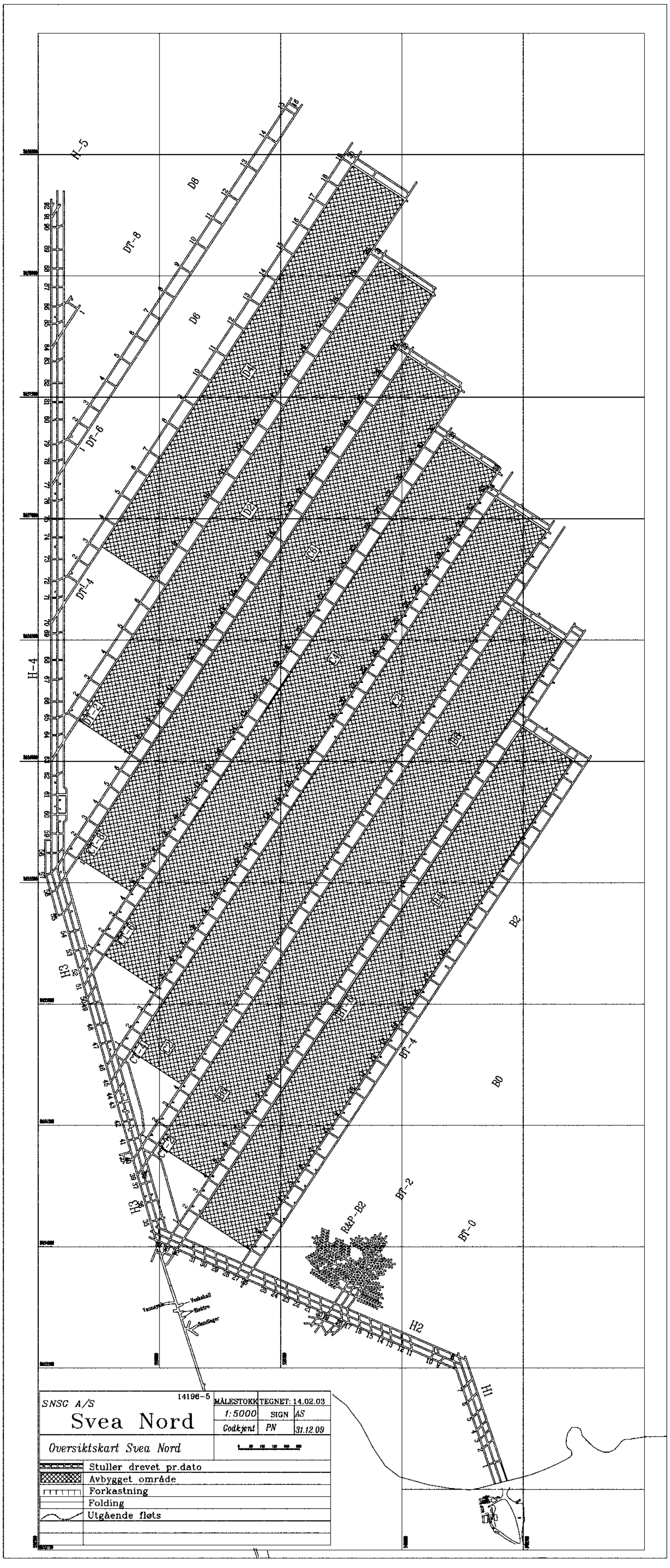
Grethe Fossli

Thomas Hukkelås

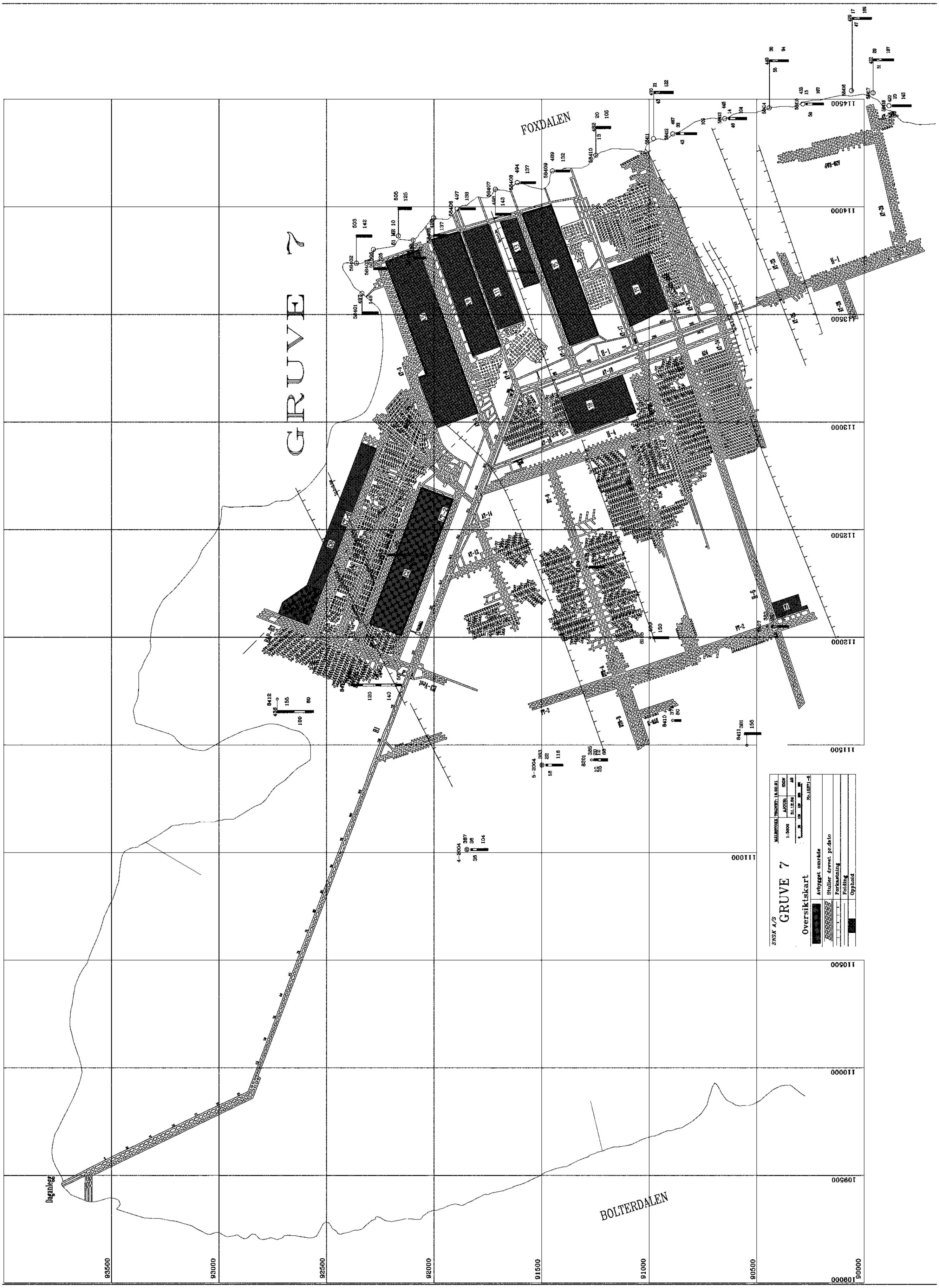
Bjørn Martinsen

Henning Kløften

Bjørn Arnestad
Chief Executive Officer



Status as of 31 December 2009



Status as of 31 December 2009

Profit & loss account, Store Norske Spitsbergen Grubekompani AS

NOK 1000

	Note	2009	2008
Coal sales CIF	2)15)	2 012 809	3 353 487
Other operating income	3)	15 556	72 500
Total operating income		**2 028 366**	**3 425 987**
Change in stocks of coal	4)	115 368	– 7 006
Wages and salaries, national insurance contributions and pension expenses	5)6)7)	– 440 002	– 495 293
Freight/ commission relating to coal sales	8)	– 432 253	– 684 944
Production costs	9)	– 302 581	– 326 279
Housing and social costs	10)	– 194 882	– 271 999
Costs of exploration	11)	– 20 812	– 17 415
Other operating costs	6)12)	– 109 151	– 157 641
Depreciation	13)	– 218 544	– 150 048
Total operating costs		**– 1 602 856**	**– 2 110 624**
Operating profit/loss		**425 509**	**1 315 362**
Financial income	14)	51 702	30 281
Financial expenses	14)15)	– 12 312	– 201 190
Net financial items		**39 390**	**– 170 909**
Profit/loss before tax		**464 900**	**1 144 453**
Taxes	16)	– 70 835	– 183 301
Profit/loss after tax		**394 064**	**961 152**
Allocation of profit:			
Group contribution paid		240 000	405 000
