



2013

ANNUAL REPORT AND  
FINANCIAL STATEMENTS

STORE NORSKE SPITSBERGEN KULKOMPANI AS

# Table of contents

Board of Directors.....	3
Foreword – The tough year.....	4
Key figures .....	5
Annual report .....	7
Accounts .....	19
Notes.....	22
Appendix 1 – Store Norske’s Corporate Governance Principles .....	34
Appendix 2 – Corporate Social Responsibility.....	38
Auditor’s report.....	40
Map of Lunckefjell mine .....	43
Map of Svea Nord mine .....	44
Map of Gruve 7 mine.....	45
Articles of Association .....	47
Mining claims .....	48
Important dates .....	49

## Store Norske Spitsbergen Kulkompani AS

98th year of operations

916,300,395

Share capital

164,490,000

### The Board of Directors of SNSK:

Annette Malm Justad	Chair of the Board
Egil Ullebø	Vice-Chair
Per Ole Morken	Board member
Grethe Fossli	Board member
Anne Cathrine Haadem	Board member
Alf Brun	Staff representative
Monica Bolli	Staff representative
Arild Olsen	Staff representative

### Senior management team:

Per Andersson	CEO
Ingrid Dahn	Human Resources Director
Sissel Danielsen	Finance Director
Martin Østling	Production Manager
Kolbjørn Karlsen	Project and Development Manager
Cato Lund	Director of Technical Operations
Oddmund Rønning	HSE Manager
Aleksander Askeland	Product and Performance Director

# Board of Directors



**ANNETTE MALM JUSTAD**  
CHAIR OF THE BOARD

Sivilingeniør (graduate engineer), Norwegian University of Science & Technology, Trondheim (NTNU)  
Master of Technology Management, NTNU/MIT  
Chair of the Board of American Shipping Company ASA  
Member of the boards of PGS ASA, Awilco LNG ASA and Small Turbine Partner AS  
Experience from industry, shipping and supply chain management  
Four years as director of purchasing at Yara  
Five years as Group CEO of Eitzen Maritime Services ASA  
Board member and Chair of SNSK since 2012



**EGIL ULLEBØ**  
VICE-CHAIR

Sivilingeniør (graduate engineer), Norwegian Institute of Technology, University of Trondheim (NTH)  
Degree in business economics  
Experience from the process industry, forestry industry, energy industry and mining  
Chair of the Board of Borg Havn IKS  
Board member of SNSK since 2009  
Vice-Chair since 2012



**PER OLE MORKEN**  
BOARD MEMBER

Mining engineer, Norwegian Institute of Technology, University of Trondheim (NTH)  
Employed by Store Norske from 1982 to 2003  
as mineworker, mine foreman, mining engineer, director of mining operations, project manager and director of production and development  
Mining operations manager and factory manager Norcem AS (Heidelberg Group) Kjøpsvik 2003–2007  
Factory manager Cementa AB (Heidelberg Group) Slite, Gotland from 2007 to present date.  
Board member of SNSK since 2012



**GRETHE FOSSLI**  
BOARD MEMBER

Head of business policy unit at the Norwegian Confederation of Trade Unions (LO)  
Member of the Norwegian Storting representing the Labour Party for three periods from 1993 to 2005  
Has held a number of public offices and honorary offices in political and voluntary organisations  
Board member of SNSK since 2008



**ANNE CATHRINE HAADEM**  
BOARD MEMBER

MSc in Business and Economics from Lund University, Sweden  
Finance director at Flytoget AS since 1998  
Former finance director at ABB Financial Services, finance director at EB Telecom, controller at EB AS and self-employed consultant  
Board member of SNSK since 2008



**ALF BRUN**  
STAFF-ELECTED REPRESENTATIVE

Assistant production manager at Store Norske  
Employed by the company since 1983  
Trade certificate in mining  
Has worked as a mineworker, mine foreman and mining operations engineer in Svea Nord  
Further education at NTNU  
Board member of SNSK since 2012



**MONICA BOLLI**  
STAFF-ELECTED REPRESENTATIVE

Mineworker at Store Norske since 2006  
Trade certificates in mining and tunnelling  
Experience from construction industry  
Member of executive board of Gruveklubben local miners union since 2012  
Board member of SNSK since 2012



**ARILD OLSEN**  
STAFF-ELECTED REPRESENTATIVE

Mineworker at Store Norske since 2001  
Trade certificate in mining  
Union representative for Gruveklubben local miners union  
and leader of Longyearbyen Workers' Association since March 2011  
Holds various offices in the Norwegian National Workers' Association and political office in the Longyearbyen local government  
Board member of SNSK since 2012



**PER ANDERSSON**  
CEO

Electronic engineer, Narvik University College, 1978  
Norwegian Air Force Officers' Training College Technical Education Centre  
Departmental head, Norsk Forsvarsteknologi AS and Kongsberg Våpenfabrikk AS  
Electronic production manager, Natech AS  
Factory manager for REC ScanCell AS 2002–2008  
Project manager, REC, new solar cell factory Narvik 2007–2008  
Project manager, REC, new solar cell factory Singapore 2008–2010  
CEO of Store Norske since 2012

# A tough year

2013 has been a tough year for Store Norske, with many challenges for all our staff. Coal prices have fallen to and stayed at a level well below budget; we have had some problems in production, particularly as a result of water breakthrough in the melting period in both Svea Nord and Gruve 7; and we have implemented a comprehensive cost-reduction programme, which included reducing the workforce by 60 full-time equivalents.

These processes were absolutely essential in order for Store Norske to survive, and I would like to praise the company's employees for the efforts they have made over the past year.

Despite many tough initiatives and big challenges, 2013 had some bright spots too! We have managed to cut costs in many areas. There has been a positive trend in sickness absence, and we achieved our target of sickness absence of 6% or lower.

Where injury trends are concerned, we still have a way to go but great effort and initiative have been demonstrated across the group in the HSE campaigns we have implemented. Comparing 2013 with 2012, the number of lost-time injuries has fallen from 14 to six. Succeeding in this extremely important area, where our vision is "zero injuries", requires continuous focus from management and individuals. Injury prevention work is being stepped up in 2014.

And of course we mustn't forget the fantastic project now under way at Lunckefjell. In fact, little can compare with what is now taking place on the other side of Svea Nord. The opening of a new coal mine in Lunckefjell is incredibly demanding and challenging: a road has been built across the Marthabreen glacier; extensive, complex infrastructure has been installed at the foot of the mountain on both sides of the glacier; and a large-scale logistics operation has been carried out to get all the equipment in place. Our subsidiary Pole Position Logistics AS has played an important part in this work.

The first coal from Lunckefjell came to the surface on 25 October, not least thanks to the hard work of all those with tough jobs both in and outside the new mine. I also get the impression that everyone in the company is positive about the job ahead,



Chief Executive Officer Per Andersson. Photo: Terje Carlsen

both inside the mountain and in the support set-up above ground. This is absolutely vital to the success of Store Norske.

Despite a difficult situation on the revenue side in 2013, we have put financing in place and decided to use longwall production equipment for the Lunckefjell operation. The new equipment represents completely new technology that will help us to develop in many specialist areas and position ourselves to take on new and exciting challenges in the future.

The shipping season passed almost without a hitch, not least because our crews have managed to ensure high uptime and operational stability for the loading plant.

After a fairly painful infancy, in 2013 the wash plant (ORV) demonstrated performance in line with or better than expectations, thanks not least to the teams' efforts in terms of scheduling and carrying out maintenance, and their ability to exploit potential by means of continuous improvements. The wash plant is a key element in the value chain when it comes to ensuring that the product quality Store Norske delivers is in line with customer expectations.

Lunckefjell will be our main focus in the coming years but the long-term nature of mine development projects means we are already carrying out test drilling in the deposits that will be our next production field. In spring 2014 we will submit a prelimi-

nary notification for Ispalten, which is the obvious choice for the next deposit where we can utilise the infrastructure already in place in Svea.

Store Norske wants to develop greater knowledge of the coals we produce, in order to identify new potential market niches and applications now that we are moving production to Lunckefjell, where 60% of the coal is estimated to be of PCI (Pulverised Coal Injection) grade.

In 2013 we have therefore taken the initiative for a joint project with the research organisation SINTEF and other partners to analyse coal grades and the need for coal in various industrial applications, and, hopefully, to identify new niches where we can deliver the product as we produce it today or after additional processing.

Development in areas other than coal production is also under way at Store Norske.

The new coal quay in Longyearbyen, which came online in 2013, is important for the export of coal from Gruve 7 but is also an exciting starting point for further development of the areas of Hotellneset that will be of interest in relation to future activity in the waters around Svalbard. In Svea, there is a high level of interest from external players in being able to establish an all-year technology centre, for example for testing equipment/technology designed for use in the oil/gas sector in extreme environments.

Alongside partners including Chr. Michelsen Research (CMR), Store Norske is involved in an R&D project supported by the Norwegian Research Council that is investigating whether geothermal power can be used to supply energy on Svalbard.

There are relatively high costs associated with operating Svea as a location, in particular high diesel costs for producing electric power. We are now taking the initiative to carry out an energy rationalisation project to see where we can reduce consumption. We currently have a pilot plant with solar modules in place and expect to gather enough data in the course of the year to determine whether it will be profitable to replace parts of our diesel consumption with solar energy.

Like last year, 2014 will be a challenging year in many respects. Injury prevention work is paramount.

We will continue to see a volatile market for coal, with few indications of a rapid upward movement in prices. The company is therefore continuing its efforts to better align the cost base to these market expectations, while simultaneously making the necessary preparations for the “next resource” to ensure predictability.

Per Andersson  
Chief Executive Officer

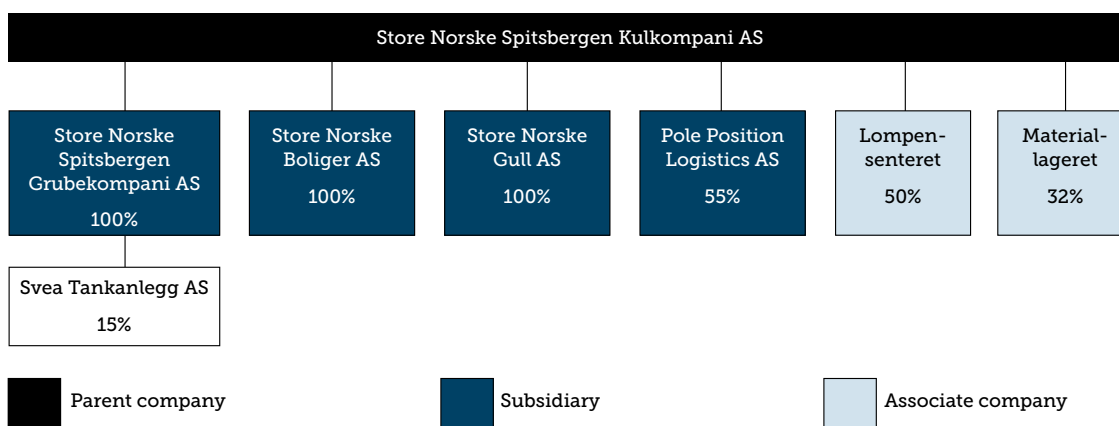
#### Key figures for Store Norske

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Production tonnes saleable coal (1000 tonnes)	2,944	2,904	1,471	2,395	4,073	3,430	2,641	1,935	1,386	1,229	1,855
Number of employees 31.12. – Group	233	265	314	366	396	387	368	337	370	396	336
Sickness absence rate – Group (%)	8.8	6.0	8.3	8.7	8.9	8.1	8.5	7.0	7.4	6.2	5.6
Lost-time injuries	4	10	23	17	14	20	13	3	6	14	6
Turnover (NOKm)	945	1,315	1,139	1,267	1,827	3,445	2,041	1,507	1,444	926	1,319
Tonnes/ employee	12,854	11,664	5,081	7,044	10,691	8,761	6,996	5,489	3,922	3,208	5,068
Profit/loss before tax (NOKm)	74	227	53	– 85	130	1,056	432	349	70	– 276	– 75
Profit/loss after tax (NOKm)	65	219	46	– 78	112	881	363	276	55	– 275	– 64
Depreciation/amortisation (NOKm)	64	85	66	101	154	152	225	157	119	145	125
Equity %	32.2	35.4	35.9	26.9	26.1	42.6	62.0	66.0	65.0	68.5	64
Interest-bearing debt (NOKm)	495	390	777	1,035	614	24	23	22	21	19	56
Coal price (USD per tonne)	39	64	67	72	83	175	128	131	129	107	98



Mine worker Michael Otting Hansen on the "Gruverennet" cross-country ski run between Svea and Gruve 7 in work clothes. Photo: Linda Bakken

# Annual Report



## Introduction

Store Norske Spitsbergen Kulkompani AS (SNSK) was founded in 1916, and is the parent company in the Store Norske group.

The company's core business is coal production on Svalbard through the wholly owned subsidiary Store Norske Spitsbergen Grubekompani AS (SNSG).

The company also has the subsidiaries Store Norske Boliger (SNB), which owns and lets out the group's housing stock, and Store Norske Gull AS (SNG), which prospects for minerals. As of 2012, the group also includes Pole Position Logistics AS (PPL), which operates an Arctic logistics business, in which Store Norske has a 55% stake.

SNSK owns several pieces of land on Svalbard, including the two central properties of Longyeardalen and Adventdalen, which cover most of the Longyearbyen planning area. The company leases land to companies establishing in Longyearbyen. SNSK and its subsidiaries have mining claim areas and concessions and have located coal and mineral deposits in large parts of Svalbard.

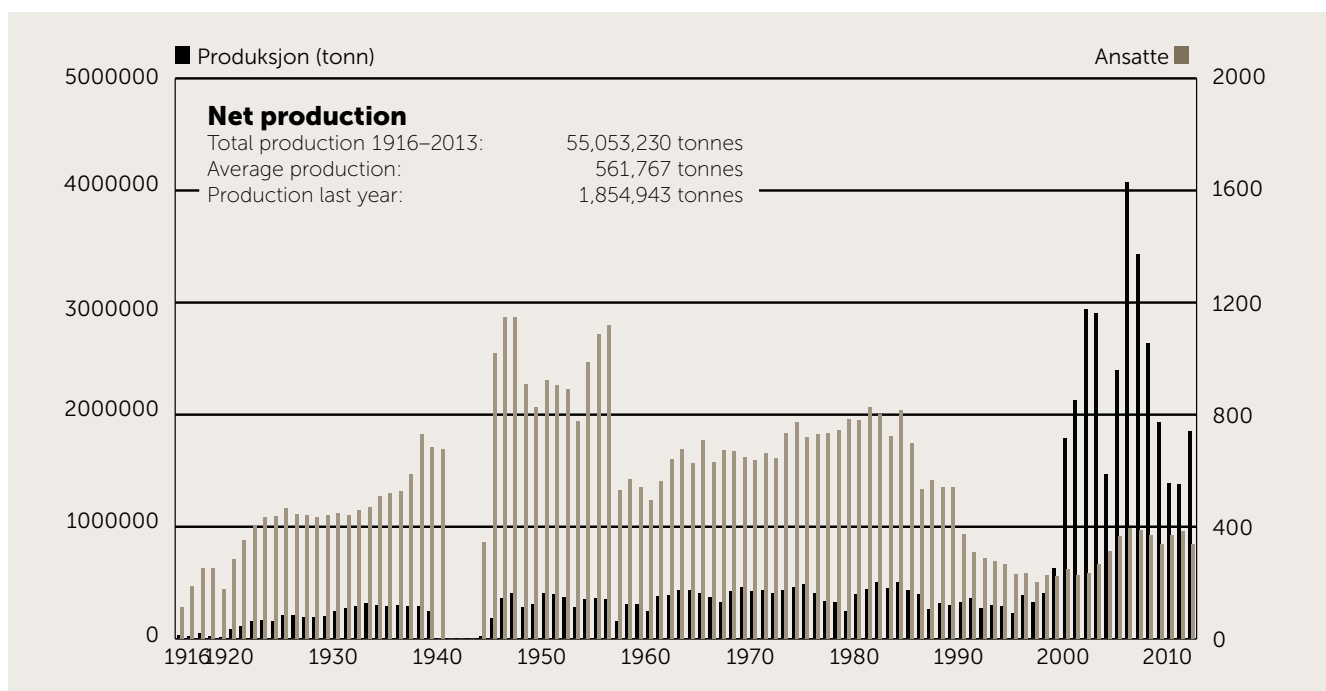
The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, owns 99.9% of the shares in Store Norske Spitsbergen Kulkompani AS. The remainder of the shares are owned by private shareholders.

