

AS Norma
Management Report of 2001

AS Norma general information

The history of AS Norma dates back 100 years: in 1891 Paulus Michelson founded a metal workshop, which, since 1931, is called Norma. In 1973 the production of car safety belts was started. Today, AS Norma is a leading supplier of car safety systems for the Russian car-manufacturing plants and supplier of safety belts for several western car-manufacturing groups. The shares of AS Norma are quoted in the main list of Tallinn Stock Exchange.

Primary activity of AS Norma is manufacturing and sale of safety systems and relevant parts for cars, and development and research work related to the primary activity. Technologies used in principal production are metal working, casting and electro-deposition of details.

As at the end of 2001, AS Norma Group consisted of AS Norma and its four 100%-owned subsidiaries.

At the end of 2001, the Group employed 1048 people, including 856 in AS Norma. AS Norma is located in the Republic of Estonia, in Tallinn, 14 Laki Str.

Financial Highlights

(in millions of EUR except shares and per share amounts)

		Group			AS Norma (parent company) *		
		2001	2000	Delta %	2001	2000	Delta %
Netomüük /	Net sales	52.1	40.5	28.6	50.8	34.7	46.3
Ärikasum /	Operating profit	10.7	9.7	9.7	9.9	8.9	11.3
Tulumaks /	Income tax	0.1	-		0.1	-	
Puhaskasum /	Net profit	11.4	10.1	12.8	11.4	10.1	12.8
Aktivad /	Assets	46.3	36.3	27.6	46.3	36.7	25.8
Omakapital /	Shareholders' equity	39.3	32.2	22.2	39.3	32.2	22.2
Aktsiakapital /	Share capital	8.4	8.4	0	8.4	8.4	0
Töötajate arv /	Number of employees	1 048	1049	0	856	836	2.4
Aktsiate arv /	Outstanding shares	13.2	13.2	0	13.2	13.2	0
Tulu aktsia kohta /	Earnings per share	0.86	0.76	12.8	0.86	0.76	12.8
Tulude suhe omakapitali -	ROE	0.289	0.313	(7.7)	0.289	0.313	(7.7)
Tulude suhe varadesse -	ROA	0.245	0.277	(11.2)	0.245	0.274	(11.2)

*AS Norma consolidated at equity method

Year 2001 operations of AS Norma

1. Sales revenue

The net sales of AS Norma group in 2001 amounted to 52.1 MEUR, growth compared to 2000 being 29%. The turnover of the parent company was 50.8 MEUR i.e. 97% of the turnover of the entire Group. Sales of the parent company increased 46% in a year. Consolidated sales of subsidiaries were 1.3 MEUR. The share of export in the total sales of the Group amounted to 98%, 63% of which was exported to Russia. Income received from the sale of car safety belts and –parts made up 92% of the total sales of AS Norma Group (78% in 2000), showing the focus of Norma on primary activity.

Year 2001 may be characterised by the cooling of the economic climate in all developed markets and by the September 11 events in USA, as a result of which the sale of vehicles faced a significant decline. At the same time, car manufacturing and sales in developing markets increased, especially in our principal market Russia, where the car manufacturing increased by 5,4% compared to 2000.

Increasingly tightening competition causes the manufacturers in developed countries to find new and low-cost production facilities. This trend is followed also in Autoliv Group. In 2001, a large part of the assembly of safety belts was transferred into countries with lower production costs, including Estonia. As a result of this, the percentage of export sales of Norma, directed towards the west, increased significantly, amounting to 37%, which in turn decreased the market risk of Norma. Sales to the companies in Autoliv Group constituted 14.4 MEUR. Other larger western customers were Fasching Salzburg GmbH, Saab Automobile AB, Iris Bus France, Van Hool and others.

The market share, which expanded as a result of increased car manufacturing and successful sales activity enabled the increasing of sales to Russian customers by 15% compared to 2000, larger customers being still AvtoVAZ and GAZ. At the same time, we could see a certain degree of activation also in respect to other, smaller manufacturers in 2001.

2. Business Profitability

	Group			AS Norma (parent company)*		
	2001	2000	Delta %	2001	2000	Delta %
Netokäive / Net sales	52.1	40.5	28.7	50.8	34.7	46.3
Realiseeritud toodete kulu / Cost of goods sold	37.1	26.2	41.4	36.9	21.7	70.1
Perioodikulud /						
Administrative and selling expenses	4.8	4.8	-1.5	4.1	4.0	1.6
Ärikasum / Operating income	10.7	9.7	9.7	9.9	8.9	11.3
Kasum enne maksustamist/ Profit before taxes	11.5	10.1	14.2	11.5	10.1	14.2
Puhaskasum / Net profit	11.4	10.1	12.8	11.4	10.1	12.8
Käiberentaablus / Sales margin (%)	21.8%	24.8%	(12.3)	22.3%	29.0%	(22.9)

*AS Norma consolidated at equity method

Net profit of the Group for 2001 was 11.4 MEUR. Compared to 2000, net profit has increased by 13%. Profit before taxes increased 14%, to 11.5 MEUR. The Group's sales margin decreased by 12%, from 24.8 to 21.8 percent. The sales grew 29% in

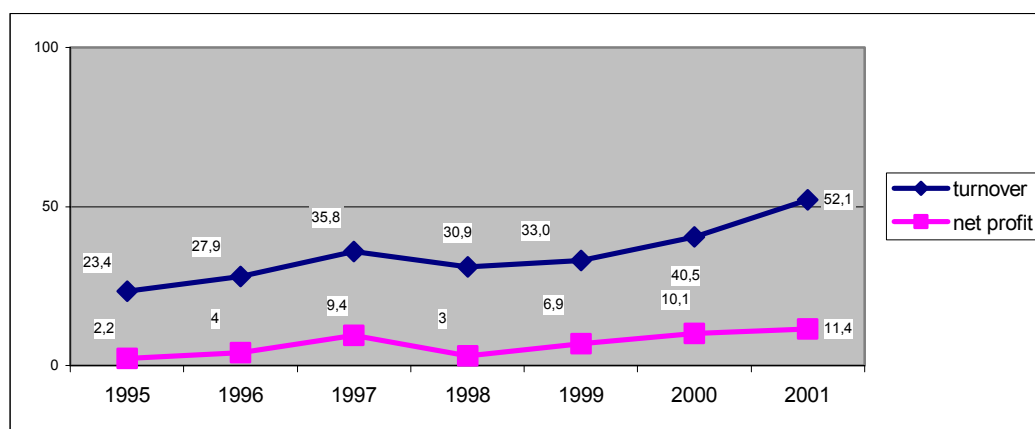
2001, at the same time the cost of goods sold increased 41% and marketing expenses 4%. The development and research expenses and administrative expenses decreased 3 and 4% respectively.