Other reserves		154 064	556 152

Balance sheet, Store Norske Spitsbergen Grubekompani AS

NOK 1000

	Note	2009	2008
Deferred tax assets	16)	104 864	94 868
Tangible assets	13)	324 183	513 462
Financial assets	17)	752	752
Total fixed assets		**429 799**	**609 082**
Stocks	4)	450 264	377 936
Receivables	18)19)	126 252	237 119
Bank deposits, cash	20)	1 227 602	1 163 750
Total current assets		**1 804 118**	**1 778 806**
Total assets		**2 233 918**	**2 387 888**
Share capital	25)26)	150 100	150 100
Other equity	25)	1 219 087	819 462
Total shareholders' equity		**1 369 187**	**969 562**
Provisions	7)12)23)	415 282	459 176
Long-term debt	21)	0	0
Short-term debt	18)21)	449 449	959 150
Total debt		**864 731**	**1 418 326**
Total debt and shareholders' equity		**2 233 918**	**2 387 888**

Longyearbyen, 31st December 2009 / 8th April 2010

The Board of Directors of Store Norske Spitsbergen Grubekompani AS

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Chairman

Lisbeth Alnæs
Vice-Chairman

Egil Ullebø

Anne-Cathrine Haadem

Grethe Fossli

Thomas Hukkelås

Bjørn Martinsen

Henning Kløften

Bjørn Arnestad
Chief Executive Officer

Cash flow statement, indirect model
Store Norske Spitsbergen Grubekompani AS

		NOK 1000
	2009	**2008**
Cash flow from operating activities:		
Profit/loss before tax	464 900	1 144 453
Tax paid for the period	– 277 682	0