In 2013 coal was mined in the core area of Svea Nord and in Gruve 7. During the year, development activities for the new mine in Lunckefjell continued according to plan. Infrastructure in the form of a road over the Marthabreen glacier, opencast mining sites at Skollfjell and Lunckefjell, and water, drainage and energy supply has been completed, and the first coal from the new development was brought to the surface in the autumn of 2013.

The development work in Lunckefjell will continue through 2014 and normal production is expected to start in the first quarter of 2015 when the last panel in Svea Nord has been worked out. The Lunckefjell deposit is expected to yield production of 1.5–2 million tonnes per year until 2019.

Coal prices in 2013 continued the falling trend from 2012, and there is still overcapacity in the market, which is the reason for this development. Shale gas has largely overtaken coal as an energy carrier in the USA, and exports of coal from Colombia to European ports are attractive while freight rates are low.

The key factors currently affecting the price of coal are expected to continue through 2014. In the slightly longer term, the market anticipates a cautious upward trend in prices. There is also uncertainty concerning the possible frameworks for CO<sub>2</sub> certificates, and the industry is sensitive to this.



## The company's business segments

### Mining

Most of the business operations of SNSK are conducted in Store Norske Spitsbergen Grubekompani AS (SNSG). The core business of SNSG is coal mining. Coal is produced from three mines.

Most of the production goes on in the Svea Nord mine, which is in Svea, about 60 kilometres south of Longyearbyen. Development work in Lunckefjell, northeast of Svea, started in autumn 2013. In Longyearbyen, coal production goes on in the Gruve 7 mine.

### Coal production Svea Nord

Operations in the core area of Svea Nord are coming to an end, with coal now being produced from the extreme edge of the resources, which means significantly more challenging production conditions involving a high proportion of dirt band in the coal seam. For this reason, large parts of the production from Svea Nord have to be cleaned in the wash plant (ORV), and the capacity of this has limited longwall production.

The high proportion of stone in the coal from the mine also resulted in a large difference between the volume produced and saleable volume, but the saleable volume was nevertheless significantly higher than in 2012. Production of saleable coal totalled 1,778,325 tonnes in 2013, compared with 1,164,338 tonnes in 2012.

A high rate of face advance was achieved in 2013 during development work on the last longwall panel in Svea Nord. The panel was completed at the end of 2013, with production start-up in January 2014.

### Coal production Gruve 7

In 2013, 64,687 tonnes of saleable coal were produced in the Gruve 7 mine, compared with 64,513 tonnes in 2012. The production method is room-and-pillar mining.

### Lunckefjell

The work on creating the basic infrastructure up to Lunckefjell started in March 2012. At the beginning of May that year the final breakthrough was made from the Svea Nord mine and out on to the Marthabreen glacier. The infrastructure was completed and taken over from the contractor in October 2013.

Development work in Lunckefjell started in December 2013 and 11,871 tonnes of saleable coal were produced.

The first longwall panel will be ready for operations to commence in the first half of 2015 and will take over the main production in Svea from Svea Nord, which will then be worked out. The Lunckefjell deposit will be worked out in 2019. The Lunckefjell deposit is estimated to consist of about 60% coal of PCI grade (Pulverised Coal Injection); this is an indicator that the coal is of a higher grade, which means it can be used for steel production.





Coal ship on its way out of the Adventfjord heading for Rotterdam Photo: Tommy Dahl Markussen

### **Svea community**

The Svea community is responsible for operation of infrastructure and transport to Svea. There is no road connection between Longyearbyen and Svea. All transport of staff is by aeroplane, as is all transport of goods in the winter months. On average, 208 persons a day were carried in 2013.

In 2013, a total of 17,375 passengers were carried to and from Svea, compared with 18,688 passengers in 2012. A total of 260 tonnes of goods were carried on the same stretch in 2013.

### **Resource base**

The company uses international standards as a guideline in assessing the reserve base. These standards distinguish between resources and reserves, and there are subgroups within each group, indicating the level of certainty attached to the individual deposits. Coal in the “resources” group gives a figure in situ, i.e. how many millions of tonnes are contained in the rock. Coal in the “reserves” group indicates the number of tonnes of saleable coal.

Development work is now under way in the deposit in Lunckefjell, northeast of Svea Nord, with a probable reserve of 8.4 million tonnes of coal. Coal from Lunckefjell comes from the so-called Longyear seam. At the northwest corner of Lunckefjell, the Svea seam also appears 20 metres beneath the primary

level of the Longyear seam. There are assumed resources here of 2.1 million tonnes of coal. Further studies are being made of this area for possible future production.

Store Norske assesses that Gruve 7 has a coal reserve, probable and certain, of 2 million tonnes of coal. In addition, there is an indicated resource of 2 million tonnes of coal with a higher sulphur content than the known resources.

### **Market**

In 2013, a total of 2,076,863 tonnes of coal from Svea were sold, compared with 1,258,361 tonnes in 2012. The equivalent figures from the Gruve 7 mine were 57,558 tonnes, down from 67,294 tonnes in 2012. In all, 69% of sales went for energy production and 18% for other industrial production (cement, paper or other smaller areas of use). The remaining 13% went to steelworks. Approximately 1,250,000 tonnes of the shipped tonnage was washed coal from the wash plant in Svea.

In 2013 the coal market in Europe has been characterised by overcapacity on the supply side, leading to a persistent downward trend in prices until July/August. Large volumes of coal from Colombia have been a driver in this development. Demand in Europe has largely been stable, with some improvement in the fourth quarter after signs of economic recovery in the EU.

	Resources			Reserves	
	Assumed	Indicated	Measured	Probable	Certain
Svea Nord core					1.6
Svea Nord rim zone		3.1	6.3	2.1	1.0
Svea Øst		3.8			
Lunckefjell	2.1			8.4	
Ispallen		14.3			
Gruve 7 area		2.0		1.2	0.8
Bassen	12.0				
Gruve 3 area		5.0			
<b>Total</b>	<b>14.1</b>	<b>28.2</b>	<b>6.3</b>	<b>11.8</b>	<b>3.4</b>

The average selling price was USD 93 per tonne, adjusted for calorific value. Approximately 40% was sold at prices fixed at the date of contract and the remaining 60% was sold at index-regulated prices. Including hedging of coal prices in the paper market, a price of USD 98 per tonne was achieved. The international coal price index API 2 varied in 2013 between USD 72 (2 July) and USD 91 (27 February), with an average for the year of USD 82. The period from the turn of the year to July/August 2013 saw a falling price trend. After this, prices showed short-term variations but were essentially between USD 80 and USD 85. The price picture has remained somewhat weak into the start of 2014.

## Shipping

There were 38 shipments of coal by sea in total in 2013, including two shipments of Gruve 7 coal from Longyearbyen. The first coal ship arrived at Svea on 24 July, and the season concluded with the last coal ship sailing on 20 November. At 826,260 tonnes, the shipping volume from Svea in October was the second highest ever in a calendar month.

## Local community

Via the subsidiary Store Norske Boliger AS, Store Norske owns 386 residential units comprising 252 family homes and 134 one-room flats in Longyearbyen. The objects of the company are to own residential property and operate a property-letting business.

Store Norske Boliger AS lets out most of its residential properties to Store Norske group companies and partners. The largest tenant is Store Norske Spitsbergen Grubekompani AS. In line with SNSK's social responsibility linked to maintaining a family community in Longyearbyen, the company has sought to increase the number of family homes in order to make living in Longyearbyen an attractive prospect for Store Norske's employees. In the course of the last year Store Norske Boliger AS has taken over the last six family homes started in 2012.

The reduction of the workforce in SNSG in 2013 freed up several residential units, leading to a marked increase in external lets.



## Prospecting activities

### Coal prospecting

The priorities in 2013 have been increasing the certainty of the estimates for resources and reserves in the Svea Nord rim zone, Ispallen and Operafjellet. Drilling was also carried out to test opportunities for finding a new coalfield.

Detailed surveying of the Svea Nord rim zone continues, and the drilling of four holes in 2013 provided a basis for planning longwall operation and with it conversion of resource estimates to established reserves. The operational viability of Svea Øst remains under investigation.

Five new holes were drilled at Ispallen, south of Svea, in 2013. This deposit is now the subject of operational and economic simulation. Ispallen will be the main focus of explorations in the period 2014–2016. The Bassen area at Adventdalen is being investigated further, and three holes were drilled in 2013. Drilling is planned in 2014, and the drilling programme will then be stepped up in the period 2016–2018.

### Store Norske Gull AS

Store Norske Gull AS is a wholly owned subsidiary of Store Norske Spitsbergen Kulkompani AS. The company was established in 2003, and its objects are to survey, conduct exploration, and carry out prospecting activities for gold and other mineral deposits.

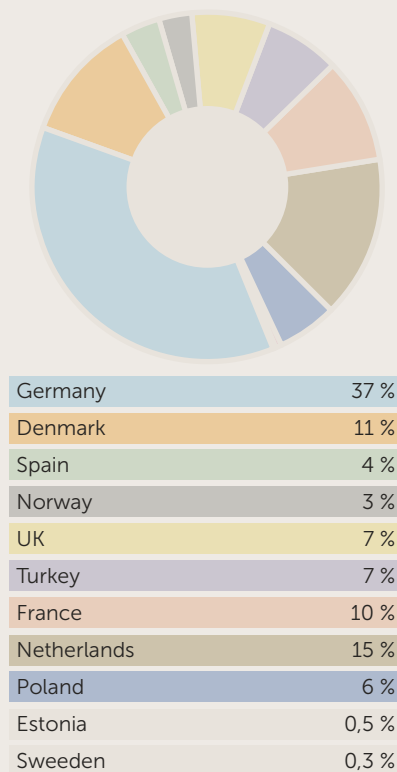
At the end of 2013, the company had 25 exploration licences in Finnmark and 47 in Troms, as well as 12 mining claims and 15 deposit locations by the St. Jonsfjord on Svalbard.

In the summer of 2013, all activity on the mainland was halted, and a process initiated with a view to the sale of SNG.

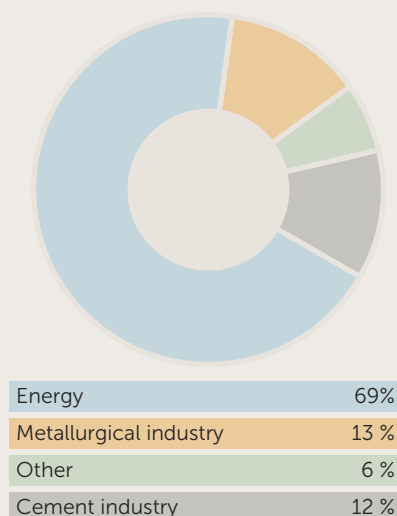
## Research and development

The company carries out product development in collaboration with established research institutions such as SINTEF, supported by the Norwegian Research Council, and with the University of Nottingham in the UK, analysing the potential for exploiting the oil content of the coal. The Norwegian Research Council is also supporting the company's project "An environmentally friendly energy solution for Svalbard – using geothermal energy", which is a collaboration with Christian Michelsen Research (CMR) and Norsar, and is a partner in the Longyearbyen CO<sub>2</sub> Lab.

Store Norske's coal sales in tonnes by country 2013



Store Norske's coal sales in tonnes by market 2013



Store Norske part-finances professorships in mining at the Norwegian University of Science and Technology (NTNU) and rock mechanics at the University Centre in Svalbard (UNIS).

Store Norske puts land, premises and infrastructure at the disposal of many research organisations, with the aim of stimulating research activity on Svalbard.

In partnership with SINTEF, Store Norske has initiated a research project to identify new areas of use and processing possibilities for the coal produced by the company, with a view both to increasing revenues and reducing the carbon footprint of coal from Svalbard. The project is supported by the Norwegian Research Council to the tune of NOK 3.5 million over three years.

## Arctic logistics

Store Norske has a 55% stake in the logistics company Pole Position Logistics AS (PPL). The company has its head office in Longyearbyen and supplies Arctic logistics services with the main focus on cargo, shipping and field logistics.

Pole Position Logistics AS collaborates closely with SNSG's procurement department to make the company's logistics operations more efficient. Pole Position is also focused on developing and strengthening its position as the leading Arctic logistics company.

Store Norske's ownership position has allowed a good starting point for further development of global logistics solutions for customers operating in Arctic areas and for dealing with the increased level of activity in the Arctic, such as prospecting for oil and gas, as well as the change in global logistics patterns arising from shrinking of the polar ice cap.

## Operating income and profit/loss, including cash flow statement

The group's turnover for 2013 totalled NOK 1,318.9 million, compared with NOK 926.1 million in 2012. Of this figure, coal sales CIF accounted for NOK 1,266.7 million, compared with NOK 877.2 million for the previous year.

The group had an operating loss of NOK 76.0 million for 2013, compared with a loss of NOK 377.9 million the previous year. The group posted a post-tax loss of NOK 64.2 million for the year, compared with a loss of NOK 233.6 million for 2012. The earnings improvement despite lower coal prices is due to higher production and sales volumes.

Net cash flow from operating activities was NOK 286.2 million, compared with a negative figure of NOK -163.5 million in 2012. The change can largely be attributed to higher operating income than for 2012, as well as items which affect the company's working capital.

## Financial information and financing

At the end of 2013, the Store Norske group had total assets of NOK 2,331.5 million, of which tangible fixed assets accounted for NOK 1,303.6 million, compared with NOK 2,274.5 million and NOK 1,008.2 million respectively in 2012.

Because the Van Mijenfjord is iced over for parts of the year, shipping can only take place between July and November. 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 2013, the company had sufficient liquidity to finance operations during the winter period without raising loans. Liquid assets increased from NOK 674.0 million to NOK 719.5 million during 2013.

NOKm	Group		SNSK		SNSG		SNB		SNG		PPL	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Operating income	1,318.9	926.1	8.3	8.1	1,284.9	895.2	46.3	30.0	0.0	0.0	49.5	30.0
Operating profit/loss	- 76.0	- 377.9	- 2.0	- 22.3	- 79.2	- 349.8	12.1	8.8	- 8.5	- 12.8	3.5	0.1
Profit/loss before tax	- 75.3	- 276.2	8.8	- 0.1	- 85.1	- 248.2	10.4	8.2	- 8.6	- 13.0	3.5	0.1
Profit/loss for the year	- 64.2	- 233.6	9.2	3.5	- 72.2	- 207.9	8.8	6.9	- 8.6	- 13.0	2.9	0.1
Investments	399.9	326.0	0.0	0.0	384.3	294.8	14.3	29.1	0.0	0.0	1.3	1.3
Investments	0.0	0.0	0.0	0.0	384.3	294.8	14.3	29.1	0.0	0.0	1.3	1.3

This increase can be attributed among other things to investments of NOK 122.6 million in the stock and bond market being freed up at the end of 2012.

At the end of 2013, the Store Norske group had long-term debt of NOK 54.9 million and a short-term debt of NOK 230.1 million.

The group's equity stood at NOK 1,491.7 million at year-end 2013, compared with NOK 1,557.5 million in 2012.

## Investments

The group's capital investment in 2013 totalled NOK 399.9 million, up from NOK 325.3 million in 2012. Of this figure, NOK 305.3 million relates to the development of the infrastructure to Lunckefjell, compared with NOK 171.8 million in 2012. The investments have been fully financed with the group's own funds.

## Financial risk

The company sells coal in a market with fluctuating prices and where sales transactions are conducted 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 optimum predictability in relation to price fluctuations, the group has a hedging strategy designed to limit the economic effects of unexpected fluctuations in the currency, coal and freight markets.

Coal prices are hedged through the hedging market. The net gain from the coal hedging contracts in 2013 was NOK 65.5 million, compared with NOK 56.7 million in 2012.

The company had hedged its net US dollar inflow for 2013. The average exchange rate attained for the year was 6.04 NOK/USD. The average exchange rate at Norges Bank for the year was 5.82 NOK/USD. At the start of 2013, the US dollar exchange rate was NOK 5.88, while at the end of the year it was NOK 6.08.