The change in the Group's income-expense structure was caused by the sale of subsidiary AS Metaprint and change in the structure of the parent company's production. Without the net sales of AS Metaprint, which in 2000 made 10% of the Group's turnover, the share of the sales of the parent company amounts to 97% of the group's turnover. The sales of parent company increased 46%, whereas cost of goods sold increased 70%. The percentage of cost of goods sold in the sales price increased from 63% to 73% in 2001. The mentioned increase resulted from higher material and commodities costs in sales from 34% to 50% during 2001. Besides commodities the company used more procured components in production during the financial period, above all when assembling the safety belts for Autoliv. The sale to Autoliv amounted in 2001 to 14.4 MEUR, making 28% of net sales.

Operating profit of the parent company in 2001 was 9.9 MEUR, being 11% higher than in 2000.

Personnel expenses of the Group came to 9.4 MEUR in 2001, comprising a growth of 7% compared to the previous period. The ratio of workforce expenses to net sales decreased from 22% in 2000 to 18% during the period under review. The number of employees in the Group, as at the end of 2001, was 1048, being 1 employee less than that of the previous year, whereas the number of jobs in the parent company increased by 20, amounting to 856.

Dynamics of the Group's turnover and profit in 1995-2001 (MEUR)



3. Management of liquidity and use of capital

The Group's equity increased by 7.1 MEUR i.e. 22 % totalling 39.3 MEUR at the end of the year. Equity ratio decreased in a year from 89 to 85 percent. Free equity as at the end of the year was 30.0 MEUR.

Although the volume of assets grew 28%, to 46.4 MEUR, the percentage of cash and liquid securities is making up 25% of the latter. Net current assets as at 31 December 2001 came to 13.6 MEUR, fixed assets 14.0 MEUR. There is no need for external finance in the Group.

In managing the liquidity and making financial investments AS Norma was traditionally also conservative in 2001. Besides the Estonian kroon and euro deposits with different terms of the Estonian banks and money and interest fund units, the company also acquired short-term fixed-interest bonds of the Scandinavian banks, and a small amount of similar bonds of Hansa Capital and the City of Tartu. The short-term loan to other subsidiaries of the Autoliv group was extended, enabling the making of short-term placements in the Euro with higher interest than that of the euro deposits offered on the market.

For more flexible cash management of the Group, reduction of interest expenses and the need for loans the company uses a group account. This enables the subsidiaries to use the funds of the Group within the limit assigned to them by AS Norma.

4. Assets

The Group assets at the end of the financial period were 46.3 MEUR, being 10.0 MEUR more than at the end of 2000. 6.7 MEUR of this increase was contributed to by current assets. The latter amounted to 32.4 MEUR at the end of the period.

Accounts receivable made 9.8 MEUR at the end of the year, including a 2.8 MEUR debt of the companies of the Autoliv group. AS Norma, in turn, owed to the companies of the same group 4.7 MEUR. A provision in the amount of 0.8 MEUR for covering doubtful accounts has been established. 76% of this is connected with the accounts of Russian customers. The provision decreased 0.5 MEUR in a year, including 0.2 MEUR from the balance sheet of AS Metaprint, a subsidiary sold in 2001.

The inventory of the Group at the end of the financial period were 5.3 MEUR i.e. by 1.1 MEUR more than at the beginning of the period, making 11% of assets. As a result of increased production volumes, the inventory of commodities and materials increased by 1.2 MEUR, while the amount of finished goods in the warehouses decreased by 0.2 MEUR.

5. Highlights of the year

Construction of the new production facility of AS Tööriistavabrik was completed and manufacturing was started in the new building.

For the first time more than 3.0 million car safety belts with inertia role were sold on the Eastern market.

First stage in the transfer of production from Autoliv ended with instalment and implementation of 6 assembly lines.

As a second stage the transfer of 4 assembly lines is planned.

6. Subsidiaries

By the end of 2001, AS Norma Group included 4 subsidiaries (AS Tööriistavabrik, Norma-Osvar ZAO, Eksamo Automaatika AS and AS Norma Maja).

The primary field of activity of AS Tööriistavabrik is designing, assembling and repairing of fixtures and dies of plastic. AS Tööriistavabrik belongs as a link with strategic importance to the production chain of AS Norma. In 2001, the plant moved to new production facilities. The turnover of AS Tööriistavabrik in 2001 was 2.0 MEUR and net profit 0.04 MEUR.

Turnover outside the group made 0.6 MEUR.

The main activity of AS Norma Maja is management of real estate owned by the group. In 2001, the turnover of the company amounted to 2.7 MEUR and net profit 0.6 MEUR. Turnover outside the group made 0.6 MEUR.

Eksamo Automaatika AS is providing maintenance and repairing services of production equipment to the parent company and is performing automative work for AS Norma as well as other companies. Turnover of the company in 2001 was 0.9 MEUR and profit 9,2 thousand EUR. Turnover outside the group was 0.08 MEUR.

The fields of activity of AS Metaprint were lithographing of metal. In 2000, the manufacturing operations of this subsidiary were terminated and in January 2001, all shares of the 100%-owned subsidiary AS Metaprint were sold to an English company Goldgem Investments Ltd.

The sales turnover of a subsidiary Norma-Osvar ZAO located in Russia was 0.73 MEUR and loss 19,2 thousand EUR in 2001.

7. Investments

In order to guarantee production capacity and efficiency of manufacturing processes, the group invested 5.6 MEUR in 2001, from which 3.2 MEUR were used for purchasing machines and fixtures.

The largest real investments of the Group in 2001 were the following:

■ Metal work presses	0.94 MEUR
■ Construction works	1.92 MEUR
■ Electroplating lines and equipment	0.20 MEUR
■ Thermoplastic automaton	0.48 MEUR
■ Information technology	0.18 MEUR
■ Quality control equipment	0.26 MEUR
■ Assembly lines	0.27 MEUR

8. Stock market and stock performance

AS Norma has issued 13.2 million ordinary shares, giving one vote per share. For the operating result of 2000, the company paid 4.2 MEUR in dividends, being 0.32 EUR per share.

The shares of AS Norma are quoted in the main list of Tallinn Stock Exchange. In addition, the shares are traded at the stock exchanges of Frankfurt, Berlin and Munich.