Gain/loss on sale of fixed assets	– 577	0
Capital gain on sale of shares	0	8
Ordinary depreciation	218 544	150 048
Change in stocks	– 72 328	– 26 842
Change in accounts receivable	98 781	– 33 425
Change in accounts payable	83 702	212 533
Differences in pension funds/ commitments	77 304	311 560
Effect of exchange rate movements	0	142 945
Change in other accruals	– 259 527	497 191
Net cash flow from operating activities	**333 116**	**2 398 471**
Cash flow from investing activities:		
Sale of tangible assets	10 408	0
Purchase of tangible assets	– 39 673	– 118 072
Sale of shares and units in other companies	0	43
Net cash flow from investing activities	**– 29 265**	**– 118 029**
Cash flow from financing activities:		
Repayment of existing long-term debt	0	– 240 000
Repayment of existing short-term debt	0	– 250 000
Net change in overdraft facility	0	– 247 073
Dividends paid	0	180
Group contribution paid/received	– 240 000	– 405 000
Net cash flow from financing activities	**– 240 000**	**– 1 141 893**
Effect of exchange rate movements on cash and cash equivalents:		
Net change in cash and cash equivalents	63 852	1 138 549
Cash and cash equivalents at beginning of period	1 163 750	25 202
Cash and cash equivalents at end of period	**1 227 602**	**1 163 751**

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.