The group has credit insurance to reduce the risk on debtors.

## Health, safety and environment

Health, safety and environment (HSE) have the highest priority at Store Norske. The company's overall HSE goal is for it to operate without giving rise to any work-related personal injuries or illness. Recognition of this aim is of decisive importance for the company's work.

The number of lost-time injuries in 2013 was six, compared with 14 in 2012. The H value (number of lost-time injuries per

1 million working hours) for 2013 was 9.8, compared with 20.2 in 2012 and 9.2 in 2011. The equivalent figure for the Norwegian mining industry was 8.8% and for Norwegian industry in general 3.7%.

A working environment survey was conducted throughout the business in 2013, providing input for further work to improve the working environment.

Store Norske works actively to limit the environmental impacts of its plant and activities. A series of permits issued under the Svalbard Environmental Protection Act – several of which have been operationalised by means of a combined permit from the Norwegian Environment Agency – set strict boundaries for the environmental impacts. Among other things the permits cover mining in Svea Nord, Lunckefjell, drainage and waste in Svea, and the wash plant in Svea and associated rock waste site. There are also individual permits from the Governor of Svalbard, for example for prospecting activity and the associated core drilling and helicopter traffic.

The permits are subject to requirements concerning monitoring, reporting and follow-up surveys. Among other things, in 2013 work was carried out to survey birds in the Van Mijenfjord, from Braganzavågen bay in the east to Bellsund sound in the west. Environmental surveys have also been conducted at the head of the fjord, something which is done at five-year intervals. Both of these measures will be reported in 2014.

In 2013 an application was also submitted to the Norwegian Environment Agency to incorporate Gruve 7 in the company's operating permit under the Svalbard Environmental Protection Act. The permit is expected to be issued in the course of 2014.

A final report on the multi-year clear-up project in Longyearbyen and Adventdalen was submitted to the Governor in 2013. Further clear-up and securing of current and closed-down plant is being carried out on a systematic basis.

Total sickness absence in 2013 for the group was 5.6%. In 2012 the figure was 6.2%.

## Organisation

As of 31 December 2013, the Store Norske group had 336 employees, compared with 396 in 2012. Staff turnover in 2013 was 18.4%, compared with 8.5% in 2012. The increased turnover is due first and foremost to the workforce reduction that Store Norske implemented in 2013. As part of the cost-reduction

programme, the number of employees was reduced from 380 to 320 over the year.

The average period of employment was 9.4 years in 2013, compared with 7.8 years in 2012. The average age of the company's employees in 2013 was 42.6 years, as against 40.5 years in 2012.

About 200 of SNSG's employees in Svea work a shift/rotation system based on a 14/14 rotation on day shift or continuous shift, while 24 employees work a 7/7 rotation on day shift or continuous shift. A total of 53 employees in administration, management and Gruve 7 work a standard 5-day week. A total of 30 employees in administration and management have their main place of work in Longyearbyen, and 22 in Gruve 7, and the remainder commute weekly between Svea and Longyearbyen.

Store Norske had nine apprentices in 2013. Five trade certificates were taken during the year. In 2013, Store Norske contributed to Longyearbyen school offering tuition in technical and vocational subjects to the young people of Longyearbyen.

## Gender equality and equal opportunities

Mining has traditionally been a male-dominated industry. Store Norske has a goal of recruiting more women, but there is a low recruitment basis when advertising male-dominated roles. In 2013, the senior management team consisted of two women and six men. There are four women and four men on the company's Board of Directors.

## Discrimination

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

## Corporate social responsibility

Corporate social responsibility is an important part of Store Norske's business strategy and a strong guiding principle for the company's activities. Store Norske aims to make a positive contribution in relation to employees, owners, customers and society in general by means of measures in a number of areas.

*Report to the Storting No.13 (2010–2011) Active and Long-Term Ownership* (a Norwegian government white paper) states that one of the aims of state ownership of SNSK is to contribute to maintaining and further developing the community in Long-



yearbyen in a manner which supports the overarching objectives of Norwegian Svalbard policy. The same aims are also laid down in *Report to the Storting No. 22 (2008–2009) Svalbard*.

After the Norwegian State, SNSK is the largest landowner 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 that is for the public benefit.

The Store Norske group remains an important cornerstone underpinning the community on Svalbard and contributes to the strengthening and maintenance of a robust family-based community, despite the fact that many employees choose to spend their leisure time on the mainland. In order to encourage the company's employees and their families to choose to live in Longyearbyen, in recent years the Store Norske group has built a number of large family homes.

For the company, providing jobs and educational opportunities for spouses and partners poses a great challenge and is an important factor in helping to maintain a stable family community in Longyearbyen. As part of this effort, Store Norske has taken

the initiative, in collaboration with the Longyearbyen local government, the Norwegian Society of Engineers and Technologists (NITO), Narvik University College and other local businesses, to establish a college preparatory course in engineering subjects in Longyearbyen. Store Norske aims to step up its efforts in this sphere in the time ahead.

At any time Store Norske has up to 10 apprentices in the field of rock blasting and mining. The company also 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, equipment and expertise.

Store Norske is an important contributor to sport and culture in Longyearbyen. This is essential in order to create an attractive community for employees and their families. Store Norske also helps maintain the local, voluntary rescue preparedness effort by providing support for the Longyearbyen Red Cross rescue team.

Store Norske has carried out preliminary work to establish a mining museum and knowledge centre in one of the company's closed-down mines, Gruve 3. The company wishes to work further on these plans to develop an all-year attraction in Gruve 3 for Longyearbyen's permanent population and visitors to the town. This is being done in collaboration with partners including Svalbard Museum and the Svalbard tourism board. Store Norske wishes to work with Innovation Norway to realise the plans for a mine museum/knowledge centre in Gruve 3.

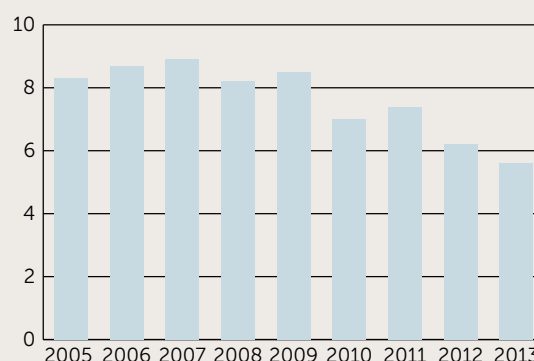
Store Norske conducted a reputation survey in 2013. Key politicians, administrations, local players, researchers, and environmental and business organisations were interviewed. Some main conclusions from the survey are that SNSK is still the key instrument in Norway's claim to sovereignty over Svalbard, and that serious accidents, incidents and breaches of environmental legislation will not be accepted.

See the Board's full corporate social responsibility statement on page 38.

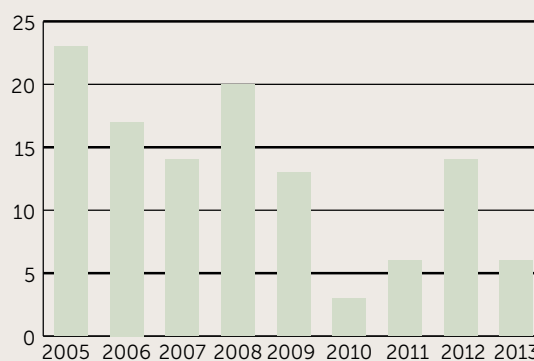
### Risk management and internal control

Store Norske is exposed to risk within a number of areas and throughout the value chain. The most important risks relate to market operations, operating activities, project implementation and framework conditions. Managing risk well is important for value creation and is an integral part of all SNSK's business acti-

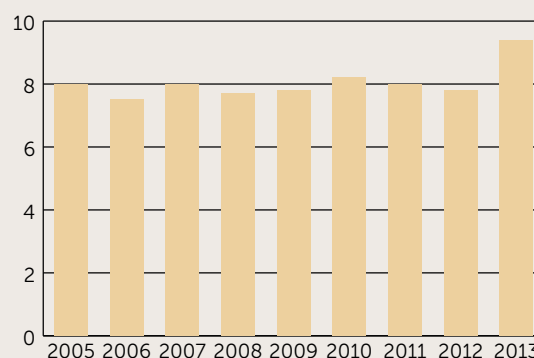
**Sickness absence rate**



**Number of lost-time injuries**



**Average length of employment**



vities. Among other things the company has risk management systems in place for oil spill protection, quality control, mine rescue, fire and emergency preparedness, and financial hedging.

The company has established an internal audit function. The purpose of this is to assist the Board and management in undertaking an independent and neutral assessment of whether the group's most critical risks are sufficiently well managed and controlled. Annual plans are prepared for the work of this function and approved by the Board. The internal control function within the group is performed by an external auditor.

In 2013, the Board revised Store Norske's ethical guidelines and corporate governance principles. A new finance strategy has also been drawn up.

The company works continuously to improve quality assurance and environmental performance.

## Outlook

Development work in Lunckefjell will continue through 2014 and normal production is expected to start in the first quarter of 2015 when the last panel in Svea Nord has been worked out. The Lunckefjell deposit is expected to yield production of 1.5–2 million tonnes per year until 2019.

Coal from Lunckefjell comes from the so-called Longyear seam and is expected to be of better quality than the coal from the tail production in Svea Nord. Approximately 60% of the deposit comprises so-called Pulverised Coal Injection coal (PCI), a product used in steel production, among other things, and which usually generates a higher sales price than coal for energy production.

Coal prices in 2013 continued the falling trend from 2012, and there is still overcapacity in the market, which is the reason for this development. Shale gas has largely overtaken coal as an energy carrier in the USA, and exports of coal from Colombia to European ports are attractive while freight rates are low.

The key factors currently affecting the price of coal are expected to continue through 2014. In the slightly longer term, the market anticipates a cautious upward trend in prices. There is also uncertainty concerning the possible frameworks for CO<sub>2</sub> certificates, and the industry is sensitive to this.

Store Norske implemented a major cost-reduction programme in 2013, cutting the workforce from 380 to 320. The company will continue these cost adjustments to ensure a cost level adap-

ted to the price range envisaged for 2014 and beyond. This is challenging because the operations in Svea generate high fixed costs. The investments being made in production equipment for Lunckefjell allow the introduction of a higher degree of automation, which will be utilised to good effect.

Store Norske will continue to step up efforts on the R&D side to find market niches where the properties of the coal generate higher value creation as a result of better fractionation and possibly extra processing before shipment. A technology collaboration with partners including SINTEF was launched in the autumn of 2013 to explore these opportunities via a development project part-financed by the Norwegian Research Council.

The implementation of the Lunckefjell project will give the company the opportunity to further develop its own resources and expertise in Arctic mining in a vulnerable environment that is subject to the most stringent environmental requirements.

In 2014 the company will continue the drilling programme at Ispallen and Bassen/Operafjellet in line with the current long-term plan. The survey process shall also increase the factual basis concerning these resources and provide an adequate decision-making basis for further work on impact analysis and preparations for possible future development. A preliminary notification for Ispallen was submitted in the first quarter of 2014.

The development of activities in the northern areas, such as oil and gas exploration, and the shrinking of the polar ice cap and changes in global logistics patterns, as well as increased investment in Arctic research, represent new areas of opportunity for Svalbard. Store Norske is positioning itself to be a strong player in this area in the future, both by means of exploiting investments in plant and equipment in Svea and Longyearbyen and by further developing the company's "Arctic expertise" for other industries.

The land owned by SNSK in Longyearbyen also represents major assets for the future, and it is important to actively manage these assets in order to exploit the opportunities they offer.

Store Norske's stake in Pole Position Logistics AS has established a good starting point for further development of global logistics solutions for customers operating in Arctic areas.

In 2013 the Lunckefjell project put these solutions to the test, with large-scale deliveries of materials from international suppliers being made to Svea in extremely challenging conditions, and successfully so.



A sustainable future requires the company to continue to adjust costs, realise more value from the coal by means of product development, and make a clear investment in exploiting the company's presence, equipment and expertise to access other business opportunities.

## Work of the Board

### Corporate governance

Good corporate governance is based on a clear relationship between the company's owners, Board of Directors and management. Good corporate governance is intended to contribute to the credibility of and confidence in the company, and also to facilitate optimum long-term value creation, in the best interests of the company's shareholders, staff and other stakeholders.

The principles for corporate governance in Store Norske shall be in accordance with the Norwegian Code of Practice for Corporate Governance (NUES) and the Norwegian State's principles for good ownership (see *Report to the Storting no. 13 (2010–2011) Active and Long-Term Ownership*).

The Board has appointed an audit committee comprising four members. The Board has also appointed a corporate social responsibility committee, which has four members.

Open and accessible communication aims to ensure that the company maintains good relations with society in general and in particular with the stakeholders affected by the business.

See the Board's full corporate social responsibility statement on page 34.

### Board meetings

The Board held ten board meetings in 2013, four of which were teleconferences and one of which was a client visit. Three of the meetings were held on Svalbard. The Board carried out a board evaluation in 2013.

### Allocation of profit for the year

The Board proposes that a group contribution of NOK 8.6 million be given to SNG from the profit for the year and that NOK 0.7 million be transferred to other reserves.

### Directors' statement and going concern assumption

In the opinion of the Board of Directors, the annual accounts give a true and fair view of the company's results through 2013 and its financial position as of 31 December 2013. The accounts have been prepared on the assumption of a going concern, and the Board confirms that this assumption is present.

### Thanks to the group's employees


The Board of Directors would like to thank all the group's employees and elected officers for their hard work and the loyalty they have demonstrated in 2013.

Longyearbyen,

31 December 2013

05 May 2014

The Board of Directors of Store Norske Spitsbergen Kulkompani AS

  
Annette Malm Justad  
Chair of the Board

  
Egil Ullebø  
Vice-Chair

  
Anne Cathrine Haadem

  
Grethe Fossli

  
Per Ole Morken

  
Arild Olsen

  
Monica Bolli

  
Alf Brun

  
Per Andersson  
CEO



*Open-pit mining site at Lunckefjell with the road across the Marthabreen glacier. Photo: Bjarki Friis*

# Profit & loss account

			NOK 1000		
Group		Parent company			
2013	2012	Note	2013	2012	
1,266,679	877,248	Coal sales CIF	2)11)	0	0
22,431	22,933	Other sales income		0	0
27,419	25,219	Lease income		8,153	7,688
2,417	706	Other operating income		144	437
<b>1,318,947</b>	<b>926,107</b>	<b>Total operating income</b>		<b>8,297</b>	<b>8,126</b>
- 125,792	- 43,562	Change in coal stocks	3)	0	0
- 357,114	- 386,268	Wages & salaries, NI contrib. & pension expenses	4)5)6)	- 1	0
- 164,058	- 115,241	Freight relating to coal sales		0	0
- 623,367	- 613,699	Other production and operating costs	4)7)8)	- 10,153	- 30,252
- 124,655	- 145,259	Depreciation/amortisation	9)	- 119	- 127
<b>- 1,394,987</b>	<b>- 1,304,028</b>	<b>Total operating costs</b>		<b>- 10,273</b>	<b>- 30,379</b>
<b>- 76,040</b>	<b>- 377,921</b>	<b>Operating profit/loss</b>		<b>- 1,977</b>	<b>- 22,253</b>
31,007	123,120	Financial income	10)	11,585	22,976
- 30,233	- 21,408	Financial expenses	10)	- 793	- 858
<b>774</b>	<b>101,712</b>	<b>Net financial items</b>		<b>10,792</b>	<b>22,118</b>
<b>- 75,266</b>	<b>- 276,209</b>	<b>Profit/loss before tax</b>		<b>8,815</b>	<b>- 135</b>
11,075	42,584	Tax	12)	426	3,682
- 65,498	- 233,675	Majority share of profit/loss		9,241	3,547
1,307	50	Minority share of profit/loss		0	0
<b>- 64,191</b>	<b>- 233,625</b>	<b>Profit/loss for the year</b>		<b>9,241</b>	<b>3,547</b>
<b>Allocation of profit/loss:</b>					
		Dividends		0	0
		Group contribution paid		8,578	0
		Other reserves		663	3,547