The shareholders of AS Norma with a holding more than 3%, as at 31.12.2001

Autoliv AB	51.0%
Nordea Bank Finland PLC Clients Account Trading	7.4%
Clearstream Banking Luxembourg S.A. Clients	4.3%
Skandinaviska Eskilda Banken AB Clients	5.5%
Hansapank	3.3%

By the end of the financial period (31.12.2001) the closing price of the AS Norma share at Tallinn Stock Exchange was 3.38 EUR.

	2001	Group 2000	Delta %
Tulud aktsia kohta (EPS) / Earnings per share	0.86	0.76	12,8
Hinna-tulude suhe / P/E (price-earnings ratio) (börsi sulgemishind 31. dets. 2001 52,90 ja 2000 47,50)	3,9	4,0	(2,5)
Aktsia raamatupidamisväärtus / Net book value per share (omakapitali suhe aktsiatesse)	3.0	2.4	22,3

Consolidated balance sheet

(Thousands of EUR)

Assets	12/31/01	12/31/00	Notes
Current assets			
Cash and bank accounts	3 799	3 748	1
Marketable securities	7 890	5 643	2
Accounts receivable	9 797	7 566	3
Allowance for doubtful receivables	-840	-1 336	3
Other receivables and prepayments	5 238	5 234	4
Prepaid taxes	1 153	589	5
Inventories	5 313	4 199	6
Total current assets	32 350	25 644	
Non-current assets			
Long-term financial assets	68	80	7
Property, plant and equipment	13 408	10 025	9
Investments in real estate	400	409	10
Intangible assets	121	151	11
Total non-current assets	13 996	10 665	
Total assets	46 346	36 309	
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	6 805	3 864	13
Taxes payable	250	289	14
Total current liabilities	7 055	4 153	

Total liabilities	7 055	4 153	
Owners' equity			
Share capital (par value)	8 436	8 436	15
Retained earnings and reserves	19 502	13 657	16
Net profit	11 353	10 063	
Total owners' equity	39 291	32 156	
Total liabilities and owners' equity	46 346	36 309	

AS NORMA balance sheet

(Thousands of EUR)

Assets	12/31/01	12/31/00
Current assets		
Cash and bank accounts	3 684	3 509
Marketable securities	7 890	5 643
Accounts receivable	11 442	8 104
Allowance for doubtful receivables	-818	-1 048
Other receivables and prepayments	5 227	5 228
Prepaid taxes	1 118	534
Inventories	4 944	3 792
Total current assets	33 487	25 762
Non-current assets		
Long-term financial assets	4 898	4 693
Property, plant and equipment	7 797	6 217
Intangible assets	72	81
Total non-current assets	12 767	10 992
Total assets	46 254	36 754
Liabilities and shareholders' equity		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	6 836	4 411
Taxes payable	127	187
Total current liabilities	6 963	4 598

Total liabilities	6 963	4 598
Owners' equity		
Share capital (par value)	8 436	8 436
Retained earnings and reserves	19 502	13 657
Net profit	11 353	10 063
Total owners' equity	39 291	32 156
Total liabilities and owners' equity	46 254	36 754

Consolidated income statement

(Thousands of EUR)

	2001	2000	Notes
Net sales	52 147	40 531	17
Cost of goods sold	37 082	26 217	18
Gross profit	15 065	14 313	
Marketing expenses	1 508	1 453	19
Administrative and general expenses	2 053	2 139	21
Research and Development expenses	1 206	1 245	20
Bad debts written-down	-117	152	22
Other income	450	862	23
Other expenses	186	448	24
Operating profit	10 680	9 737	
Financial income	839	545	25
Financial expenses	23	220	26
Profit before taxes	11 496	10 063	
Provision for taxes	143	0	27
Net profit	11 353	10 063	
Earnings per share in kroons	0,86	0,76	15

AS NORMA income statement

(Thousands of EUR)

	2001	2000
Net sales	50 817	34 725
Cost of goods sold	36 925	21 712
Gross profit	13 892	13 013
Marketing expenses	1 490	1 417
Administrative and general expenses	1 353	1 322
Research and Development expenses	1 206	1 245
Bad debt written-down	-125	144
Other income	80	229
Other expenses	156	227
Operating profit	9 893	8 887
Financial income	1 640	1 593
Financial expenses	39	417
Profit before taxes	11 494	10 063
Provision for taxes	141	
Net profit	11 353	10 063
Earnings per share in euros	0,86	0,76

Changes in Owners' Equity

(Thousands of EUR)

	Share capital	Reserves	Retained earnings	Profit for the financial year	Total owners' equity
12/31/1999	8 436	999	8 313	6 876	24 624
Net retained earnings of 1999	-	-	6 876	-6 876	0
Revaluation reserve adjustment	-	-156	156	-	0
Dividends	-	-	-2 531	-	-2 531
Net profit for the financial year	-	-	-	10 063	10 063
12/31/2000	8 436	843	12 814	10 063	32 156
12/31/2000	8 436	843	12 814	10 063	32 156
Net retained earnings of 2000	-	-	10 063	-10 063	0
Dividends	-	-	-4 218	-	-4 218
Net profit for the financial year	-	-	-	11 353	11 353
12/31/2001	8 436	843	18 658	11 353	39 291

According to the requirements of Business Law, the statutory reserve is 10% from share capital. More detailed information, about owners' equity and about changes in it, is enclosed in Notes 15 and 16.

Consolidated cash flows

(Thousands of EUR)

	2000	1999	Notes
Operating activities			
Operating profit	10 680	9 737	
Profit/loss from sale of property, plant and equipment	-80	-546	9
Income from subsidiaries	69	0	
Depreciation	2 162	1 928	9,10,11
Property, plant and equipment write-down	18	104	9
Property, plant and equipment discount	2	41	9
Increase (-), decrease (+) in current assets	-4 640	-78	
Increase (+), decrease (-) in current liabilities	2 902	1 549	
Interest received and other financial income	670	481	25
Other financial expenses paid	0	-237	26
Taxes paid	-2	-573	
	11 781	12 405	
Investing activities			
Property, plant and equipment sold	130	1 205	9
Property, plant and equipment acquired	-5 574	-3 076	9,10
Loans issued	-13	-5 008	4
Subsidiaries sold	320	0	
Associated companies sold	0	128	7
Loans repaid	36	82	7
	-5 102	-6 670	
Financing activities			
Dividends taxes	-141		27
Loans repaid	0	-3 408	
Dividends paid	-4 218	-2 531	16
	-4 359	-5 3939	
Net cash flow	2 321	-204	
Movement in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year:	9 391	9 544	
Net cash flow	2 321	-204	
Foreign exchange gain, loss(-)	-23	50	
Cash and cash equivalents at the end of the year:	11 690	9 391	
incl. cash and bank accounts	<i>3 800</i>	<i>3 748</i>	1
marketable securities	<i>7 890</i>	<i>5 643</i>	2

Accounting policies

Accounting principles

AS Norma's consolidated financial statements are prepared in accordance with International Accounting Standards (IAS) and under the historical cost convention.