Stocks
Coal stocks are measured at the lower of the total coal production costs and net sales value. The stock of operating materials and spare parts is measured 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.

Receivables and payables in foreign currency
Receivables and payables in foreign currency are recognised at the exchange rate prevailing on 31.12.

Financial instruments
The company transacts coal sales in US dollars. Financial instruments are used on US dollars and coal to secure (hedge) future revenues. As the hedging instruments used are forward contracts, unrealised gains or losses are not recognised.

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 costs of preliminary mine development and facilitating coal extraction from new coal fields are charged to expense during the current period in line with production. Facilitating extraction in new coal fields includes moving mining equipment from one coal panel to the next.

Exploration costs
The costs of surveying for future deposits are charged to expense during the current period.

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 Coal sales

	2009	2008
Coal sales	2 020 300	3 368 759
Coal export tax	– 7 491	– 15 272
Total coal sales CIF	2 012 809	3 353 487

Coal sales CIF can be broken down as follows:

	Energy	Cement	Metallurgical industry	Other industry	2009	2008
Svalbard	26 307				26 307	24 457
Norway		46 545		2 156	48 701	53 084
Denmark	157 719				157 719	412 037
Finland						64 598
Netherlands			264 231		264 231	70 919
Iceland						9 335
Germany	961 221	25 005	341 270	82 717	1 410 213	1 944 265
Poland						104 434
England						142 803
Portugal	240 559				240 559	226 662
France	141 891	36 443		72 316	250 649	292 346
Greece						76 320
Switzerland				27 610	27 610	32 343
Belgium				37 138	37 138	0
Tonnes 2008	**1 527 697**	**107 993**	**605 501**	**221 937**	**2 463 128**	
Tonnes 2007	**2 303 725**	**125 266**	**834 116**	**190 494**		**3 453 602**

Note 3 Other sales income

Other sales income consists of administrative services to other companies in the group in the sum of NOK 13 million, and the sale of material from stocks in Svea. In 2008, NOK 70 million was taken to income from an insurance settlement following the fire in 2005.

Note 4 Stocks

Coal stocks are measured at the lower of net sales income and total coal production costs. In 2008 the net sales price was measured lower than production cost, at a value of NOK 300 per tonne. At year-end 2009, the lowest production cost was measured as NOK 400 per tonne. Freight and sales costs are added to the value of coal stocks in Europe, with stocks being measured at NOK 500 per tonne.

	2009		2008	
	Tonnes	NOK	Tonnes	NOK
Coal stocks, Longyearbyen	11 934	4 774	15 020	4 506
Coal stocks, Svea Mine	583 105	233 242	448 141	134 442
Coal stocks, Europe	69 939	34 949	24 420	10 873
Total	**664 975**	**272 965**	**487 581**	**149 821**

Stocks of operating materials and spare parts are valued at average cost from the supplier. Items which are more than 2 years old and which are not expected to be used in the next year are valued at 0 in the balance sheet.

	2009			2008		
	Cost price	Written down	Book value	Cost price	Written down	Book value
Consumables	138 590	– 38 532	100 058	163 280	– 35 877	127 404
Spare parts	181 968	– 104 727	77 241	197 240	– 96 528	100 711
	320 558	**– 143 259**	**177 299**	**360 520**	**– 132 405**	**228 115**

Note 5 Management Remuneration

	Parent company	
	2009	**2008**
Remuneration of Chief Executive Officer/General Manager:		
- Salary	1 775	0
- Other reportable payments	60	0
- Salary, pension scheme age 60–67	200	0
- Pension benefits age 67	104	0
Directors' fees	1 012	0
Statutory audit	632	580
Tax consultancy service/assessment papers	21	18
Other consultancy services from auditor	305	283

The CEO is a member of the same ordinary retirement pension scheme (at age 67) as the other employees, but is not a member of the early retirement scheme from age 60. There is no severance payment scheme or bonus scheme for the CEO. In 2008, the CEO's salary and directors' fees were paid from the parent company.