Longyearbyen,

31 December 2013

05 May 2014

The Board of Directors of Store Norske Spitsbergen Kulkompani AS

  
Annette Malm Jøstad  
Chair of the Board

  
Egil Ullebø  
Vice-Chair

  
Anne Cathrine Haadem

  
Grethe Fosli

  
Per Ole Morken

  
Arild Olsen

  
Monica Bolli

  
Alf Brun

  
Per Andersson  
CEO

# Balance sheet

		NOK 1000			
<b>Group</b>		<b>Parent company</b>			
<b>2013</b>	<b>2012</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>	
		<b>Fixed assets</b>			
		<b>Intangible assets</b>			
196,509	184,889	Deferred tax assets	9,839	9,412	
5,752	7,670	Goodwill	0	0	
		<b>Tangible fixed assets</b>			
346,228	340,414	Land, buildings, other real property	504	504	
708,725	455,762	Plant and machinery	75	194	
26,949	8,568	Operating equipment, fixtures & fittings, tools etc.	0	0	
		<b>Financial fixed assets</b>			
0	0	Investments in subsidiaries	242,976	242,976	
19,478	10,884	Investments in associated companies	6,923	6,923	
<b>1,303,641</b>	<b>1,008,187</b>	<b>Total fixed assets</b>	<b>260,317</b>	<b>260,009</b>	
		<b>Current assets</b>			
		<b>Goods</b>			
113,755	123,830	Stocks of operating equipment	0	0	
105,225	231,017	Coal stocks	0	0	
		<b>Receivables</b>			
56,336	103,400	Accounts receivable from customers	389	256	
30,595	11,462	Other short-term receivables	0	0	
		<b>Market investments</b>			
0	122,602	Market-based bonds, unit trusts	0	0	
		<b>Bank deposits, cash</b>			
719,513	673,975	Bank deposits, cash	3,997	502	
<b>1,025,424</b>	<b>1,266,287</b>	<b>Total current assets</b>	<b>4,386</b>	<b>758</b>	
<b>2,329,064</b>	<b>2,274,473</b>	<b>Total assets</b>	<b>264,703</b>	<b>260,767</b>	
		<b>Equity and liabilities</b>			
		<b>Equity</b>			
164,535	164,535	Share capital	164,490	164,490	
1,324,474	1,391,550	Other reserves	12,111	11,448	
2,693	1,386	Minority interests	0	0	
<b>1,491,701</b>	<b>1,557,471</b>	<b>Total equity</b>	<b>176,601</b>	<b>175,938</b>	
		<b>Liabilities</b>			
		<b>Provision for liabilities and charges</b>			
437,488	413,272	Pension commitments	0	0	
116,303	111,178	Other provisions for liabilities and charges	35,200	35,200	
		<b>Long-term liabilities</b>			
55,932	19,497	Debt to credit institutions	0	0	
		<b>Short-term liabilities</b>			
99,790	61,164	Accounts payable	6,224	6,441	
546	39	Tax payable	0	0	
20,844	23,918	Unpaid govt. charges & special taxes	0	0	
106,459	87,935	Other short-term liabilities	46,678	43,188	
<b>837,363</b>	<b>717,003</b>	<b>Total liabilities</b>	<b>88,102</b>	<b>84,830</b>	
<b>2,329,064</b>	<b>2,274,473</b>	<b>Total equity and liabilities</b>	<b>264,703</b>	<b>260,767</b>	

# Cash flow statement

## indirect model

NOK 1000				
Group		Parent company		
2013	2012		2013	2012
<b>Cash flows from operating activities</b>				
– 75,266	– 276,209	Profit/loss before tax	8,815	– 135
– 266	– 42,214	Tax paid for the period	0	0
0	– 700	Gain/loss on sale of fixed assets	0	– 700
124,655	143,342	Depreciation/amortisation	119	127
135,867	70,625	Change in stocks	0	0
47,064	– 52,902	Change in accounts receivable	– 133	– 102
38,627	– 15,558	Change in accounts payable	– 217	498
7,590	44,955	Difference between pension recognised as expense and paid in	0	0
– 8,593	– 705	Profit/loss using the equity and gross method	0	0
0	– 1,243	Increase in value of short-term investments	0	0
16,473	– 32,864	Change in other accruals	– 7,511	– 12,216
<b>286,151</b>	<b>– 163,473</b>	<b>Net cash flow from operating activities</b>	<b>1,073</b>	<b>– 12,528</b>
<b>Cash flows from investing activities:</b>				
0	5,195	Sale of tangible fixed assets	0	1,500
– 398,570	– 324,140	Purchase of tangible fixed assets	0	0
122,602	0	Sale of shares and units in other enterprises	0	0
0	– 25,799	Purchase of shares and units in other enterprises	0	– 11,275
<b>– 275,969</b>	<b>– 344,744</b>	<b>Net cash flow from investing activities</b>	<b>0</b>	<b>– 9,775</b>
<b>Cash flows from financing activities:</b>				
36,625	0	New long-term borrowings	0	0
0	0	New short-term borrowings	0	0
– 1,269	– 1,248	Repayment of existing long-term debt	0	0
0	0	Payment of dividend	0	0
0	0	Group contribution received/paid	2,422	22,000
<b>35,356</b>	<b>– 1,248</b>	<b>Net cash flow from financing activities</b>	<b>2,422</b>	<b>22,000</b>
45,538	– 509,465	Net change in cash and cash equivalents	3,495	– 303
673,975	1,183,440	Cash and cash equivalents at beginning of period	502	805
<b>719,513</b>	<b>673,975</b>	<b>Cash and cash equivalents at close of period</b>	<b>3,997</b>	<b>502</b>

# Notes to the accounts

## **Note 1** Accounting policies

The annual accounts have been prepared in accordance with Norwegian accounting rules and standards, and with accounting principles generally accepted in Norway. All figures are stated in NOK 1,000 unless otherwise specified. Amounts in foreign currencies are stated separately.

### **Use of estimates**

The preparation of accounts in accordance with the Norwegian Accounting Act requires the use of estimates. Further, the application of the accounting policies adopted by the company requires the management to exercise discretionary judgement. Areas where there is a great deal of discretionary judgement required, where a high degree of complexity is involved or areas where assumptions and estimates are of material importance for the annual accounts are described in the Notes.

### **Consolidated accounts**

The consolidated accounts cover the parent company Store Norske Spitsbergen Kulkompani AS and its subsidiaries and associated companies. An overview of the companies is provided in Note 13. Subsidiaries are companies where the parent company has control, and thus the controlling interest regarding the entity's financial and operational strategy, normally by owning more than half of the voting shares. Companies in which the parent company has investments with 20–50% ownership of voting shares and significant interest are defined as associated companies.

The abbreviated names of the companies are:

#### **Parent company / Subsidiaries**

SNSK – Store Norske Spitsbergen Kulkompani AS  
SNSG – Store Norske Spitsbergen Grubekompani AS  
SNB – Store Norske Boliger AS  
SNG – Store Norske Gull AS  
PPL – Pole Position Logistics AS

#### **Associated companies:**

Materiallageret AS  
Lompensenteret AS

### **Measurement and classification principles**

#### **Revenue recognition**

Sale of goods and services is measured at the fair value of the compensation, net, after discounts and other deductions. Sale of goods is recognised in income when an entity within the group has delivered its products to the customer and there are no unfulfilled obligations which may affect the customer's acceptance of the delivery. Delivery is not made until the products have been dispatched to the agreed upon place and the risk of loss and obsolescence has been transferred to the customer. Revenues from services rendered are recognised when they are completed.

#### **Classification of balance sheet items**

Assets intended for permanent ownership or use are classified as fixed assets. Assets connected with the flow of goods are classified as current assets. Accounts receivable are otherwise classified as current assets if they fall due within one year. Analogous criteria are applied to debt. The first year's instalments on long-term receivables and long-term debt are nevertheless not classified as current assets and short-term debt.

#### **Accounting policies for shares in subsidiaries and associated companies**

Subsidiaries are measured in the company accounts according to the cost convention. Investments are measured at the acquisition cost of the shares unless a write-down has been required. Write-downs to fair value are made when impairment is attributed to reasons which cannot be described as temporary and where deemed necessary according to good accounting practice. Write-downs are reversed when the reason for the write-down no longer exists.

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

Associated companies are measured in the company accounts according to the cost convention. Associated companies are accounted for in the consolidated accounts using the equity method. 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 and loss account the share of profit/loss is shown under Financial items.

### **Consolidation principles**

Subsidiaries are consolidated from the time control is transferred to the group (the acquisition date).

In the consolidated accounts the item 'Shares in subsidiaries' is replaced by the subsidiary's assets and liabilities. The consolidated accounts are prepared as though the group were a single economic entity. Transactions, unrealised earnings and intra-group balances are eliminated.

Acquired subsidiaries are accounted for in the consolidated accounts based on the acquisition cost to the parent company. Acquisition cost is assigned to identifiable assets and liabilities in the subsidiary, which is carried in the consolidated accounts at fair value at the date of acquisition. Any excess beyond what is attributable to identifiable assets and liabilities is reported in the balance sheet as goodwill. Goodwill is treated as a residual and is accounted for in the balance sheet at the share that was observed in the acquisition transaction. Excess value in the consolidated accounts is amortised over the expected economic life of the acquired assets.

### **Stocks**

Coal stocks are measured at the lower of total coal production costs and net realisable value. Stocks of operating equipment and spare parts are measured at the lower of cost and estimated fair value.

### **Goodwill**

Goodwill has arisen in connection with the acquisition of a subsidiary. Goodwill is amortised on a straight-line basis over the expected useful life of the asset.

### **Tangible fixed assets**

Land is not depreciated. Other tangible fixed 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 economic life of the operating asset. Maintenance of operating assets is charged as expense in the current period under Operating costs. Upgrades and improvements are added to the cost price of the operating asset and depreciated at the same rate as the asset. The difference between maintenance and upgrade/improvement is calculated in relation to the condition of the asset at the time of acquisition.

### **Write-down of fixed assets**

If there is an indication that the carrying amount of a fixed asset in the balance sheet exceeds its fair value, a test for impairment is carried out. The test is performed for the lowest level of fixed

asset that has independent cash flows. If the balance sheet value exceeds both the sales value and the recoverable amount (present value with continued use/ownership), the asset is written down to the higher of the sales value and the recoverable amount.

Previous write-downs, with the exception of goodwill, are reversed if the assumptions for the write-down are no longer present.

### **Other long-term share investments**

Investments in other shares are accounted for according to the cost convention. Distributions are accounted for as financial income when the distribution has been approved. If the distributions exceed the share of retained profits after the acquisition, the excess is carried to reduce the cost price.

### **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 hedge future income. For accounting purposes, financial instruments are classified as hedging instruments. Financial instruments used to hedge future receipts and payments are not entered in the accounts.

### **Market investments**

Market investments comprise investments in unit trusts and bonds. This portfolio is considered to be for short-term investment for trading purposes and is carried at fair value. Changes in unrealised exchange gains and losses are recognised under Financial items in profit or loss immediately together with other investment returns.

### **Cash flow statement**

The statement of cash flows is prepared according to the indirect method. Cash and cash equivalents comprise 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 liabilities in foreign currencies**

Receivables and liabilities in foreign currencies that are not hedged are carried at the exchange rate prevailing at year-end.

### **Liabilities**

Liabilities, with the exception of some provisions for charges and liabilities, are carried in the balance sheet at the nominal amount of the debt.

## Mine development costs

The costs of preliminary mine development and facilitating coal extraction from new coal fields are expensed in line with production. Facilitating extraction in new coal fields includes moving longwall equipment from one coal panel to the next.

## Exploration costs

The costs of surveying for future deposits are expensed as incurred.

## Pension commitments

The group has various pension schemes covering all its employees. The company has both defined-contribution pension schemes and defined-benefit pension schemes.

### Defined-contribution pension schemes

In a defined-contribution scheme, the company pays contributions to an insurance company. The company has no further payment obligation once the pension contributions are paid. The contributions are accounted for under Wages and salaries. Any pre-paid contributions are carried as an asset in the balance sheet (pension fund assets) to the extent the contribution can be refunded or reduce future payments into the scheme.

### Defined-benefit pension schemes

A defined-benefit pension scheme is a scheme that is not a defined-contribution pension scheme. Typically, a defined-benefit scheme is a scheme that defines the pension that an employee will receive upon retirement. The pension paid out is normally

dependent on several factors, such as age, the number of years of service, and salary. The pension commitment carried in the balance sheet related to defined-benefit schemes is the present value of the defined benefits on the balance sheet date less the fair value of the pension fund assets (amounts paid to the insurance company) adjusted for variance estimates not recognised in profit or loss and expenses not recognised in profit or loss related to previous periods' vesting of benefits. The pension commitment is calculated annually by an independent actuary based on a straight-line accrual method for benefits. No provision is made for employer's contribution, as Svalbard is not subject to this charge.

Changes to the cost of pension schemes are amortised over the expected remaining vesting period. With respect to variance estimates made as a result of new information or changes in the actuarial assumptions, the group has chosen to employ the possibility of recognising directly in equity the annual variance estimate from the regular cost of the scheme.

## Tax

The tax charge for the year is computed on the basis of the year's accounting result. It comprises both the tax payable for the period and the change in deferred tax/tax assets. Deferred tax/tax assets are computed on the basis of differences between the carrying amounts of assets and liabilities and their tax base. Deferred tax assets are recognised in the balance sheet if it is deemed more likely than not that the asset can be used in a later tax period. Deferred tax and deferred tax assets that can be recognised in the balance sheet are stated net in the balance sheet.

## Note 2 Revenue, group

### Coal sales CIF

	2013	2012
Coal sales	1,272,907	882,585
Coal export tax	- 6,227	- 5,337
<b>Total</b>	<b>1,266,679</b>	<b>877,248</b>

### Coal sales CIF split by markets and customer groupings:

Tonnes	Metallurgical industry			Other industry	2013	2012
	Energy	Cement				
Svalbard	25,261				25,261	21,777
Norway		41,638			41,638	17,733
Denmark	240,712				240,712	205,063
Sweden	5,668				5,668	0
Netherlands	76,301		243,259		319,560	33,204
Germany	622,546		29,473	133,353	785,372	499,539
Poland	118,720				118,720	0
Belgium					0	80,144
England	152,945				152,945	145,220
France	156,583	51,550			208,133	82,507
Spain	76,334		3,004		79,338	240,467
Estonia		10,688			10,688	0
Turkey		146,386			146,386	0
<b>Tonnes 2013</b>	<b>1,475,070</b>	<b>250,262</b>	<b>275,736</b>	<b>133,353</b>	<b>2,134,421</b>	
<b>Tonnes 2012</b>	<b>1,127,665</b>	<b>100,240</b>	<b>74,721</b>	<b>23,028</b>		<b>1,325,654</b>



**Note 3** Stocks**Coal stocks – group**

Coal stocks are measured at the lower of net sales income and total coal production costs. At year-end 2013, the lowest variable production cost was measured at NOK 450 per tonne.

	2013		2012	
	Tonnes	NOK	Tonnes	NOK
Coal stocks, Longyearbyen	13,806	6,213	6,677	3,004
Coal stocks, Svea	220,028	99,013	506,695	228,013
<b>Total coal stocks</b>	<b>233,834</b>	<b>105,225</b>	<b>513,372</b>	<b>231,017</b>

**Stocks of operating equipment**

Stocks of operating equipment 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					
	2013			2012		
	Cost price	Written down	Book value	Cost price	Written down	Book value
Consumables	195,975	– 137,213	58,761	114,583	– 55,887	58,695
Spare parts	108,090	– 53,097	54,993	188,586	– 123,451	65,135
<b>Total operating equipment</b>	<b>304,065</b>	<b>– 190,310</b>	<b>113,755</b>	<b>303,169</b>	<b>– 179,338</b>	<b>123,830</b>

**Note 4** Remuneration to senior executives etc.

The Board of Directors has adopted an executive pay statement describing the Store Norske group's policy with respect to setting executives' pay and other remuneration to the group's senior executives. The executive pay statement defines the main principles at Store Norske for setting remuneration, variable pay, pension benefits and post-employment benefit schemes. Store Norske's executive pay policy complies with the guidelines for state-owned enterprises.

Fixed pay among senior executives is viewed as competitive, but not as wage-leading in the sector. The further growth and profitability of the company depends on the efforts of employees to secure the continuous development of the business and improvement of profitability, and the fixed pay element is intended to contribute to this.