A new accounting standard, IAS 40 has been introduced and became effective on 1 January 2001. In accordance with this standard the investment property, which was included in tangible fixed assets in previous years, has been disclosed in a separate line "Investment property". The comparative figures in the balance sheet have been restated.

Principles of consolidation

The consolidated income statements are prepared bearing in mind the reader's desire to view related enterprises as a common economic unit, in which the financial statements of each company in the group are consolidated in compliance with the International Accounting Standards.

The consolidated financial statements include the accounts of AS Norma and its subsidiaries (participation over 50%). All inter-company accounts and transactions are eliminated.

The subsidiaries have been recorded according to the equity method in financial statements of the parent company.

Foreign currencies

All foreign currency transactions by AS Norma and the group are recorded in Estonian kroons based on the exchange rate of the Bank of Estonia officially valid at the date of transaction.

Income statements of subsidiaries located outside of Estonia are translated into Estonian kroons based on average Bank of Estonia exchange rates for the year; assets and liabilities in foreign currencies are translated according to the Bank of Estonia exchange rate valid on December 31.

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents are comprised of cash in hand, deposits held on call at banks, and other marketable securities.

Marketable securities

Marketable securities are recorded in the balance sheet according at the lower of the acquisition cost or net realisable value and any gain from the sale of shares of interest fund is calculated using the weighted average cost method and is recorded in the income statement as financial income.

Long-term financial assets

The held-to-maturity bonds and loans issued by the enterprise are disclosed in amortised cost and using the effective interest rate. Other long-term financial investments are accounted for in market value. In case the market value cannot be reliably estimated, the investments are recorded at cost.

Accounts receivable

Accounts receivable recorded in the balance sheet are inventoried at the year end, and a provision has been made to cover doubtful receivables. The provision is recorded in the balance sheet as provision for doubtful receivables and receivables charged to expenses in the income statement as bad debt written-off. Bad debts are written off and accounted for as off balance sheet items.

Inventories

Raw materials both in warehouses and in production and merchandise purchased are recorded in the balance sheet according to the lower of acquisition cost or net realisable value. Finished goods and work in process are recorded at production cost. (This consists of direct and indirect production costs). The cost of materials, semi-manufactured parts and finished goods is calculated using the weighted average cost method.

Property, plant and equipment

Assets with an acquisition cost of over 20 thousand kroons and a useful life of more than one year are considered as property, plant and equipment. Property, plant and equipment are recorded at acquisition cost less accumulated depreciation. Property, plant and equipment is reduced to the recoverable amount (the higher of net realisable value or value in use), if recoverable amount is lower than net book amount. Improvements are capitalised if the value of a specific asset is qualitatively increased to a higher level or if it can be proved that income related to such expenses will arise in future accounting periods.

Depreciation is calculated using the straight-line depreciation method, based on estimated useful life as follows:

Buildings	18-26 years
Machinery and equipment	7 years
Motor vehicles	6 years
Other assets	3-5 years

Intangible assets

Amortisation of intangible assets is calculated using the straight-line method, based on estimated useful life as follows:

Development costs	5 years
Purchased licenses	5 years

Investment property

Investment property is defined as buildings held for rental yields. Investment property is recorded at cost less accumulated depreciation. Depreciation is accounted for according to straight-line method, based on the useful life of an asset item (18 to 26 years).

Deferred income tax

According to the new income tax law that took effect on January 1, 2000, dividends paid by the company to resident natural persons and non-residents are subject to income tax (26/74 of net dividend paid). There are no more differences between the taxation and book values of assets and liabilities and, therefore, no more deferred income tax.

The company's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet, because it is not possible to reliably estimate such liability. The amount of potential tax liability related to the distribution of dividends depends on whether and when the company actually pays out the dividends, and in which proportion the shares are owned by resident entities, resident natural persons and non-residents. The maximum possible tax liability which would become payable if retained earnings would be fully paid out as dividends and all shareholders belonged to the taxable category is disclosed in Note 27.

From January 1, 2001, dividend tax will be recorded as an expense according to the requirements of IAS 12.

Vacation pay reserve

The cost of the vacation pay reserve is recorded at the time the liability arises, that is, when the employee is entitled to claim vacation pay. Earned vacation pay is recorded in the income statement as an expense and in the balance sheet as a current liability.

Provisions and potential liabilities

Provisions are recognised when a company has a present legal or contractual obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made, but the date of the settlement and the final amount of it are not certain. Valuation of the provision is done based on the opinion and experience of management or the opinion of independent experts, if necessary.

Warranties, guarantees and other potential liabilities, which may occur under certain conditions, are disclosed in Notes to the Consolidated Financial Statements as Potential Liabilities.

Sales

Sales are recognised upon delivery of products and the transfer of all related risks of ownership to the customer and when the revenue and the costs of the transactions can reliably be defined. Invoices prepared in foreign currencies are translated into Estonian kroons according to the Bank of Estonia exchange rate valid at the invoice date.

Product development expenses

Product development expenses are generally recorded in the income statement under administrative and general expenses. If income related to expenses incurred will arise in future reporting periods, such expenses are capitalised in the balance sheet under intangible assets.

Accounting for leases

In the case of an operating lease, the leased asset remains in the lessor's accounts and the lessor continues depreciating the asset in accordance with its useful life. Lease revenue is recorded in accordance with the accrual assumption.

Notes to the consolidated financial statements 2001

In thousands of EUR, unless otherwise stated

1. Cash and bank accounts	12/31/01	12/31/00
Cash and bank accounts	122	242
Short-term deposits	3 677	3 506
	3 799	3 748

At the end of the year the company had 3 383.1 thousand kroons, 168.9 thousand Euros in overnight deposits. 1 023.0 thousand Euros and 16 000.0 thousand kroons were deposited as short-term bank deposits (under a 4-months term) and 21 500.0 thousand kroons (under a 12-months term).

In order to increase the flexibility of cash management and to reduce interest expenses and need for borrowing, a group account is used. This allows all companies in the group to use the group's funds within pre-set limits established by AS Norma.