Note 6 Specification of wages, salaries and national insurance contributions

	2009	**2008**
Wages and salaries	274 262	251 588
Pension costs	115 911	212 181
Other payments	49 829	31 524
Total	**440 002**	**495 293**

The company employed 426 full-time equivalents in 2009, compared with 404 in 2008. The number of full-time equivalents is the sum of all hours worked in the company (including temporary workers and overtime) divided by the normal working hours for the various working time schemes. In 2008 the administrative staff were employed by the parent company and were not therefore included in the full-time equivalents in SNSG. The 54 who were employed by SNSK were transferred to SNSG on 1 January 2009.

Note 7 Pension costs and commitments

SNSG has pension schemes covering a total of 404 persons, 47 of whom have taken early retirement. There are 135 persons in receipt of an ordinary pension, 66 of whom receive a retirement pension, 36 a spouse's pension, 12 a children's pension and 22 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 contributory period 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 in the Norwegian Accounting Act.

The ordinary retirement pension (from age 67) is covered by an insurance scheme. This scheme meets the requirements of the Norwegian legislation on compulsory occupational pensions, while pensions under the scheme for voluntary early retirement between age 60 and 67 are paid directly from the day-to-day operations. For accounting purposes, the pension commitment relating to the early retirement scheme is calculated by an actuary and allowance made in the accounts using the same principles as for the ordinary retirement pension scheme from age 67.

As part of the company's downsizing process, in the autumn of 2009 early retirement from the age of 55 was offered to those employees who had been employed by the company for more than five years. Fifteen employees accepted the offer and will retire with a pension by June 2010. These 15 have been removed from the ordinary actuarial calculations and separate provision has been calculated for them. Employees residing in Finland are covered by a separate pension scheme in accordance with Finnish law.

In order that the accounts should reflect the actual pension commitment, it was decided in 2008 to reset unamortised estimate variances to zero. To avoid major fluctuations in pension costs in the profit and loss account, annual changes in estimate variances are carried directly in equity with effect from 2009.

At 31.12.09 the company had a net pension commitment recognised in the balance sheet of NOK 367.3 million.

Pension costs	**2009**	**2008**
Current value of the year's pension contributions	70 107	28 419
Interest cost on the pension commitment	43 342	19 091
Return on pension assets (less admin. costs)	– 31 593	– 12 370
Actuarial loss/(gain) recognised in profit & loss account	0	162 838
Effect of change to cost of scheme recognised in profit & loss account	– 5 079	14 203
Net pension cost pension schemes	76 777	212 181
Pension cost age 55 scheme 2009	38 971	0
Pension cost employees Finland	163	0
Total net pension cost	**115 911**	**212 181**

The pension commitment	**2009**	**2008**
Accrued pension commitments (DO)	– 582 661	– 539 899
Pension assets (at market value)	254 316	235 668
Accrued pension commitments (DBO)	– 328 345	– 304 231
Net pension comm. recogn. in balance sheet – pension scheme	– 328 345	– 304 231
Net pension comm. recogn. in balance sheet age 55 scheme 2009	– 38 971	0
Net pension commitment recognised in balance sheet	**– 367 316**	**– 304 241**

Economic premises:	**2009**	**2008**
Discount rate	4.40%	3.80%
Expected return	5.60%	6.30%
Wage increase	4.25%	4.50%
Adjustment to basic state pension	4.00%	4.25%
Adjustment to current pension	4.00%	4.25%
Expected rate of voluntary exit before age 40	6.00%	6.00 %
Expected rate of voluntary exit after age 40	1.00%	1.00 %

Note 8 Freight and Commission on coal sales

	2009	2008
Shipping costs	274 393	430 223
Analysis costs	1 120	1 435
Commission	62 437	114 093
Transport/Loading Svea	94 303	139 192
Total	**432 253**	**684 944**

Note 9 Production costs

Production costs consist chiefly of materiel and contracted production and maintenance services. Facilitation of new panels is charged to expense during the current period. At the end of 2009 there had not been sufficient development of drift metres corresponding to deconstruction of panel. Provision of NOK 17.2 million has been made for costs related to the development of the 1560 drift metres needed.