The fixed pay (gross annual salary before tax) is intended to be the main element of executive pay. Increases in fixed pay are expected to be moderate in both 2013 and 2014.

The company does not operate variable pay or incentive schemes for senior executives, and there is no post-employment benefit scheme for management or senior executives.

The Board carries out regular reviews of the group's pension schemes to ensure they are reasonable and balanced.

	2013	2012
<b>Remuneration to CEO</b>		
Salary	1,983	1,695
Other taxable benefits	110	100
Pension benefits at age 67	125	0
Defined-contribution pension at age 67	26	58
<b>Directors' fees</b>	<b>1,345</b>	<b>1,189</b>

The CEO does not have a severance pay or bonus scheme. The annual salary paid to the CEO in 2012 was NOK 1.85 million. This year's salary was lower due to the absence of accrued holiday pay, as the CEO joined the company on 1 January 2012.

	Group		Parent company	
	2013	2012	2013	2012
Statutory audit	673	668	48	52
Tax consultancy service/tax assessments	77	55	11	11
Other assistance, auditor	34	125	9	15
Other assistance, auditing firm*	0	1,055	0	0

\*Other assistance from auditing firm relates to contract audit and due diligence.

**Note 5** Specification of wages, salaries and social security costs

	Group		Parent company	
	2013	2012	2013	2012
Wages and salaries	286,370	299,391	0	0
Pension costs	52,004	68,879	0	0
Other remuneration	18,739	17,998	- 1	0
<b>Total</b>	<b>357,114</b>	<b>386,268</b>	<b>- 1</b>	<b>0</b>

There were no employees in SNSK in either 2013 or 2012. The parent company purchases services from SNSG, which also sells services to other companies in the Store Norske group.

The group employed 419 full-time equivalents in 2013, compared with 442 in 2012. 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 352 people, 34 of whom have taken early retirement. There are 144 persons in receipt of an ordinary pension, 88 of whom receive a retirement pension, 31 a spouse's pension, six a children's pension and 19 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. The reason for this is that the pension cost should be expensed 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 provision made in the accounts using the same principles as for the ordinary retirement pension scheme from age 67.

Employees resident in Finland linked to Store Norske Gull are covered by a separate pension scheme under Finnish law.

In the autumn of 2009, SNSG offered an early retirement pension from age 55 to staff with more than five years' service. These persons have been taken out of the ordinary actuarial calculations and separate provision has been made for them.

To avoid large fluctuations in pension costs in the profit and loss account, the annual change in estimate variances is recognised directly in equity.

As of 31 December 2013, the company had a net pension commitment recognised in the balance sheet totalling NOK 437.5 million relating to the various insurance schemes.

Net pension costs	2013		
	Secured	Unsecured	Total
Present value of the year's pension contributions	28,395	23,079	51,473
Actuarial loss (gain) recognised in profit/loss	0	0	0
Effect of change in cost of schemes recognised in profit/loss	0	0	0
Net pension cost, pension schemes	28,395	23,079	51,473
Pension cost, employees Finland	206	0	206
Pension cost, PPL	323		322
<b>Total net pension cost</b>	<b>28,924</b>	<b>23,079</b>	<b>52,004</b>

Net pension commitment	2013		2012	
	Secured	Unsecured	Secured	Unsecured
Accrued pension commitments (DO)	511,218	229,179	476,241	207,107
Pension fund assets (at market value)	309,614		276,782	0
Accrued pension commitments (DBO)	- 201,604	- 229,179	753,023	207,107
Net pension comm. recog. in balance sheet – pension scheme	- 201,604	- 229,179	- 199,460	- 207,107
Net pension comm. recog. in bal. sheet – age 55 scheme 2009	- 6,705	0	- 6,705	0
Net pension commitment recog. in balance sheet	- 208,309	- 229,179	- 206,165	- 207,107

<b>Economic assumptions:</b>	<b>2013</b>	<b>2012</b>
Discount rate	3.90%	3.90%
Expected return on pension assets	3.25%	4.00%
Annual expected wage increase	3.50%	3.50%
Annual expected adjustment to basic state pension	3.25%	3.25%
Annual expected adjustment to current pension	3.25%	3.25%
Expected rate of voluntary exit before age 40	6.00%	6.00%
Expected rate of voluntary exit after age 40	1.00%	1.00%

The company has switched from applying the interest rate on Norwegian government bonds to using the interest rate on covered bonds. The variance estimate is recognised directly in equity and appears in Note 20.

### **Note 7** Related party transactions

The parent company purchases administrative services from SNSG. The administrative services purchased in 2013 amount to NOK 5.2 million, compared with NOK 3.6 million in 2012.

### **Note 8** Other production and operating costs

Operating costs for the parent company are chiefly consultancy fees, IT costs and purchased services. The item also includes maintenance and mining claim tax. For the Store Norske group, operating costs consist of production costs at Svea, production costs at Gruve 7, administrative costs, insurance premiums and mining claim tax. NOK 2.2 million of the operating costs relate to research and development, compared with NOK 3.2 million in 2012.

### **Note 9** Tangible fixed assets

<b>Parent company</b>	<b>Machinery, fixtures, transport resources</b>	<b>Buildings</b>	<b>Land</b>	<b>Total</b>
Acquisition cost at 01.01.2013	887	6,325	504	7,716
Additions in the year				0
Disposals in the year (sold/scrapped)				0
Reclassification				0
<b>Acquisition cost at 31.12.2013</b>	<b>887</b>	<b>6,325</b>	<b>504</b>	<b>7,716</b>
Accum. depreciation at 01.01.2013	693	6,325		7,018
Reversed accum. depreciation on sale/scraping				0
Depreciation for the year	119			119
<b>Book value as of 31.12.2013</b>	<b>75</b>	<b>0</b>	<b>504</b>	<b>579</b>
<b>Estimated deprec./life</b>	<b>7 years</b>	<b>10–20 years</b>		

<b>Group</b>	<b>Machinery, fixtures, transport resources</b>	<b>Buildings</b>	<b>Technical plant</b>	<b>Mines, land</b>	<b>Plant under construction</b>	<b>Total</b>
Acquisition cost at 01.01.2013	49,118	471,935	657,497	952,058	200,799	2,331,407
Additions in the year	23,514	16,151	37,994	13,288	308,949	399,895
Disposals in the year (sold/scrapped)	0	0	0	0	0	0
Reclassification	3,915	21,169	- 79,087	63,276	- 9,274	0
<b>Acquisition cost at 31.12.2013</b>	<b>76,548</b>	<b>509,254</b>	<b>616,404</b>	<b>1,028,622</b>	<b>500,475</b>	<b>2,731,303</b>
Accum. depreciation at 01.01.2013	44,171	149,161	417,414	915,919	0	1,526,664
Reversed accum. depr. on sale/ scraping	0	0	0	0	0	0
Depreciation for the year	6,359	27,498	46,797	42,082	0	122,737
<b>Book value as of 31.12.2013</b>	<b>26,018</b>	<b>332,595</b>	<b>152,193</b>	<b>70,621</b>	<b>500,475</b>	<b>1,081,902</b>
<b>Estimated deprec./life</b>	<b>3–5 years</b>	<b>6–10 years</b>	<b>5–10 years</b>	<b>3–15 years</b>		

The mine is depreciated on the basis of the year's 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.

Plant under construction relates to the construction of a quay in Longyearbyen and the mining facility at Lunckefjell. Goodwill relates to the acquisition of Pole Position Logistics AS and is amortised over 5 years. Depreciation for the year is NOK 1.9 million.

**Note 10** Financial items

Financial income	Group		Parent company	
	2013	2012	2013	2012
Interest income	12,369	23,608	105	99
Foreign exchange gains	9,474	96,598	0	1
Share dividend/income from investment, assoc. company	9,163	1,671	480	876
Group contribution	0	0	11,000	22,000
Increase in value of short-term investments	0	1,243	0	0
<b>Total financial income</b>	<b>31,007</b>	<b>123,120</b>	<b>11,585</b>	<b>22,976</b>

Financial expenses	Group		Parent company	
	2013	2012	2013	2012
Interest costs	18,357	9,237	1	4
Foreign exchange losses	5,398	12,167	0	0
Interest received from group companies	0	0	792	852
Other financial expenses/unrealised losses	6,478	4	0	2
<b>Total financial expenses</b>	<b>30,233</b>	<b>21,408</b>	<b>793</b>	<b>858</b>

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

As of 31 December 2013 the following currency contracts had been entered into:

Year	Contracts USD million	Average rate	Barrier	Options USD million	Average rate	Barrier
2014	105.0	5.90	6.50	10.0	5.95	6.40
2015	82.5	6.10	6.79	17.5	6.25	7.12
2016	70.0	6.26	7.02	10.0	6.50	7.56
2017	30.0	6.41	7.25	10.0	6.58	7.65

The average exchange rate achieved in 2013 was 6.04 NOK/USD. The average exchange rate at Norges Bank for the year was 5.88 NOK/USD. The spot rate at 31 December 2013 was 6.08 NOK/USD.

Forward transactions are carried out at a minimum rate and with an upper barrier. If the barrier is breached, the company is obliged to sell at the minimum rate. Options are entered into with an obligation to sell but no entitlement.

**Coal price hedging**

At year-end 2013, the company had entered into the following transactions to hedge coal prices:

Year	Tonnes	Average price in USD per tonne	Average rate market price at 31.12.2013
2014	275,000	123	83
2015	50,000	127	88

In 2013 a quantity of 275,000 tonnes of coal was hedged at a price of USD 120 per tonne for the period August to December. The average spot price in the same period was USD 85 per tonne. The hedge gain for 2013 was NOK 65.5 million. As these are transactions to hedge coal sale contracts, the gain is recognised as part of the revenue from coal sales.

## Oil

At year-end 2013, the company had entered into the following transactions to hedge oil prices:

Year	Metric tonnes	Average price USD per metric tonne	Average rate market price at 31.12.2013
2014	4,136	619	595

## Freight

At year-end 2013, the company had entered into the following transactions to hedge freight prices:

Year	Days	Average price USD per day	Average rate market price at 31.12.2013
2016	300	15,150	11,810

The company has exercised the option to extend the freight contract with Norden DS. Hedging of freight prices in the paper market will therefore be superfluous. The unrealised loss at the end of the year has been expensed in 2013.

## Note 12 Tax cost

	Group		Parent company	
	2013	2012	2013	2012
<b>Temporary differences</b>				
Fixed assets	- 333,756	- 287,330	- 4,178	- 4,309
Current assets	- 147,472	- 224,289	- 20	- 20
Capital gain and loss account	- 6,223	- 8,277	- 6,223	- 8,277
Accounting provisions	- 123,396	- 147,034	- 40,648	- 40,608
Pension commitment	- 437,488	- 413,272	0	0
Net temporary differences	- 1,048,335	- 1,080,202	- 51,069	- 53,214
Loss carry-forward	- 290,877	- 177,806	- 10,423	- 5,613
<b>Base for deferred tax asset</b>	<b>- 1,339,212</b>	<b>- 1,258,008</b>	<b>- 61,492</b>	<b>- 58,827</b>
16% deferred tax asset	- 214,274	- 201,281	- 9,839	- 9,412
Of which, deferred tax asset not recog. in balance sheet	17,765	16,392	0	0
<b>Deferred tax in balance sheet</b>	<b>- 196,509</b>	<b>- 184,889</b>	<b>- 9,839</b>	<b>- 9,412</b>
<b>Base for tax charge, change in deferred tax and tax payable</b>				
<b>Base for tax payable</b>				
Profit/loss before tax	- 75,266	- 276,209	8,815	- 135
Permanent differences	- 6,845	2,070	- 11,480	- 22,875
Base for tax charge on profit/loss for the year	- 82,111	- 274,139	- 2,665	- 23,010
Change in temporary differences	- 31,371	187,244	- 1,647	9,249
<b>Base for tax payable in profit and loss account</b>	<b>- 113,482</b>	<b>- 86,895</b>	<b>- 4,312</b>	<b>- 13,761</b>
+/- Group contribution received/paid	0	0	0	8,149
<b>Taxable income (base for tax payable in balance sheet)</b>	<b>- 113,482</b>	<b>- 86,895</b>	<b>- 4,312</b>	<b>- 5,612</b>
<b>Reconciliation of tax charge for the year</b>				
Tax payable	546	39	0	0
Change in deferred tax assets	- 11,620	- 41,821	- 426	- 2,378
Tax on group contribution	0	0	0	- 1,304
Correction of prior-year error	- 1	- 802	0	0
<b>Tax charge</b>	<b>- 11,075</b>	<b>- 42,584</b>	<b>- 426</b>	<b>- 3,682</b>
<b>Tax payable in balance sheet</b>				
Tax payable in tax charge	546	39	0	0
<b>Tax payable in balance sheet</b>	<b>546</b>	<b>39</b>	<b>0</b>	<b>0</b>

**Note 13** Shares

	Head office	%	Group		Parent company	
			2013	2012	2013	2012
<b>Subsidiary</b>						
SNSG	Svea mine	100	0	0	150,115	150,115
SNB	Longyearbyen	100	0	0	79,586	79,586
SNG	Longyearbyen	100	0	0	2,000	2,000
PPL	Longyearbyen	55	0	0	11,275	11,275
<b>Associated companies</b>						
Materiallageret AS	Longyearbyen	32	4,701	4,366	2,880	2,880
Lompensenteret AS	Longyearbyen	50	4,888	4,518	3,500	3,500
<b>Profit/loss for the year for the year acc. to equity method</b>						
Materiallageret AS	Longyearbyen	32	68	335	0	0
Lompensenteret AS	Longyearbyen	50	8,525	370	0	0
<b>Other shares</b>						
Svea Tankanlegg AS	Svea mine	15	752	752	0	0
TIL Holding AS	Tromsø		543	543	543	543
<b>Total shares</b>			<b>19,478</b>	<b>10,884</b>	<b>249,889</b>	<b>249,899</b>
<b>Total financial fixed assets</b>			<b>19,478</b>	<b>10,884</b>	<b>249,899</b>	<b>249,899</b>

The shares are recognised at cost in the company accounts, while in the consolidated accounts 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** Other short-term liabilities

	2013	2012
<b>Parent company</b>		
Debt SNSG	37,870	42,959
Debt SNSG	8,578	0

For the group, short-term liabilities concern salaries and holiday pay due as well as provisions for accrued costs.

**Note 15** Accounts receivable from customers

	Group		Parent company	
	2013	2012	2013	2012
Accounts receivable from customers (net) at 31.12	56,336	103,400	389	256
Bad debt recognised in accounts	31	24	0	0
Change in provision for future losses	0	1,348	0	0
Bad debt provisions as of 31.12	2,320	2,403	20	20

The group's provisions for bad debts are considered adequate to cover possible future losses.

## Note 16 Market investments

This item comprises short-term investments in unit trusts and bonds. The investments were carried at market value at year-end.

Group	2013	2012
Acquisition cost	0	118,007
Share of return reinvested	0	3,352
Unrealised change in value	0	1,243
Fair value	0	122,602

## Note 17 Bank deposits, cash

	Group		Parent company	
	2013	2012	2013	2012
Cash	5	6	0	0
Bank deposits	698,731	650,166	3,997	502
Withholding tax	20,777	23,803	0	0
<b>Total</b>	<b>719,513</b>	<b>673,975</b>	<b>3,997</b>	<b>502</b>

## Note 18 Liabilities

The parent company had no debt to credit institutions as of 31.12.2013

### Group

Type of loan	2013	2012
Mortgages, Pole Position Logistics	1,080	0
Mortgages, residential properties	18,228	19,497
Serial loans, residential properties	36,625	0
<b>TOTAL SECURED DEBT</b>	<b>55,932</b>	<b>19,497</b>
Debt which falls due for payment more than 5 years after the end of the financial year	42,431	12,689
<b>Book value of pledged assets:</b>	80,901	41,788
<b>Type of loan</b>		
Balance on overdraft facility	0	0
Overdraft facility, credit limit	402,000	400,000
Investment loans The loan was unutilised as at 31.12.2013	500,000	0
<b>Book value of security for credit facility:</b>		
Tangible fixed assets	777,922	499,947
Shares	752	752
Stocks	218,980	354,848
Accounts receivable from customers	49,561	100,211

The increase in mortgage loans relates to loans for the purchase of new homes in SNB AS.