2. Marketable securities	12/31/01	12/31/00
Money Market Fund shares	1 074	575
Interest Fund shares	4 034	2 513
Bonds	2 782	2 555
	7 890	5 643

For short-term cash management, shares of the money market funds of Hansabank, Ühisbank and interest fund of Hansabank were acquired. Additionally, also acquired were short-term fixed interest bonds of SEB, Tartu town and AS Hansa Capital at interest rates ranging from 3.6 to 5.9%.

As of December 31, 2001, book value of bonds and shares of funds was not materially different from their market valuations.

3. Accounts receivables	31/12/01	31/12/00
Trade receivables	7 027	7 144
Group receivables	2 770	422
Reserve for doubtful receivables	-839	-1 336
	8 958	6 230

As of December 31, 2001, 76% of doubtful receivables were related to Russian customers. More information on reserve for doubtful accounts is shown in Note 22.

4. Other receivables and prepayment	31/12/01	31/12/00
Other receivables, incl.	5 070	5 174
short-term loans	5 021	5 032
advances to employees	2	3
prepayments for services	47	139
Accrued interest	99	7
Prepaid expenses	69	53
	5 238	5 234

As part of cash management a 3-month loan in the amount of 5 million Euro at an interest rate of 3.548% p.a. was issued to Autoliv Autosicherheitst GMBH. This loan is shown under other receivables – short-term loan.

The most significant prepayments concerning expenses for future reporting periods are: insurance premiums (48 thousand euros), subscription to newspapers (8 thousand euros) and heating oil (7 thousand euros).

5. Prepaid tax	31/12/01	31/12/00
Prepaid income tax	4	-
Prepaid VAT	1 149	589
	1 153	589
6. Inventories	31/12/01	31/12/00
Raw materials	3 570	2 331
Work in process	964	905
Finished goods	703	923
Goods for resale	73	9
Prepayments to suppliers	3	31
	5 313	4 199

In 2001, the obsolete and substandard materials are written down in the amount of 48 (in 2000:225) thousand euros, resulting in the net book value of 5 (in 2000: 14) thousand euros. Materials, unfinished and finished goods unsuitable for production and sale have been written-off in the amount of 21 (in 2000: 132) thousand euros.

7. Long-term financial assets	31/12/01	31/12/00
Other shares	-	-
Other long-term receivables	68	80
	68	80

Other long-term receivables consist of long-term loans to employees of AS Norma.

Long-term loans to individuals

Purpose	Balance as of 12/31/00	Issued loans in 2001	Paid back in 2001	Balance as of 12/31/01	Incl. classified as short-term	Interest rate in percent
Purchase of real estate	42	-	24	18	9	13
Student loans	49	13	2	60	4	0
Other	21	-	10	11	9	9
	112	13	36	89	21	

AS Norma has issued loans to employees in accordance with the internal loan policy. Loans are secured by two guarantee agreements with private persons, real estate or share pledges (information in Note 8).

Subsidiaries as at December 31, 2001

Name of company	Participation	Country
AS Eksamo Automaatika	100%	Estonia
AS Tööriistavabrik	100%	Estonia
AS Norma Maja	100%	Estonia
Norma-Osvar Ltd.	100%	Russia

AS Norma subsidiaries have issued only ordinary shares. There were no transactions with subsidiaries' shares in 2001.

Until the year 2001 AS Norma had a 100% control of the subsidiary Norma-Osvar Ltd., incorporated in Cyprus, and Norma-Osvar ZAO was the 100% subsidiary of the latter. As there were no business operations carried out in Norma-Osvar Ltd, the company was closed down in the end of the year 2000, leaving AS Norma in full control of the Norma-Osvar ZAO, which is located in the territory of the Russian Federation.

In January 2001 all the shares of AS Metaprint, 100% controlled subsidiary, were sold at the price of 320 thousand euros. The money received from the sale of shares (320 thousand euros) was transferred to

Norma Ltd. account in two parts: 205 thousand euros on 10.01.01 and 115 thousand euros on 12.01.01. AS Norma gained a profit of 70 thousand euros for the sales transaction.

AS Metaprint assets and liabilities on the date of sale in thousands of euros:

Assets	sales date	01/01/01	Liabilities and owners' equity	sales date	01/01/01
Cash and bank accounts	138	103	Current liabilities		
Accounts receivable	299	701	Accounts payable	18	379
Provision for doubtful receivable	-224	-224	Taxes payable	50	38
Other receivables	32	32	Payables to employees	4	20
Inventories	68	67	Total current liabilities	72	437
Non-current assets	7	7	Owners' equity	248	249
Total assets	320	686	Total liabilities and owners' equity	320	686

With the sale of the subsidiary the balance sheet total of the Group as of 31.12.2000 was reduced by 686 thousand euros and the provision for doubtful receivables was reduced by 224 thousand euros as well. The sales turnover of AS Metaprint amounted to 4,148 thousand euros in 2000; in consolidated results of AS Norma in 2001 the result is 0, as well as the profit/loss (the loss of AS Metaprint amounted to 158 thousand euros in 2000).

8. Pledges to AS Norma	31/12/01	31/12/00
NG Investeeringud AS shares	1	7
Apartments	5	9
	6	16

Pledges to AS Norma are related with loans to individuals.

9. Property, plant and equipment	Land and buildings	Machinery and equipment	Other equipment	Unfinished buildings	Prepayments	Total
Acquisition cost as of 12/31/00	3 146	16 078	142	11	189	19 565
Additions	1 994	2 582	251	271	411	5 510
Sale and disposal	-	-933	-25	-	-	-958
Requalification	13	187	-	-11	-189	-
Acquisition cost as of 12/31/01	5 153	17 914	368	271	411	24 117
Accumulated depreciation as of 12/31/00	-386	-9 073	-81	-	-	-9 540
Depreciation charge	-182	-1 859	-22	-	-	-2 063
Written-down	-	-2	-	-	-	-2
Depreciation of sold and disposed fixed assets	-	888	8	-	-	896
Accumulated depreciation as of 12/31/01	-568	-10 045	-96	-	-	-10 709
Net book amount as of 12/31/00	2 760	7 005	60	11	189	10 025
Net book amount as of 12/31/01	4 585	7 869	272	271	411	13 408

Acquisition cost of fully depreciated fixed assets (0 book value) as of 12/31/00 was 3,536 thousand euros; as of 12/31/01 4,884 thousand euros.

In 2001 machinery and equipment were devalued down to their net realisable value by the amount of 2 thousand euros.

10. Investment property	Buildings	Total
Acquisition cost as of 12/31/00	471	471
Acquisition cost as of 12/31/01	471	471
Accumulated depreciation as of 12/31/00	61	61
Depreciation charge	10	10
Accumulated depreciation as of 12/31/01	71	71
Net book amount as of 12/31/00	409	409
Net book amount as of 12/31/01	400	400

No independent expert opinion has been obtained about the value of the real estate. There are no restrictions on the realisation of property.