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 personnel and goods transport, and operation of power plant and storage facilities.

Note 11 Exploration costs

Exploration and prospecting activities in new fields are expensed in the accounts. In 2009 the company conducted prospecting activities at Lunckefjell, Colesdalen, Breinosa and Svea Nord.

Note 12 Other operating costs

	2009	2008
Administrative costs	77 954	154 796
Mining claim tax	336	204
Provision for clear-up costs	30 506	2 000
Group fine	40	500
Other costs	315	141
Total	**109 151**	**157 641**

Following a review of the mines in Svea, it has been decided to upwardly adjust the estimated annual clear-up costs for Svea once operations cease. The clear-up costings are based on the decision to remove all technical installations that are not buildings. The item totalling NOK 30.5 million includes supplementary provision of NOK 24.9 million to cover the lack of prior-year provisions.

Note 13 Tangible fixed assets, depreciation schedule

	Machinery, fixtures, transport resources	Buildings	Technical plant	Mines, land	Total
Acquisition cost at 01.01.09	39 514	134 870	354 002	887 984	1 416 370
Additions in 2009	2 481	4 267	14 532	17 896	39 176
Disposals in the year (disposals/scrapping)	5 154	0	0	23 246	28 400
Acquisition cost at 31.12.09	**39 514**	**134 870**	**354 002**	**887 984**	**1 416 370**
Accumulated depreciation at 01.01.09	28 392	74 778	243 523	556 214	902 907
Reversal of accum. depreciation at sale/scrappage	4 888	0	0	13 601	18 489
Depreciation/write-downs for the year	4 366	12 066	46 370	155 742	218 544
Book value at 31.12.09	**8 971**	**52 293**	**78 641**	**184 279**	**324 184**
Estimated remaining useful life (inkl 2009)	**3–6 years**	**6/20 years**	**6 years**	**3–7 years**	

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.

Fixed assets in respect of Gruve 7 and Svea Øst are written down in their entirety.

Note 14 Financial items

Financial income	2009	2008
Interest received	29 789	24 054
Profit on exchange	21 823	6 047
Dividends	90	180
Total	**51 702**	**30 281**

Financial expenses	2009	2008
Interest	8 480	51 688
Loss on exchange	3 832	149 495
Loss on sale of shares		8
Total	**12 312**	**201 190**

Note 15 Hedging transactions

The company has a hedging strategy that is intended to provide stability and long-term protection by limiting the economic effects of unexpected fluctuations in the foreign currency, coal and freight markets. Coal sales, coal freights and commission are recognised at the average hedged/achieved exchange rate and coal price.

Forward contracts USD

Most coal sales are transacted in US dollars. In order to reduce the risk of exchange rate fluctuations, the company enters into forward contracts to hedge future sales of USD. As the forward contracts are used as hedging instruments, unrealised exchange gains or losses are not recognised on the balance sheet date.

As of 31 December 2009 the following forward exchange contracts had been entered into:

Matures	USDm	Average exch rate
2010	120	6.97
2011	100	7.25

In addition the following options contracts on the sale of USD had been entered into:

Matures	USDm	Minimum exch rate
2010	40	6.60
2011	20	7.50

The average exchange rate obtained in 2009 was 6.40 NOK/USD. The average rate at Norges Bank for 2009 was 6.28.