The company has also pledged as security Title 12 Indre Lågfjord and Mining claims in the Svea area and around Gruve 7.

### Guarantees

The group has issued a guarantee for NOK 4 million to Norsk Romsenter Eiendom AS to cover the costs of a possible breakage/failure of submarine fibre cables to the mainland. The group has also furnished a guarantee for NOK 50,000 to the Governor of Svalbard.

**Note 19** Provision for liabilities and charges

Provision for liabilities and charges consists of provisions for environmental measures and estimated clear-up costs.

The parent company has made provision of NOK 35.2 million for clearing up the site around the mine and plant in Longyearbyen, while SNSG AS has made provision of NOK 81.1 million for future closing down/clear-up costs in Svea.

	Group		Parent company	
	2013	2012	2013	2012
Clear-up operations	116,303	111,178	35,200	35,200
<b>Total</b>	<b>116,303</b>	<b>111,178</b>	<b>35,200</b>	<b>35,200</b>

**Note 20** Equity

	Group				Parent company		
	Share capital	Other reserves	Minority interest	Total	Share capital	Other reserves	Total
Equity 01.01.2013	164,535	1,391,550	1,386	1,557,471	164,490	11,448	175,938
Profit/loss for the year	0	- 65,498	1,307	- 64,191	0	9,241	9,241
Provision for group contribution	0	0	0	0	0	- 8,578	- 8,578
Variance estimates for the year, pensions	0	- 1,579	0	- 1,579	0	0	0
<b>Equity at 31.12.2013</b>	<b>164,535</b>	<b>1,324,474</b>	<b>2,693</b>	<b>1,491,701</b>	<b>164,490</b>	<b>12,111</b>	<b>176,601</b>

**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 the largest shareholders at 31 December 2013:

Pension costs	No. of shares	Percentage share
The Norwegian State	328,782	99.9
P. Juls Sandvik AS	33	
Fredrik W. Hjort Enger	33	
Morten Samuelsen	20	
Christiania Minekompani AS	20	





Surveying of drill hole on the Høganesbreen glacier. Photo: Bjarki Friis

# Appendix 1

## Store Norske's Corporate Governance Principles

Good corporate governance is based on a clear relationship between the company's owners, Board of Directors and management. Good corporate governance is intended to contribute to the credibility of and trust in the company, and to facilitate optimum long-term value creation, in the best interests of the company's shareholders, staff, and other stakeholders.

The principles for corporate governance in Store Norske shall be in accordance with the Norwegian Code of Practice for Corporate Governance (NUES) and the Norwegian State's principles for good ownership (see *Report to the Storting no. 13 (2010–11) Active and Long-Term Ownership*).

The principles set out in this document apply for all the companies which are part of the Store Norske group.

### **Vision and core values**

The company's vision is to be the leader in environmentally friendly resource exploitation in the Arctic regions.

Store Norske's core values govern our actions as a business and guide the conduct of our employees. Our core values – responsibility, team spirit and belonging – define our value base and reflect a balanced approach to everything we do.

Open and accessible information and communication shall ensure that the company maintains good relations with society at large and in particular with the stakeholders affected by the company's operations.

The company's ethical guidelines concretise the company's business principles and what they imply in terms of what is expected of the staff and elected officers. These ethical guidelines are published on the company's website at <http://www.snsk.no>

### **The company's business**

Store Norske is organised as a corporate group of which Store Norske Spitsbergen Kulkompani AS (SNSK) is the parent company. The company's objects are to carry on the business

of coal mining or by other means exploit the company's lands, properties and rights on Svalbard. The company may also participate in and operate any other business related thereto. The company may exploit its expertise in environmentally friendly resource exploitation on Svalbard, and in Finnmark and Troms on the Norwegian mainland.

The company's mining operations are organised through its wholly owned subsidiary Store Norske Spitsbergen Gruvekompani AS (SNSG), whose objects are to operate a coal mining and production business on Svalbard and any other business related thereto.

The group owns and lets out residential property through its wholly owned subsidiary Store Norske Boliger AS (SNB).

Store Norske Gull AS (SNG) represents the group's business venture in prospecting for gold and other mineral deposits. All surveying, exploration and extraction of minerals shall be effected with respect for the landscape and cultural environments.

Through Store Norske's ownership structure, its accountability to the Norwegian Storting and in its articles of association, the group is subject to certain restrictions. No mortgage or other charge may be granted over the parent company's lands, properties or rights on Svalbard. The company does not have the right to sell land on Svalbard. The company does not have the right to lease land to non-Norwegian citizens or companies without the Norwegian government's consent. The company is obliged to grant public authorities access to the company's ports and facilities unless this causes significant inconvenience to the company's own operations.

In addition to operating a profitable business in the market, the company has a special societal responsibility for helping to maintain and develop the community in Longyearbyen in a way which supports and underpins the overarching objectives of Norwegian Svalbard policy.

## Share capital and dividend

Coal mining is a capital-intensive activity in itself, coupled with the fact that Store Norske operates in Arctic regions, which makes particular demands of investments in terms of both environmental and climatic conditions. Because of its location and the restrictions Arctic conditions impose on shipping coal to the market, the company periodically has a significant requirement for working capital.

The company sells its products in a market which sees big fluctuations in market prices, and as a consequence must expect to experience significant periodic fluctuations in profitability.

In the opinion of the Board of Directors, these factors require the company to seek to ensure that it has a solid amount of equity so as to permit the business to remain vigorous in the long term.

The company's dividend policy must balance the owners' dividend expectations with the company's need for equity and its need to have sufficient financial resources to develop the company further.

## Shareholders

Store Norske Spitsbergen Kulkompani AS has share capital of NOK 164.5 million divided into 328,980 shares, with a nominal value of NOK 500.00 each. All shares are of the same class and thus carry the same rights.

The company has a total of 41 shareholders. The largest shareholder, the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, owns 328,782 shares. The other shareholders own between 33 shares and 1 share each. It is a fundamental principle that all shareholders are treated equally and have the same access to representation in the company's governing bodies.

## Freely negotiable shares

The shares in the company are freely negotiable. All transfer of shares requires the approval of the Board of Directors.

## The General Meeting

The ordinary general meeting (annual general meeting) is held by the end of June each year in Oslo. The annual general meeting is called by sending notice in writing to all shareholders with known address, and the notice of meeting shall be sent out no later than two weeks prior to the general meeting. It may be determined in the notice of meeting that shareholders wishing

to attend the annual general meeting are required to give notice to that effect by a deadline stated in the notice of meeting. The deadline may not expire any earlier than three days prior to the annual general meeting.

## Election committee

The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder in Store Norske, holding more than 99% of the shares. For this reason, Store Norske does not appoint an election committee. The ownership department in the Ministry nominates candidates to stand for election among the shareholder-elected members of the Board of Directors. Members of the Board of Directors are normally elected for a period of two years. The Ministry nominates a candidate to stand for election as Chair of the Board of Directors, but the Board constitutes itself.

## Corporate assembly and Board of Directors

The Board of Directors of Store Norske consists of eight members, who each serve for a period of two years. Three members of the Board are elected by and from among the staff according to the rules in the Norwegian Companies Act and based on the agreement that the company shall not have a corporate assembly. The other members are elected by the annual general meeting.

## Work of the Board

The Board is responsible for administering the company and is required to ensure a satisfactory organisation of the business. It is the Board's duty to oversee the operation of the business in accordance with the company's objects, articles of association, business principles, core values and ethical guidelines.

The governance manual for the Board of Directors of Store Norske Spitsbergen Kulkompani AS provides guidelines for the Board's work and procedures. The governance manual also defines the duties of the CEO and his or her duties in relation to the Board.

The Board shall provide necessary guidelines for the operation of the business and the work of the company's management, and shall determine the strategy, financial planning and budget, and approve the annual accounts for the company. The Board shall keep itself informed of the company's financial position, and has a duty to ensure that the company's operations, accounting and asset management are subject to satisfactory controls.

The Board shall furthermore supervise the day-to-day management and operations of the company in all other respects, and

ensure that the company has adequate equity at all times on the basis of the risk attached to and scope of the company's business activities.

The Board appoints the CEO. The CEO is responsible for heading the day-to-day management of the company and shall follow the guidelines and directions given by the Board. The CEO is responsible for the organisation of the Store Norske group, but all changes of a material or fundamental nature shall be presented to the Board before implementation.

The Board carries out an annual assessment of the CEO's work and competence.

The Board of Store Norske prepares an annual plan of work and generally holds about six board meetings during the year, at least two of which are held on Svalbard.

The Board is also responsible for calling the annual general meeting and for preparing the meeting agenda in accordance with the provisions of the Norwegian Companies Act and Store Norske's articles of association.

The Chair of the Board has a special responsibility to ensure that the Board functions satisfactorily and performs its duties as well as possible. The Board shall consider business at meetings of the Board, unless the Chair determines that certain business may be presented in writing or considered in some other satisfactory manner. The Chair shall ensure that the members of the Board are able wherever possible to take part in considering together any items of business which may be dealt with without holding a board meeting. The annual report and accounts, and determination of pay and other remuneration for the CEO, shall always be considered in a board meeting.

Board meetings are chaired by the Chair and in his or her absence by the Vice-Chair of the Board. The Chair shall report to the Board members in advance of board meetings on any matters of business which he or she has had discussions with the CEO concerning.

The Board has appointed an audit committee comprising four members and established instructions for this committee. The committee is made up of three shareholder-elected board members and one staff representative. The committee shall function as an advisory and preparatory working committee for the Board. The committee shall prepare the Board's follow-up of the financial reporting process, monitor the group's internal

control and risk management systems, maintain regular contact with the company's auditor concerning the audit of the annual report and accounts, and evaluate and monitor the auditor's independence.

The Board has also appointed a corporate social responsibility committee, which has four members.

### **Risk management and internal control**

SNSG is exposed to risk within a number of areas and throughout the value chain. The most important risks relate to market operations, operating activities, project implementation and framework conditions. Managing risk well is important for value creation and is an integral part of all SNSK's business activities. The company has risk management systems in place for, amongst other things, oil spill protection, quality control, mine rescue, and fire and emergency preparedness.

The company has established an internal audit function. The purpose of the function is to assist the Board and management in undertaking an independent and neutral assessment of whether the group's most critical risks are sufficiently well managed and controlled. Annual plans are prepared for the work of this function and approved by the Board. The internal control function within the group is performed by an external auditor.

The company works continuously to improve quality assurance and environmental performance.

### **Remuneration to the Board of Directors**

The Board members are paid fixed directors' fees, which are determined annually by the general meeting. The total remuneration paid to Board members is published in the company's annual report.

### **Remuneration to senior executives**

Store Norske believes it is important for the company to offer competitive pay to senior executives, but without being wage-leading in the sector. The company complies with Norwegian government guidelines for senior executive pay in state-owned enterprises. The Board establishes guidelines for pay and remuneration to senior executives. Pay and incentive schemes for the CEO are considered and determined by the Board. The CEO determines pay and incentive schemes for all other senior executives, management and employees.

The company does not currently operate bonus schemes or other incentive systems.

The Board prepares an annual executive pay statement setting out the Store Norske group's policy with respect to setting executives' pay and other remuneration to the group's senior executives, which is included as a note in the annual report (see the Public Limited Liability Companies Act, Section 6-16a).

### **Information and communication**

Store Norske believes it is important to have open and honest communication with all stakeholders.

The information the company gives to its owners, lenders and the financial markets shall be sufficient for the purpose of assessing underlying values and risk in the company. To ensure predictability, the company shall treat its owners and the financial markets equally and all information shall be communicated in a timely manner.

Store Norske's reporting of financial information shall be characterised by transparency and provide users with a relevant, supplementary and reliable overview of strategies, objectives and results, and of the group's economic development and financial position.

The company's interim (quarterly) reports shall be published on the company's website. The company endeavours to maintain regular contact by meetings with the majority shareholder and stakeholders in the financial markets.

### **Corporate takeover**

The Norwegian State, as the owner of Store Norske, has defined its ownership as being in category 3 of state ownership – Companies with commercial objectives and other specifically defined aims – which is to say companies which have objectives

going beyond corporate profitability which must be safeguarded by means of state ownership.

The State's ownership interests in this category normally remain fixed.

On this basis, there is little likelihood of a corporate takeover of Store Norske.

### **Auditor**

Store Norske's appointed auditor is responsible for the financial audit of the parent company's accounts and the consolidated accounts for the group. The general meeting elects the auditor, after nomination by the Board, and sets the auditor's fee. The elected auditor serves until a new auditor is elected. The appointment of auditor is put out to tender at certain intervals.

It is Store Norske's policy to employ the same auditing firm for all group companies where it is practically possible to do so and where Store Norske alone can decide. In partly owned companies, the choice of auditor is made subject to agreement with the other owners.

The Board of Directors meets with the external auditor in connection with the Board's consideration of the annual report and accounts and otherwise as required. The Board assesses the independence of the external auditor. In accordance with the requirement as to the auditor's independence, Store Norske will only to a limited extent employ the external auditor for tasks other than the statutory audit. The auditor will nevertheless be used for naturally audit-related tasks, such as technical assistance with tax assessments, understanding of accounting and taxation rules, and attestation of financial information in various contexts.

# Appendix 2

## Corporate Social Responsibility

Corporate social responsibility is an important part of Store Norske's business strategy and a strong guiding principle for the company's activities. Store Norske aims to make a positive contribution in relation to employees, owners, customers and society in general by means of measures in a number of areas.

The work on corporate social responsibility is anchored in the company's Board of Directors, which has appointed a dedicated committee for this.

*Report to the Storting No. 13 (2010–2011) Active and Long-Term Ownership* (a Norwegian government white paper) states that the aim of state ownership of SNSK is to contribute to maintaining and further developing the community in Longyearbyen in a manner which supports the overarching objectives of Norwegian Svalbard policy. The same aims are also laid down in *Report to the Storting No. 22 (2008–2009) Svalbard*.

Store Norske is the largest cornerstone industry on Svalbard. The company's coal-mining operations in Longyearbyen and in Svea make up one-third of the primary industry providing direct employment on Svalbard, and the company has a fully dominant position in terms of that activity in secondary sectors.

In order to encourage the company's employees and their families to choose to live in Longyearbyen, in recent years the Store Norske group has built a number of large family homes. For the company, as for the other businesses in Longyearbyen, providing jobs and educational opportunities for spouses and partners poses a great challenge and is an important factor in helping to maintain a stable family community. As part of this effort, Store Norske has taken the initiative, in collaboration with the Longyearbyen local government, the Norwegian Society of Engineers and Technologists (NITO), Narvik University College and other local businesses, to establish a college preparatory course in engineering subjects in Longyearbyen. The course started in the autumn of 2013. Store Norske aims to step up its efforts in this sphere in the time ahead.

At any one time, the company has 10 apprentices in the field of rock blasting and mining. The company also 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, equipment and expertise.

Store Norske has no R&D department of its own. However, it collaborates with a number of established research institutions, and has collaborative agreements with, amongst others, the University Centre in Svalbard (UNIS), the University of Tromsø, the Norwegian University of Science and Technology, Trondheim (NTNU), and the University of Nottingham in the UK. The company partially or fully funds professorships in rock mechanics and mining at UNIS and NTNU, and supports several PhD theses.

Store Norske is a partner in the Longyearbyen CO<sub>2</sub> Lab, and in 2012 took part as an industrial partner in the centre for carbon capture and storage (SUCCESS) at the national research centre for environmentally friendly energy at Christian Michelsen Research (CMR) in Bergen.

Store Norske places land and premises at the disposal of many research organisations and in this way aims to stimulate research activity on Svalbard. Svea is much used as a research arena for various institutions such as UNIS, SINTEF, NGU and others who benefit greatly from the group's infrastructure there. The results of this research also benefit Store Norske, for example in connection with the planning of technical solutions for access to Ispallen.

From the Gruve 7 mine, Store Norske supplies coal to Longyearbyen power plant. The group has entered into a delivery and price agreement with Longyearbyen local government which represents a price reduction compared with the market price for coal from Gruve 7. Store Norske regards it as an important part of its societal responsibility that Longyearbyen has predictable electricity prices.