The fair value of the property is between 1,150 to 1,278 thousand euros.

The lease income earned from the real estate in 2001 was 154 thousand euros and the corresponding expense was 20 thousand euros.

11. Intangible assets	Other	Total
Opening net book amount as of 12/31/00	459	459
Additions	64	64
Written-off	-54	-54
Opening net book amount as of 12/31/01	469	469
Accumulated amortisation as of 12/31/00	-309	-309
Amortisation charge	-88	-88
Written-off	48	48
Accumulated amortisation as of 12/31/01	-349	-349
Net book amount as of 12/31/00	151	151
Net book amount as of 12/31/01	120	120

Other intangible assets include the cost of purchased patents and software licenses.

12. Operating lease

The company has signed operating lease contracts to rent cars (period 2000-2004). In 2000, total amount of rental payments under these contracts was 45 thousand euros. In 2001, amount of leasing payments was 38 thousand euros, in 2002 the amounts payable are 30 thousand and in 2003 26 thousand euros and in 2004 2 thousand euros.

The production equipment of the parent company is, in addition, used under the terms of operating lease (Note 29).

13. Accounts payables and accrued expenses	31/12/01	31/12/00
Customer prepayments	42	105
Accounts payables	1 122	1 895
Salaries payable	945	960
Accrued expenses	2	5
Other prepaid expenses	-	2
Payables to parent company	4 694	897
	6 805	3 864

14. Taxes payable	31/12/01	31/12/00
Social security tax and other	207	241
Unemployment insurance tax	2	-
VAT payable	41	48
	250	289

15. Share capital	31/12/01	31/12/00
Share capital par value (10 kroons per share)	8 436	8 436

AS Norma has issued 13.2 million ordinary shares that grant one vote per share. Dividends paid out for 2000 were 0,3 euros per share amount to 4,2 million euros. AS Norma shares are listed in the main list of the Tallinn Stock Exchange and are quoted on the Frankfurt, Berlin and Munich Stock Exchanges.

Share capital of AS Norma is 8,436 thousand euros, which is the minimum amount of the share capital. Maximum is 33,745 thousand euros.

AS Norma shareholders with participation over 3% as of 12/31/01:

Autoliv Ab	51.0%
Nordea Bank Finland PLC Clients Account Trading	7.4%
Clearstream Banking Luxembourg S.A. Clients	4.3%
Skandinaviska Eskilda Banken Ab Clients	5.5%
Hansapank	3.3%

Earnings per share	2001	2000
Net profit	11 353	10 063
Average number of shares (in thousands)	13 200	13 200
Earnings per share (EPS) kroons	0,86	0,76

The company has no un-issued ordinary shares and therefore the basic earnings per share and diluted earnings per share are equal.

16. Retained earnings and reserves

	Retained earnings	Reserve	Statutory reserve	Total
December 31, 1999	8 313	155	844	9 312
Net profit for 1999	6 876	-	-	6 876
Reserve	155	-155	-	-
Dividends ordinary shares	-2 531	-	-	-2 531
December 31, 2000	12 813	-	844	13 657
Net profit for 1999	10 063	-	-	10 063
Dividends ordinary shares	-4 218	-	-	-4 218
December 31, 2001	18 658	-	844	19 502

The revaluation reserve was related to the buildings at Kopli Street. As those buildings were sold in June 2000, the revaluation reserve has been decreased and retained earnings have been increased by the respective amount.

17. Segment information

by Product lines

	Safety belts 2001	Other products 2001	Total 2001	Safety belts 2000	Other products 2000	Total 2000
Sales	48 101	8 365	56 466	31 492	13 089	44 581
Internal sales		(4 319)	(4 319)		(4 050)	(4 050)
Net sales	48 101	4 046	52 147	31 492	9 038	40 531
Operating profit	10 541	139	10 680	9 732	5	9 737
Assets	26 917	6 539	33 456	17 509	8 157	25 666
Unallocated assets			12890			10 643
Total assets			46 346			36 309
Liabilities	6 527	528	7 055	3 468	685	4 153
Investments	5 558	16	5 574	2 800	309	3 109

Depreciation charge	1 822	339	2 161	1 523	405	1 928
Fixed assets' revaluation	2	0	2	18	23	41

Segments are based on the production of the company where main product group is safety belt and other products (car components, metal products, real estate management) have separately less than 10% of total sales. The profitability of other products has decreased because of the extraordinary expenses related to the closing down of some product lines, not considered to be a core business. As a result of the sales of the subsidiary sheet metal processing is no longer an activity of the company (Note 7).

Costs are in line with the product's share in profit. Assets (except shares, other securities and loans), liabilities and investments are divided by their relation to the segments. Depreciation charge and revaluation are divided by relations with the main product groups.

Sales by geographical market

	Net sales	
	2001	2000
Russia	32 124	27 941
Estonia	1 001	4 108
Sweden	15 541	2 345
Austria	891	1 341
France	784	876
USA	88	598
Latvia	0	578
Ukraine	389	503
Belgium	256	355
Finland	131	319
Czech Republic	287	312
Great Britain	0	292
Denmark	208	275
Germany	31	150
Netherlands	80	109
Lithuania	58	80
Other countries	281	348
Total:	52 147	40 531

The inventories and tangible assets of the AS Norma group are located in Estonia, with the exception of a building (Polish module) in the AS Norma balance sheet with a net value of 62 thousand Estonian kroons, which is located in the Russian Federation; also with an exception of assets of Norma-Osvar Ltd. located in the Russian Federation. Balance sheet value of the assets of Norma-Osvar Ltd. is 456 (in 2000: 660) thousand euros, of which the value of fixed assets is 38 (in 2000: 43) thousand euros.