Coal hedging

At year-end 2009, the company had entered into the following contracts to hedge the price of coal:

Year	Tonnes	Average price USD per tonne
2010	825 000	180
2011	400 000	149

In 2009, a quantity of 600 000 tonnes of coal was hedged at a price of USD 156 per tonne. Hedging gains for 2009 totalled NOK 318.8 million. As these are hedging transactions made to secure coal sales contracts, the gains are carried as part of the coal sales.

Note 16 Tax costs

	2009	2008
Tax cost for the year is made up as follows:		
Tax payable on profit for the year	88 914	277 682
Change in deferred tax	– 9 996	– 94 381
Tax on group contribution	14 789	0
Tax on equity transfers	– 22 871	0
Total tax cost on ordinary profit for the year	**70 835**	**183 301**
Tax payable in tax cost for the year is made up as follows:		
Ordinary profit/loss before tax	464 900	1 144 453
Permanent differences	120 765	– 117 897
Change in temporary differences	62 477	976 627
Utilised deficit from previous year	0	– 267 667
Group contribution paid with tax effect	– 92 430	0
Basis for tax payable	**555 712**	**1 735 515**
Tax, 16%, representing the total tax payable on the profit for the year	**88 914**	**277 682**
Tax payable in the balance sheet is made up as follows:		
Tax payable on profit for the year	88 914	277 682
Tax payable on group contribution	0	0
Total tax payable	**88 914**	**277 682**
Specification of the basis for deferred tax, differences assessed		
Fixed assets	– 139 457	– 13 798
Current assets	– 20 802	– 78 083
Provision relating to current assets	– 1 005	– 1 005
Other accounting provisions	– 126 821	– 52 863
Provision for loss on contracts	0	– 142 945
Pension funds	– 367 316	– 304 231
Total	**– 655 401**	**– 592 924**
Deferred tax/tax benefit, 16%	**– 104 864**	**– 94 868**
Reconciliation of tax charge for the year:		
Profit before tax	464 900	1 144 453
16% tax on the profit before tax	74 384	183 113
Total tax charge for the year	70 836	183 301
Difference	**– 3 547**	**189**
The difference is due to the tax effect of:		
Permanent differences	19 324	– 18 864
Change in accounting principle	– 22 871	19 052
Total	**– 3 547**	**189**

Note 17 Shares in subsidiaries and other companies

Company	Location	Ownership %	Balance sheet 2009	Balance sheet 2008
Svea Tankanlegg AS	Sveagruva	15	752	752
Total			**752**	**752**

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.

Note 18 Balances with group companies

	2007			2006		
	Receivables	Short-term debt	Total	Receivables	Short-term debt	Total
SNSK		123 921	– 123 921	0	241 801	– 241 801
SNB		20 613	– 20 613	12 858	0	12 858
SNG	3 698		3 698	2 925	0	2 925
Total	**3 698**	**144 534**	**– 140 836**	**15 783**	**241 801**	**– 226 018**

Note 19 Accounts receivable

	2009	2008
Net accounts receivable at 31.12	104 286	198 673
Bad debt recognised in accounts	118	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
In addition to accounts receivable from customers and intra-group balances, the company has prepaid expenses of NOK 18.3 million.

Note 20 Bank deposits, cash

	2009	2008
Cash	17	12
Bank deposits	1 206 012	1 142 987
Withholding deposit (tax)	21 573	20 751
Total	**1 227 602**	**1 163 750**

Note 21 Debt

Interest-bearing debt:

The company had no long-term debt at the end of the year. The company has an unutilised overdraft limit of NOK 400 million.