After the Norwegian State, Store Norske is the largest landowner 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 connection with planning and building matters as well as reduced ground rents for use of land that is for the public benefit.

Store Norske is an important contributor to sport and culture in Longyearbyen. This is essential in order to create an attractive community for employees and their families. Store Norske provides financial support for, amongst other events, the Svalbard skiing marathon, the Sun Festival week, the music festivals Dark Season Blues and Polarjazz, and a number of other local events and activities. The company is particularly keen to support activities for children and young people, and amongst other things is a major sponsor of Camp Svalbard, an activity camp for adolescents from Longyearbyen.

Store Norske also helps maintain the local, voluntary rescue preparedness effort by providing support for the Longyearbyen Red Cross rescue team.

The company is mindful of the environmental impact of its activities and works actively to ensure that interventions in the landscape and emissions are kept to a minimum. Through the Svalbard Environmental Protection Act, Store Norske complies

with the most stringent environmental laws in the world, and has a zero vision for accidents and undesired environmental impacts.

With support from the Svalbard Environmental Protection Fund, the company has continued carrying out extensive rehabilitation of the historic ropeway angle station in Endalen and the Gruve 2B mine in Longyearbyen. Both are scheduled as industrial heritage sites.

Store Norske has carried out preliminary work to establish a mining museum and knowledge centre in one of the company's closed-down mines, Gruve 3. The company wishes to work further on these plans to develop an all-year attraction in Gruve 3 for Longyearbyen's permanent population and visitors to the town.

In 2012 Store Norske acquired 55% of the shares in the local logistics company Pole Position Logistics AS, as part of its strategy of developing new business areas on Svalbard. This is a question both of contributing to local jobs and further developing Svalbard.

Store Norske has adopted ethical guidelines, which all the subsidiaries in the group must comply with. These ethical guidelines form the framework for the desired standard of ethical conduct required from all the group's employees, and also contain rules designed to combat corruption and safeguard human rights.



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

## **Independent auditor's report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Store Norske Spitsbergen Kulkompani AS, which comprise the financial statements of the parent company, showing a profit of NOK 9 241 000, and the financial statements of the group, showing a loss of NOK 64 191 000. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors and the Managing Director's Responsibility for the Financial Statements*

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the parent company and the group Store Norske Spitsbergen Kulkompani AS as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

---

*PricewaterhouseCoopers AS, Muségata 1, Postboks 6128, NO-9008 Tromsø  
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no  
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap*





### **Report on Other Legal and Regulatory Requirements**

#### *Opinion on the Board of Directors' report and the statement on Corporate Social Responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statement on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Tromsø, 5 May 2014

**PricewaterhouseCoopers AS**

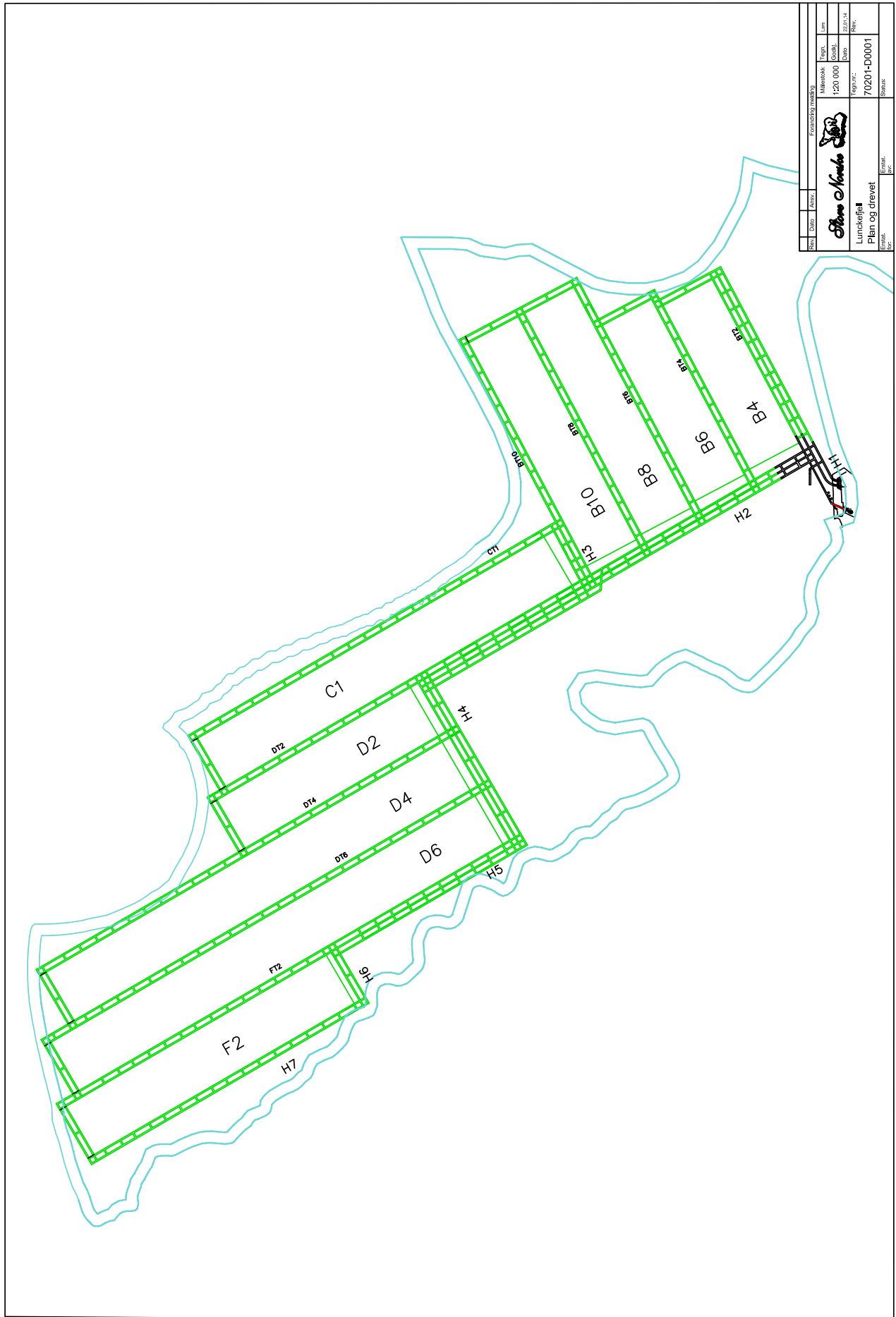
Kent-Helge Holst  
State Authorised Public Accountant (Norway)

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

(2)

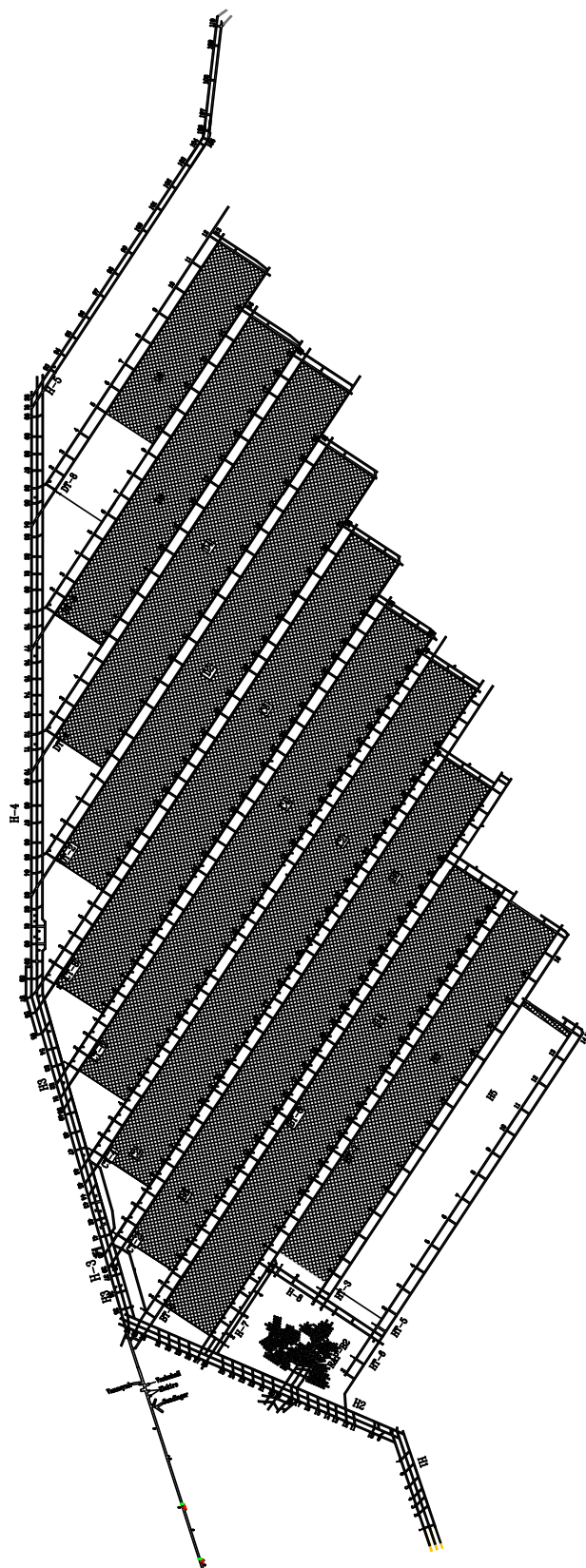


From the mine in Lunckefjell. Photo: Bjarki Friis



Navn	Dato	Fase	Forfatter/Institutt	Flateare	Prosjekt	Skisse	Skala
			<b>Store Norske Spitsbergen Kulkompagni</b>	120 000	Lunckefjellet	2013	1:1000
Lunckefjellet			Plan og drevet	70201-D0001			
Erstatning	Erstatning	Erstatning	Erstatning	Erstatning	Erstatning	Erstatning	Erstatning
CC	CC	CC	CC	CC	CC	CC	CC

Status as of 01.01.2014



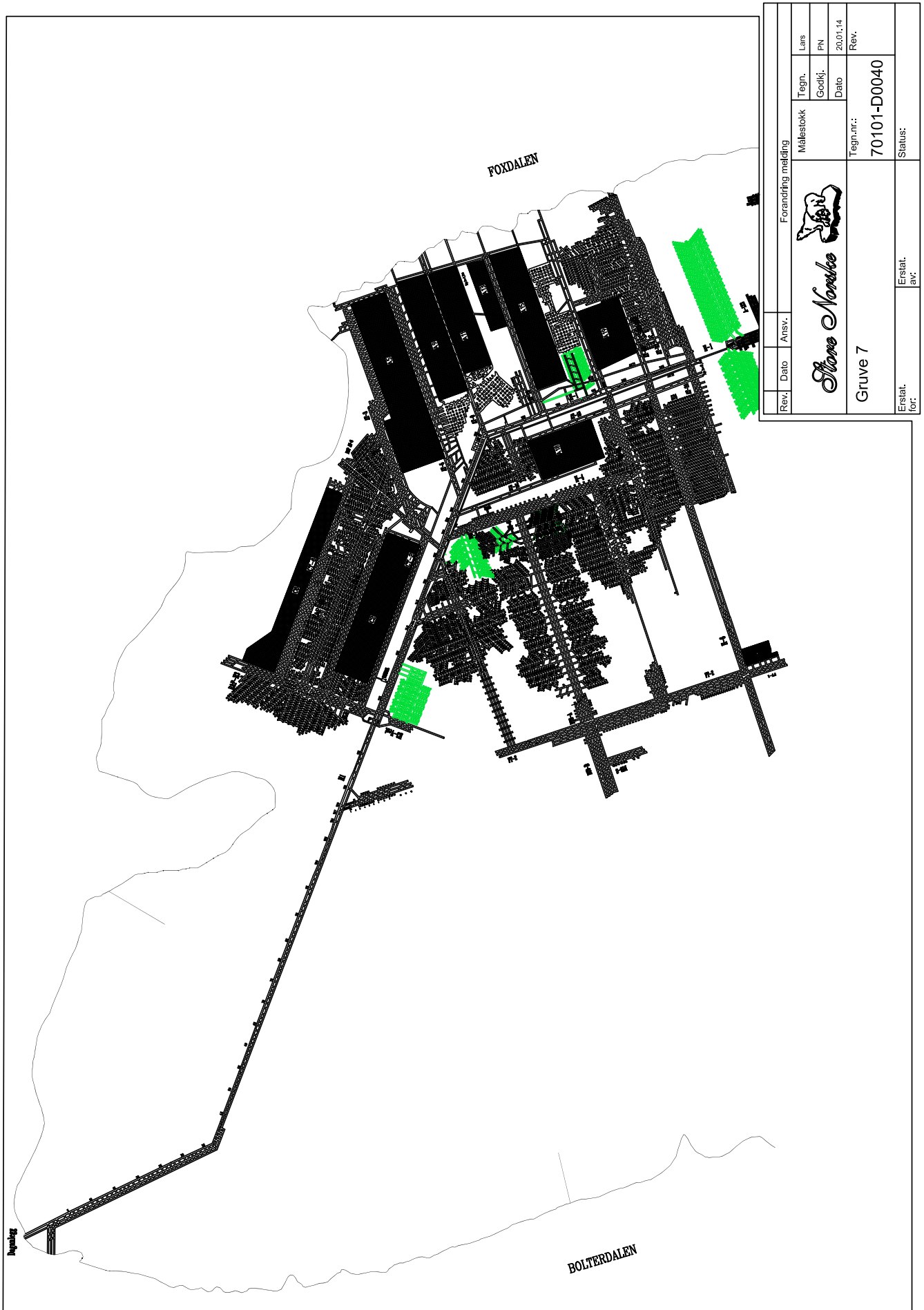
*Store Norske*



Rev.	Dato	Ansv.	Forandring melding
Svea Nord			
Drevet strossepanel, oppfaring og R&P			
Tegn.:	Godkj.:	Dato:	Status:
Lars		20.01.14	

Skala	Tegn. nr.	Rev.	Erstatning for:	Erstattet av:
	70101-D0040			

Status as of 01.01.2014



Rev.	Dato	Ans.	Ans.	Forandring	Målestokk	Tegn. Godkj.	Lars PN
							20.01.14
				Store Norske			
				Gruve 7	Tegn.nr.:	70101-D0040	Rev.
					Status:		
				Erstat. for:	Erstat. av:		