18. Cost of goods sold	2001	2000
Raw materials	26 244	15 690
Wages	7 321	6 595
Depreciation	1 956	1 734
Utilities	784	821
Other	777	1 377
	37 082	26 217
19. Marketing expenses	2001	2000
Salaries	282	224
Depreciation	17	22
Consultations	352	370
Transport services	655	655
Other	203	182

	1 509	1 453
20. Research and Development expenses	2001	2000
Salaries	616	702
Prototype and pre-serial tooling	245	241
Depreciation	62	43
Utilities	2	3
Repairs	4	18
Advertising, promotion	16	7
Travel	76	69
Telephone, office supplies	7	9
Raw materials	3	3
Other services	11	11
Training	8	8
Other	156	131
	1 206	1 245
21. Administrative and general expenses	2001	2000
Salaries	1 148	1 252
Depreciation	126	129
Utilities	19	50
Repairs	27	10
Advertising, promotion	105	92
Travel	38	67
Telephone, office supplies	70	84
Raw materials	11	10
Other services	162	75
Training	36	23
Other	311	347
	2 053	2 139
22. Provisions for bad debt	2001	2000
Provisions for doubtful receivables made in 2001	211	1 064
Write-off of bad debts	20	25
Received from allowance of previous years	-348	-937
	117	152
23. Other operating income	2001	2000
Other sales	29	43
Profit from sales of property, plant and equipment	80	678
Foreign exchange gain	45	112
Other	296	29
	450	862
24. Other operating expenses	2001	2000
Membership fees of unions, other associations	8	9
Loss from the sale and disposal of fixed assets	18	187
Sponsorship	145	96
Cost of other sales	5	75
Other	8	40
Devaluation of property, plant and equipment	2	41
	186	448
25. Financial income	2001	2000
Shares in associated companies	70	-

Shares in subsidiary companies	-	20
Other financial investments	-	31
Foreign exchange gain	-	50
Bank interest received	5	114
Deposit interest received	344	266
Loan interest received from companies	409	7
Loan interest received from individuals	0	5
Other	11	52
	839	545

Due to concentration on the main business activities the associated company AS Nosafe's shares were sold in 2000 with the profit of 20 thousand euros, and in 2001 AS Metaprint's shares were sold with the profit of 70 thousand euros (Note 7).

26. Financial expenses	2001	2000
Loan interest paid	23	-
Changes in value of financial investments	-	210
Other	-	9
	23	219

27. Income tax	2001	2000
Income tax payable	2	-
Deferred income tax	141	-
Total	143	-

The subsidiary of the group - ZAO Norma-Osvar - is registered and located in the territory of the Russian Federation. Income tax on the profit (2 thousand euros) has been paid according to the income tax law valid in the jurisdiction.

Maximum possible income tax on dividends

The retained earnings of the company amounted to 30,011 thousand euros as of 12/31/01. The maximum possible income tax liability in case of retained earnings is fully paid out as dividends (in case all shareholders belonged to a taxable category as of the date of dividend payment) is 5,514 thousand euros. Accordingly, it would be possible to pay net dividends in the amount of 24,497 thousand euros.

28. Personnel expenses	2001	2000
Wages and salaries	7 042	6 596
Social security	2 324	2 177
Unemployment insurance	2	-
29. Related parties	Autoliv Group	
	2001	2000
Sales to Norma	15 635	1 568
Purchase from Norma	14 797	1 373
	12/31/01	12/31/00
Receivable from Group companies	2 770	422
Payable to Group companies	4 694	897
Short-term loan to Autoliv Autosicherheitst GmbH	5 005	5 007

Autoliv AB is a parent company of AS Norma (see Note 12). According to management opinion intra-company trading transactions with Autoliv companies are based on market prices, although the short-

term loan to another Autoliv subsidiary has been issued at an interest rate slightly higher than market. Autoliv has leased machinery of a commercial value of 263 thousand euros to Norma at an annual rent of 5 (2000 : 3) euros.

Remuneration paid to the Management Board members during the year amounted to 277 thousand euros and to members of the Supervisory Board amounted to 51 thousand euros.

Loans to employees are described in Note 7.

Group pool account

On 10/22/99 Hansabank and AS Norma, with its subsidiaries, entered into a contract of group pool account under which AS Norma is defined to be the parent company. Subsidiaries of the group were Eksamo Automaatika AS, AS Metaprint, AS Norma Maja and AS Tööriistavabrik.

30. Primary risks for the AS Norma group

Credit risk

Credit risk reflects the potential loss, which may be caused by a business partner's inability to meet the assumed obligations. This is particularly important in regard to the ability of our major customers to pay for goods supplied. Credit is primarily extended only to our long-term partners. In order to ensure the accrual of payments from our long-term clients, we are constantly monitoring and analysing their financial situation and liquidity. If necessary, we have requested bank guarantees to ensure payment. Prepayment or a letter of credit is required for single transactions or new clients.

A provision has been made to cover doubtful receivables. This reserve encompasses all accounts receivable, which are the object of dispute with the other party, and receivables, which the Management Board has reason to believe are not collectible.

The accounts receivable balance from the Russian clients on 31.12.01 amounted to 6,191 thousand euros (31.12.00 : 5,807). Write-down at the end of the period amounted to 639 thousand euros (31.12.00 : 992); therefore the net balance of receivables as at 31.12.01 amounted to 5,552 thousand euros (31.12.00 : 4,814).

Currency risk

In 2001, 98% of AS Norma concern's sales were export sales, made mainly in DEM. The concern's expenses were primarily in Estonian kroons, German marks, U.S. dollars, Swedish crowns and Russian roubles. Since Q2 1999 the company is no longer exposed to the risk of fluctuations in USD/DEM exchange rate, as the basic buy and sell contracts have been re-entered on a EUR-basis. The risks related to other currencies were hedged either by levelling the incoming and outgoing cash flows of the same currency, or recording contractual payments in Euros according to the exchange rate on the date of payment. During 2001, the company expects the importance of international transactions made in Euros to increase and in Swedish crowns to decrease.

Currency positions of the group

Thousands of kroons

31/12/2001

Assets	EEK	SEK	USD	EUR	RUR	Other	Total
Cash	2 686	8	-	1 023	82	0	3 799
Customer receivables	116	62	157	8 118	259	1 085	9 797
Other receivables	232	-	-	5 005	-	-	5 237
Prepayments to suppliers	1	-	-	-	1	-	3
	3 036	70	157	14 146	342	1 085	18 836
Liabilities							
Prepayments from customers	9	-	-	2	-	31	42
Accounts payable	544	264	3	4 712	13	280	5 816

	553	264	3	4 714	13	311	5 858
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31/12/2000							
Financial assets EEK		SEK	USD	EUR	RUR	Other	Total
Cash	418	13	59	3 119	85	53	3 747
Customer receivables	106	439	77	6 706	44	195	7 566
Other receivables	234		-	5 000	-	-	5 234
	757	452	136	14 825	129	248	16 547
Liabilities							
Prepayments from customers	26	12	-	26	7	34	105
Accounts payable	347	1 088	56	1 176	71	55	2 793
	373	1 100	56	1 202	78	89	2 898

31. Market value

The values of monetary assets and liabilities reflected on the balance sheet are approximately their market value.

32. Off-balance assets and liabilities

AS Norma holds a guarantee contract in the amount of 415 thousand euros for guaranteeing import and interest levies, as well as the state duties.