Short-term debt:

	2009	2008
Bank overdraft facility	0	0
Accounts payable	75 818	94 041
Prepayments from customers	0	237 423
Unpaid govt. charges & special taxes	21 585	20 455
Tax payable	88 914	277 682
Intercompany accounts	144 534	241 801
Other short-term debt	118 599	87 631
Total	**449 449**	**959 150**

Note 22 Pledges and guarantees

	2009		2008	
	Loan facility	Balance	Loan facility	Balance
Mortgage loan (revolving credit)	0	0	160 000	0
Bank overdraft facility	400 000	0	400 000	0
Total	**400 000**		**560 000**	**0**

Book value of assets pledged as security for debt (overdraft facility):	2009	2008
Tangible fixed assets	365 971	513 462
Shares owned by the company	752	752
Stocks	450 264	377 936
Accounts receivable	105 291	199 678
Total	**922 278**	**1 091 828**

The company has in addition furnished as security Register 12 Indre Lågfjord and Claims in the Svea area and around the Gruve 7 mine.

Guarantees

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

Note 23 Provisions for liabilities and charges

	2009	2008
Pension commitments	367 316	304 231
Education and training support	5 460	0
Clear-up costs	42 506	12 000
Unrealised foreign exchange losses	0	142 945
Total	**415 282**	**459 176**

In 2009 a provision was made in the accounts of NOK 30.5 million for future clear-up costs at Svea. The total provision for clear-up operations is NOK 42.5 million.

Note 24 Coal reserves

The company uses the NI 43-101 standard as a guideline for assessing the mineral reserve base. The standard distinguishes between resources and reserves where within each group there is a sub-group indicating the level of certainty of the deposit.

The table below shows how the company has classified its reserve base.

All figures are in millions of tonnes	Resources			Reserves	
Location	**Assumed**	**Indicated**	**Measured**	**Probable**	**Certain**
Svea Nord, core			0.8	3.4	2.1
Svea Nord, marginal zone			6.0		
Svea Øst		3.8			
Lunckefjell			11.1		
Ispallen		14.3			
Areas that can be worked from Svea		**18.1**	**17.9**	**3.4**	**2.1**
The Gruve 7 area	0.4	2.0	0.9	0.5	
Bassen	11.5				
The Gruve 3 area		5.0			
Areas that can be worked from LYB	**11.9**	**7.0**	**0.9**	**0.5**	
Reindalen		27.0			
Resources protected		**27.0**			
Total resources and reserves	**11.9**	**52.1**	**18.8**	**3.9**	**2.1**

Coal in the group's resources is shown as an in situ figure, i.e. the amount of coal in millions of tonnes that is in the mountain. Coal in the group's reserves is shown in tonnes of commercial coal.

Note 25 Shareholders' equity

	Share capital	Other equity	Total
Shareholders' equity at 31.12.2008	**150 100**	**819 462**	**969 562**
Reversed foreign exchange loss 2008 net after tax		120 074	120 074
Estimate variances pensions		110 698	110 698
Result for the year		394 064	394 064
Group contribution paid after tax		– 225 211	– 225 211
Equity at 31.12.2009	**150 100**	**1 219 087**	**1 369 187**

In 2008, the company made provision in the accounts for unrealised exchange losses related to forward contracts entered into. As these contracts should be treated in the accounts as hedges this was incorrect, and the correction has been carried directly in equity (net after tax).

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

Note 26 Ownership structure

At 31.12.2009 Store Norske Spitsbergen Kulkompani AS owned 100% of the shares in the company.

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

Auditor's report for 2009

We have audited the annual financial statements of Store Norske Spitsbergen Grubekompani AS as of December 31, 2009, showing a profit of NOK 394 064 000. 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 regulations of the Norwegian accounting act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements. These financial statements 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 other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. 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 auditing standards 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.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the company as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information given in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Without qualifying our opinion above, we emphasise that the company through an extended audit on some of the company's commercial agreement has exposed indications that gives reason to raise question about the agreements commercial terms and length. We refer to the section "Avtalerevisjon" in the Board of Directors' report for further remarks. The extended audit is not ended, and in this manner the result and any possible consequences not clarified.

Tromsø, 10 May 2010
PricewaterhouseCoopers AS

Kent-Helge Holst
State Authorised Public Accountant (Norway)

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

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