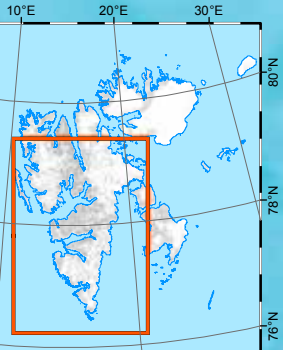
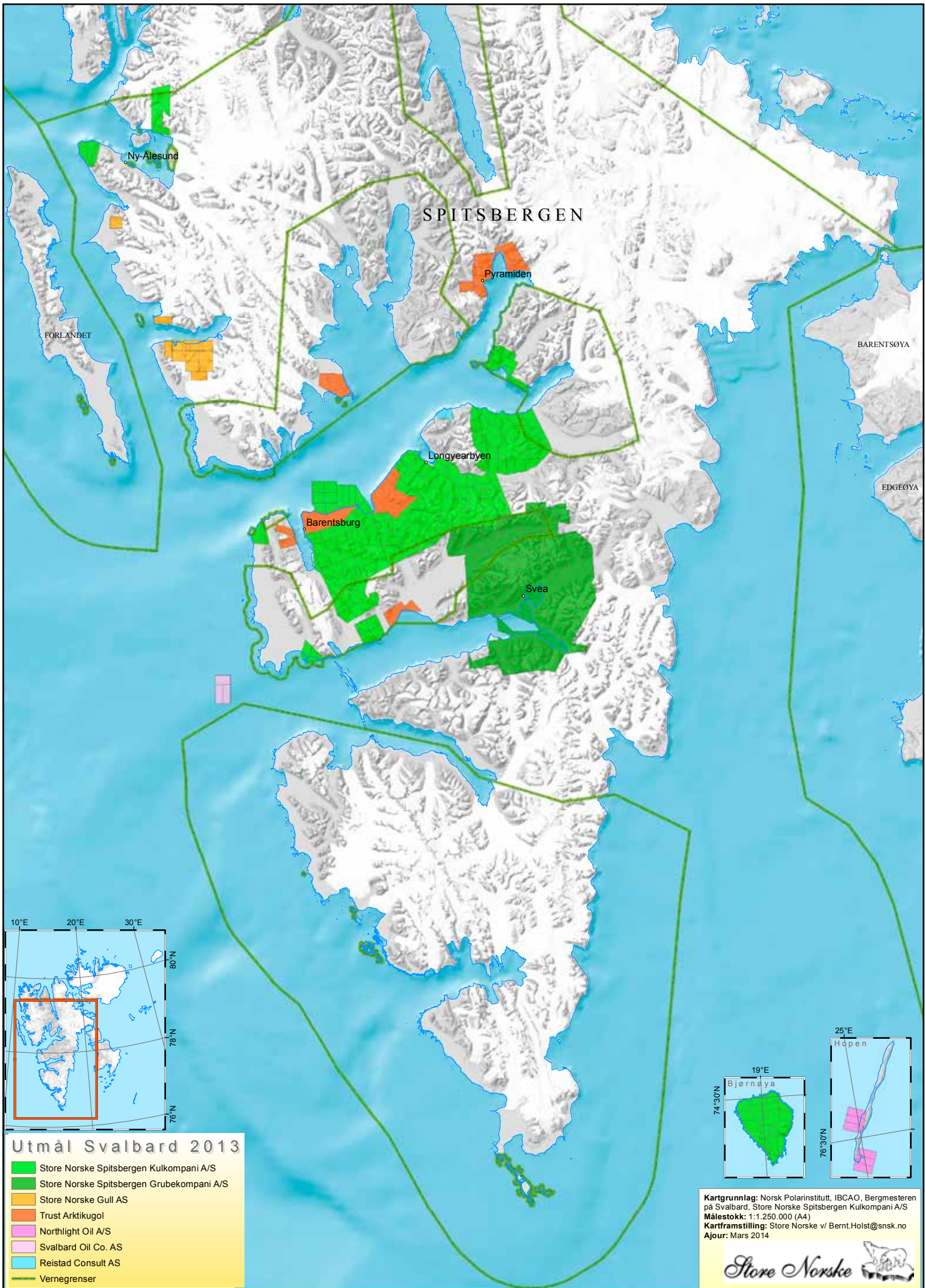
Status as of 01.01.2014



Svea. Photo: Bjarki Friis

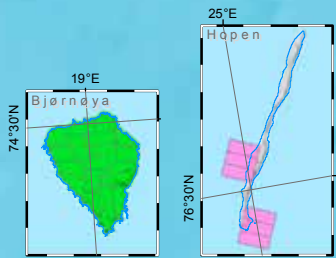
# Articles of Association of Store Norske Spitsbergen Kulkompani AS

- Section 1 The objects of Store Norske Spitsbergen Kulkompani Aktieselskap are to carry on the business of coal mining or by other means exploit the company's land, properties and rights on Svalbard. The company may also participate in and operate any other business related thereto. The company may exploit its expertise in environmentally friendly resource exploitation on Svalbard, and in Finnmark and Troms on the Norwegian mainland.
- Section 2 The company's registered office is in Longyearbyen, Svalbard.
- Section 3 The company has share capital of NOK 164,490,000 million divided into 328,980 shares, with a nominal value of NOK 500.00 each. Any transfer of shares, in order to be valid, requires the approval of the company's Board of Directors. Such approval may only be given to Norwegian citizens who are resident in Norway.
- Section 4 The company is governed by a Board of Directors comprising eight members, three of whom shall be elected by and from among the staff, and up to six deputy members. A majority of the Board's members must be Norwegian citizens and resident in the realm.
- Section 5 The Board of Directors shall prepare a statement of senior executive pay, setting out the company's policy on pay and other remuneration to senior executives. This statement shall be included as a note in the annual report. The statement shall have such content as stipulated in the Norwegian Act relating to Public Limited Liability Companies, section 6-16a, and shall be considered correspondingly at the company's ordinary general meeting. Reference is made to the Public Limited Liability Companies Act, section 5-6, third paragraph.
- Section 6 The Chair, or Vice-Chair, of the Board and one Board member sign jointly for the company.
- Section 7 The ordinary general meeting shall be held annually within six months of the end of the company's financial year. The general meeting shall be held in Longyearbyen, Bergen or Oslo. The Board is responsible for calling ordinary and extraordinary general meetings. The notice of meeting in writing shall be sent to all shareholders with known address. The ordinary general meeting shall be called with 14 days' notice. An extraordinary general meeting may if necessary be called with seven days' notice. The ordinary general meeting shall transact the following business:
- a) Approval of the profit and loss account and balance sheet.
  - b) Allocation of profit or settlement of loss for the year, and questions concerning the distribution of dividend.
  - c) Consideration and approval of the consolidated profit and loss account and consolidated balance sheet.
  - d) Election of Board of Directors.
  - e) Determination of remuneration to the company's elected officers and appointed auditor.
  - f) Statement of determination of pay and other remuneration to senior executives.
  - g) Any other business stated in the notice of meeting.
- The general meeting shall be chaired by the Chair of the Board or in his or her absence by the Vice-Chair of the Board.
- Amended most recently on 14 June 2012.



**Utmål Svalbard 2013**

- Store Norske Spitsbergen Kulkompani A/S
- Store Norske Spitsbergen Grubekompani A/S
- Store Norske Gull AS
- Trust Arktikugol
- Northlight Oil A/S
- Svalbard Oil Co. AS
- Reistad Consult AS
- Vernegrensler



Kartgrunnlag: Norsk Polarinstitutt, IBCAO, Bergmesteren på Svalbard, Store Norske Spitsbergen Kulkompani A/S  
 Målestokk: 1:1.250.000 (A4)  
 Kartframstilling: Store Norske v/ Bernt.Holst@snsk.no  
 Ajour: Mars 2014





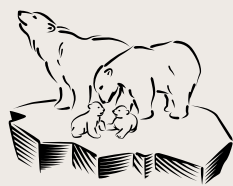
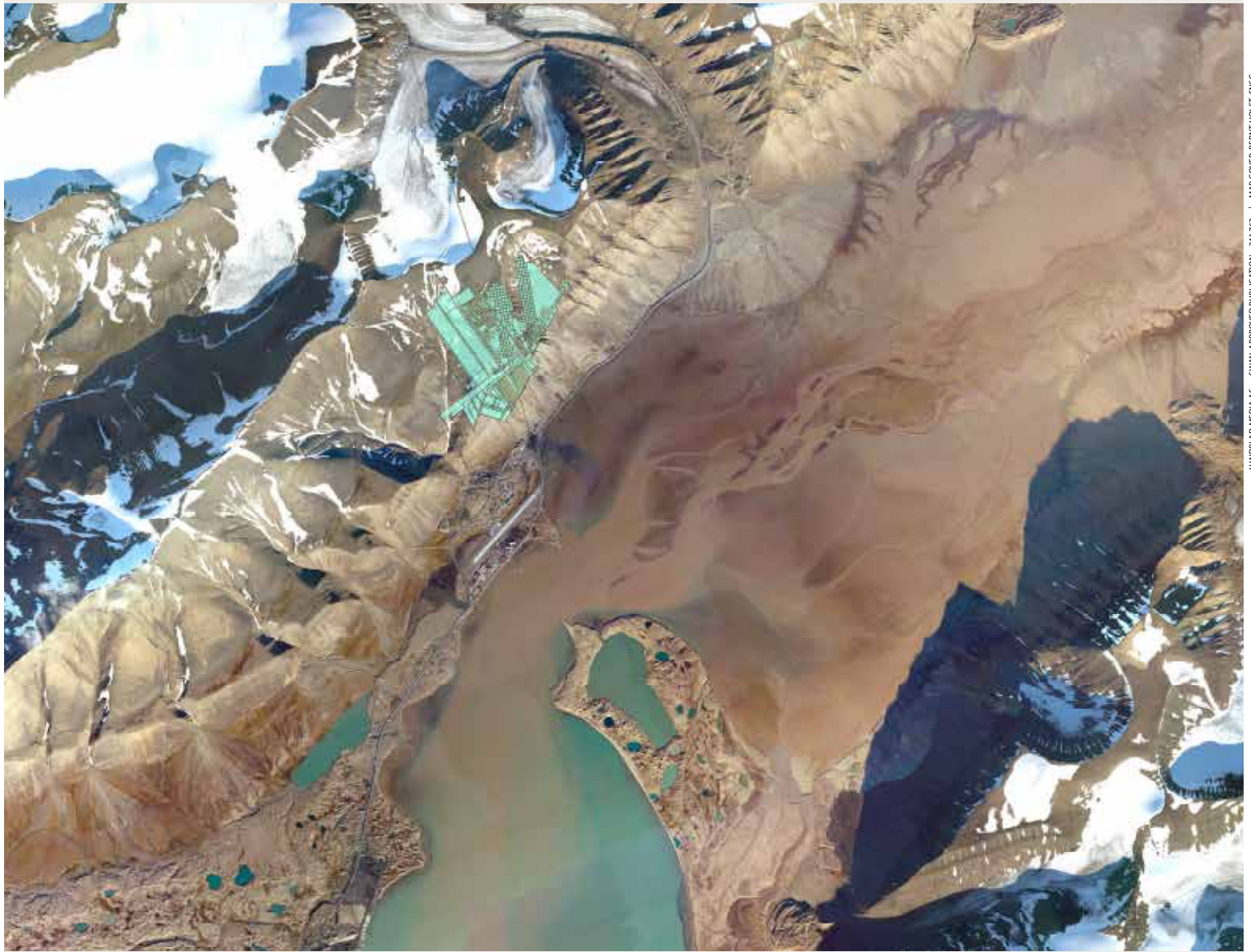
# Important dates in the history of Store Norske

- 1916 15 July:** The "Stars and Stripes" flag is lowered and engineer Sigurd Westby hoists the Norwegian flag in Longyear City. **30 November:** Store Norske Spitsbergen Kulkompani Aktieselskap is formed at a statutory general meeting in Oslo.
- 1919 May:** A branch office is opened in Harstad.
- 1920 3 January:** Coal dust explosion in Gruve 1 mine, killing 26 people.
- 1921 27 September:** The storage facility at Hotellneset comes into operation.
- 1922 6 June:** The loading plant at Hotellneset comes into operation.
- 1925 14 August:** Norway assumes sovereignty over Svalbard. The occasion is marked at Skjæringa in Longyearbyen.
- 1933 16 March:** Agreement with the Norwegian State, according to which the State appoints two of the five board members.
- 1934 23 June:** Agreement with the Norwegian State to purchase the Svea mine.
- 1938 24 January:** The AGM passes the motion to develop the Gruve 1 mine with the settlement later called Sverdrupbyen.
- 1941 2 September:** The population of Longyearbyen, 765 individuals, is evacuated to Scotland. They number 570 men, 140 women and 55 children.
- 1942 May:** Reoccupation of Svalbard (Operation Fritham).
- 1943 8 September:** The German battleship Scharnhorst and two destroyers attack Longyearbyen, which is destroyed. In Sverdrupbyen, the Gruve 1 mine and most of the settlement are untouched by the attack.
- 1944 August:** Svea is burned to the ground by German U-boat personnel.
- 1946** The settlement at Nybyen is built.
- 1947** An office staff canteen, office, hospital and three family homes are completed at Haugen.
- 1948 January:** The large staff canteen, Stormessen, is opened.
- November:** The first issue of the Svalbardposten newspaper is published.
- 1949 July:** Mining operations at Svea are suspended.
- End of October:** Total loss of the vessels Don (3,000 tonnes) and Ingertre (2,000 tonnes) after they run aground on the north side of the mouth of the Isfjord. No lives are lost.
- 1952 January:** Explosion in Gruve 2 mine, killing six people.
- 1953 March:** Store Norske's head office is moved from Oslo to Bergen.
- 11 June:** Landslide at Haugen. Three people are killed and a number of buildings destroyed.
- 20 June:** AS Sundt & Co take over the shop.
- 1954 Summer:** A combined coal-sorting and preparation plant at Hotellneset comes into operation.
- 1959** Gruve 5 mine in operation (King Olav V mine)
- 1964 Autumn:** The coal-washing plant becomes operational.
- 1966** Surveying in the Gruve 7 mine begins.
- 1967 15 December:** "Parliamentary Bill No. 51 (1967/68) Future Norwegian activity on Svalbard". NOK 32 million is allocated to the Gruve 6 mine.
- 1969 1 March:** Direct telex link between head office in Bergen and the mine office in Longyearbyen.
- 31 July:** Total loss of coal ship M/S Wenny (12,000 tonnes) on voyage south, 100 nautical miles north of Andøya. Nine people lose their lives.
- August:** The Gruve 6 mine is opened for production.
- 1970** The Norwegian State takes over the running of the school.
- Spring:** Surveys in the Svea Øst coal field begin.
- 1971 March:** The Gruve 3 mine is opened for production.
- 6 August:** The local Svalbard Council is established by Royal Decree.
- 1973 2 February:** "Parliamentary Bill No. 79 (1972–73) The Government's commitment to continued mining operations on Svalbard".
- 1976 May:** The Storting grants funds for a government takeover of the privately owned shares in the company.
- 1977 25 March:** "Parliamentary Bill No. 144 (1976–77) concerning mining operations on Svalbard".
- 1980 1 January:** At the request of Norges Bank, the company ceases printing its own wage vouchers ("Spitsbergen money").
- 1982 1 January:** The Norwegian State takes over the hospital and health service.
- 20 May:** Svalbard is connected to the national and international long-distance telephone network.
- 1983 21 June:** A new power plant is officially opened.
- July:** Store Norske closes its office in Bergen.
- 1984 1 July:** The branch office in Harstad is closed down.
- 21 December:** "Parliamentary Bill No. 46 concerning the development of the Svea mine (middle alternative) and Framework Plan for Longyearbyen 1985–89".
- 1985** Norsk Hydro and Store Norske sign a cooperation agreement for exploration and possible extraction of natural resources.
- 1987** "Parliamentary Bill No. 61 on Store Norske": The Storting resolves to suspend operations at Svea and to reorganise the company.

- 1989** Store Norske spins off two subsidiaries as of 1 January: Svalbard Samfunnsdrift AS and Svalbard Næringsutvikling AS. A separate company, Spitsbergen Travel AS, is formed with responsibility for travel, tourism, accommodation and catering. The commercial property company Svalbard Næringsbygg AS is also established.
- 1993** **1 January:** Store Norske sells the subsidiaries Svalbard Samfunnsdrift AS and Svalbard Næringsutvikling AS to the State (Ministry of Industry and Energy) for NOK 110 million.
- 1996** **2 November:** The Gruve 3 mine seam is exhausted and operations cease.
- 1997** Mining operations at Svea resume.
- 1999** In the revised national budget in 1999, Parliamentary Bill No. 67 for 1999, the Storting decides to grant funds to fully finance the mining surveys at Svea Nord. Opening works in Svea Nord are initiated.
- 2000** **30 November:** Svea Vest is depleted and operations cease.
- 2001** The Storting decides in December that there will be permanent operations at Svea Nord.
- 2002** For the first year since the beginning of the 1970s, coal mining makes a profit.
- 2004** **September:** The 5.6 km transport tunnel from Svea Nord to Svea is opened by Industry Minister Børge Brende.
- 2005–2006** **30 July:** Fire breaks out in the main gallery in Svea Nord. At the end of April 2006, production resumes after the fire.
- 2007** Record year for Store Norske: 542,241 tonnes of coal are produced in October, and total annual production is 4,073,345 tonnes.
- 2010** In June, the Board of Store Norske approves the business plan for a new mine in Lunckefjell, northeast of Svea. In September, a formal application to open a new mine is sent to the Governor of Svalbard.
- 2011** In December, the Ministry of the Environment grants the permit for the Lunckefjell project.
- 2012** In May, the breakthrough is made from the Svea Nord mine and out onto the Marthabreen glacier. Construction starts on the road from Skollfjellet to the pioneer cut in Lunckefjell.
- 2013** **25 October:** The first coal from the mine in Lunckefjell is brought to the surface.
- Since 1916** the company has produced 55,053,230 tonnes of coal.



A series of horizontal dotted lines spanning the width of the page, intended for text entry.



*Store Norske Spitsbergen Kulkompani*  
AKTIESELSKAP