The company stands as a guarantor with 39 thousand euros for the usage of staff credit cards.

AS Norma kontserni struktuur seisuga 31.12.2001.a.
AS NORMA GROUP STRUCTURE AS OF 31.12.2001

AS NORMA

Autode ohutusrihmade ja autodetailide valmistamine.

Production of safety belts and car components.

AS Norma aktsiad on noteeritud Tallinna Väärtpaberibörsil põhinimekirjas

AS Norma shares are on the primary list of the Tallinn Stock Exchange

Aktsiakapital/ Share capital	8.4 MEUR
Käive/Sales	50.8 MEUR
Töötajaid/Employees	856

AS TÖÖRIISTAVABRIK

Stantside, survevaluvormide
projekteerimine ja valmistamine
*Design and production of dies and
moulds*

Osalus/Participation	100 %
Aktsiakapital/Share capital	0.5 MEUR
Käive/Sales	2.0 MEUR
Töötajaid/Employees	82

EKSAMO AUTOMAATIKA AS

Tootmise seadmete remonditeenused.
Maintenance of production equipment

Osalus/Participation	100 %
Aktsiakapital/Share capital	0.1MEUR
Käive/Sales	0.9MEUR
Töötajaid/ Employees	72

NORMA – OSVAR ZAO.

Ohutusrihmade valmistamine ja müük
Venemaal
*Production of safety belts and sales in
Russia*

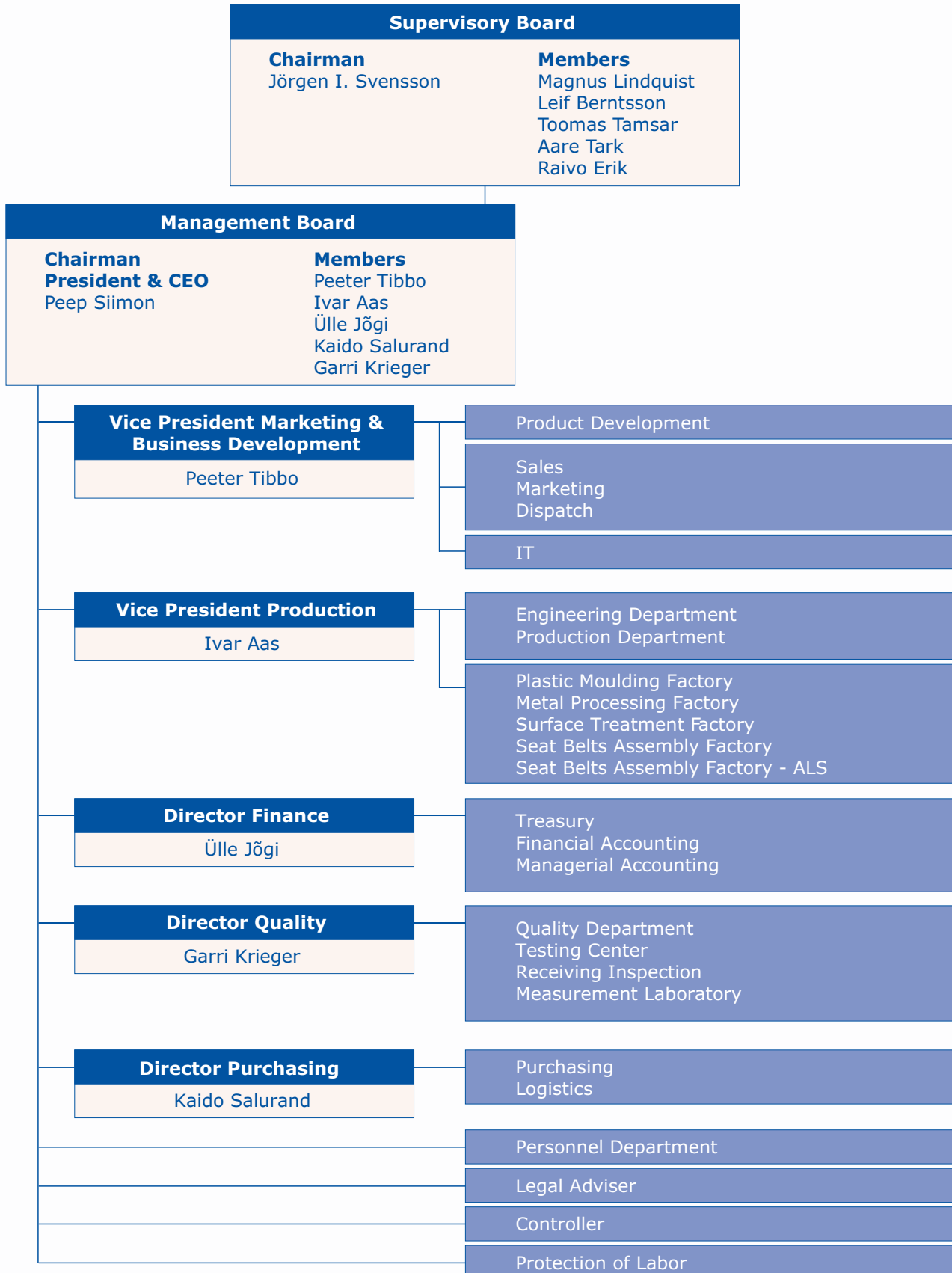
Osalus/Participation	100 %
Aktsiakapital/Share capital	0.4 MEUR
Käive/Sales	0.7 MEUR
Töötajaid/Employees	2

AS NORMA MAJA

Kinnisvara haldamine.
Real estate management

Osalus/Participation	100 %
Aktsiakapital/Share capital	1.1 MEUR
Käive/Sales	2.7 MEUR
Töötajaid/ Employees	36

Structure



AUDITOR'S REPORT

(Translation of the Estonian original)

To the shareholders of AS Norma

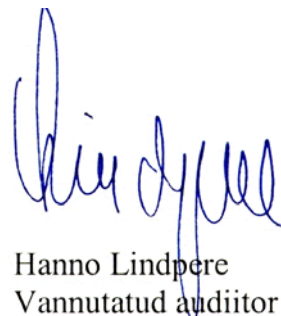
We have audited the financial statements of AS Norma and its subsidiaries (the Group) for the year ended 31 December 2001 as set out on pages 7 to 24. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements give a true and fair view of the financial position of the Group as at 31 December 2001 and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.



Urmas Kaarlep
AS PricewaterhouseCoopers



Hanno Lindpere
Vannutatud audiitor

Authorised auditor

18 February 2002