

## **AS NORMA**

### **2003 ANNUAL REPORT**

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Beginning and end of reporting year:	01.01.2003-31.12.2003
Attachments to annual report	auditor's opinion profit allocation proposal list of shareholders with more than 10% participating interest

## Table of contents

MANAGEMENT REPORT .....	3
MANAGEMENT BOARD'S CONFIRMATION ON THE FINANCIAL STATEMENTS .....	7
CONSOLIDATED BALANCE SHEET .....	8
AS NORMA (PARENT COMPANY) BALANCE SHEET .....	9
CONSOLIDATED INCOME STATEMENT .....	10
AS NORMA (PARENT COMPANY) INCOME STATEMENT .....	10
CHANGES IN OWNERS' EQUITY (THE GROUP AND PARENT COMPANY) .....	11
AS NORMA CONSOLIDATED CASH FLOWS .....	12
AS NORMA (PARENT COMPANY) CASH FLOWS .....	13
ACCOUNTING POLICIES .....	14
NOTES TO THE FINANCIAL STATEMENTS .....	18
1. Cash and bank accounts .....	18
2. Available-for-sale investments .....	18
3. Held-to-maturity investments .....	18
4. Accounts receivable .....	18
5. Other receivables and prepayments .....	19
6. Prepaid taxes .....	19
7. Inventories .....	19
8. Held-to-maturity investments (over 1 year) .....	19
9. Subsidiaries .....	20
10. Property, plant and equipment (group) .....	21
11. Intangible assets (group) .....	21
12. Operating lease .....	22
13. Accounts payable and accrued expenses .....	22
14. Taxes payable .....	22
15. Share capital .....	23
16. Segment information .....	23
17. Cost of goods sold .....	25
18. Marketing expenses .....	25
19. Research and Development expenses .....	25
20. Administrative and general expenses .....	25
21. Other operating income .....	25
22. Other operating expenses .....	26
23. Financial income/expenses .....	26
24. Income tax .....	26
25. Personnel expenses .....	26
26. Related parties .....	27
27. Primary risks for the AS Norma Group .....	27
28. Contingent liabilities .....	28
PROFIT ALLOCATION PROPOSAL FOR THE FINANCIAL YEAR .....	29
SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE 2003 ANNUAL REPORT .....	30
LIST OF SHAREHOLDERS WITH MORE THAN 10% PARTICIPATING INTEREST, AS AT 31.12.2003 .....	31
AUDITOR'S OPINION .....	32

## MANAGEMENT REPORT

### Background information on AS Norma

AS Norma's history dates back over 100 years: in 1891 Paulus Michelson founded a metal shop which has carried the Norma name since 1931. In 1973 seatbelt production started. Today, AS Norma is the leading car security system supplier for Russian car plants, and provides seat belts for many Western car industry groups. AS Norma shares are quoted on the main list of the Tallinn Stock Exchange.

AS Norma specializes in the manufacturing, sales, research and development of car safety systems and components. Technologies used for the main activities include metal processing, plastic moulding and galvanic coating of components.

In 2003, the AS Norma Group consisted of AS Norma and three 100%-parent-owned subsidiaries from which Eksamo Automaatika AS was sold on 30 December 2003.

At the end of 2003 the group employed 882 people, including 800 people at AS Norma.

AS Norma is located in Tallinn, Estonia, at Laki St. 14.

### Financial highlights

in millions of kroons, excl. shares and amounts per share

	Group			AS Norma (parent company) *		
	2003	2002	Change %	2003	2002	Change %
Net sales	<b>999.3</b>	1 013.8	-1.4	<b>979.0</b>	992.1	-1.3
Operating profit	<b>121.8</b>	186.9	-34.8	<b>125.3</b>	160.1	-21.7
Income tax	<b>3.5</b>	3.9		<b>3.5</b>	3.6	
Net profit	<b>128.3</b>	193.6	-33.7	<b>128.3</b>	193.6	-33.7
Assets	<b>962.6</b>	851.6	13.1	<b>960.8</b>	848.1	11.7
Equity	<b>791.5</b>	729.2	8.5	<b>791.5</b>	729.2	8.5
Share capital	<b>132</b>	132		<b>132</b>	132	
Number of employees	<b>882</b>	1 046		<b>800</b>	884	
Number of shares	<b>13.2</b>	13.2		<b>13.2</b>	13.2	
Earnings per share	<b>9.72</b>	14.67	-33.7	<b>9.72</b>	14.67	-33.7
ROE	<b>0.162</b>	0.265	-39	<b>0.162</b>	0.265	-39
ROA	<b>0.133</b>	0.227	-41	<b>0.134</b>	0.227	-41

\*AS Norma consolidated using the equity method

### Operations of AS Norma in 2003

#### 1. Sales Revenue

Net sales of AS Norma Group amounted to 999.3 million kroons, a decrease of 1.4% compared to 2002. The parent company's sales revenue was 979.0 million kroons, 98% of the turnover of the whole group. The parent company's sales decreased by 1.3% in a year. The subsidiaries' consolidated sales were 20.3 million kroons. The share of export in the group's sales amounted to 98% and 40% of export went to Russia. Revenue from seatbelt and component sales amounted to 93% of the total sales of the group (94% in 2002).

2003 could be considered an active year on AS Norma's primary markets. Passenger car production in Russia increased by 1.7%, compared to 2002 (decrease of 0.4% at AvtoVAZ). Increasing competition on the ordinary seatbelt market and the strengthening of the euro in 2003 with regard to the rouble had a negative effect on Norma's sales and sales prices. The effect of the price drop on revenue was 24 million kroons. The largest customers in Russia were AvtoVAZ, GAZ, and Izhmaz.

In 2003, AS Norma's Western-bound sales reached 60% of total sales, amounting to 602.0 million kroons. Sales to Autoliv group companies totalled 545.0 million kroons (+22% from 2002). Seat belts accounted for 94.5% of products sold to Autoliv group. Other major Western clients included Karosa, Iris Bus, Renault V.I., Protektor, Saab Automobile AB.

Increased security requirements are also forcing Russian plants to adopt increasingly comprehensive safety systems. This means the share of airbags and seat belts with automatic pretensioners and related electronics used in such components will increase in the coming years. In 2003, Norma was contracted to develop a modern safety system for AvtoVAZ's new family cars, VAZ 1118, 1117, and 1119 (the Kalina). Production of cars equipped with safety systems is planned to begin in September 2005. The contract does not cover serial supply of components but does lay a good foundation for signing a contract on serial supplies.

## **2. Profitability**

	Group			AS Norma (parent company)*		
	2003	2002	Change%	2003	2002	Change%
Net sales	<b>999.3</b>	1013.8	-1.4	<b>979.0</b>	992.1	-1.3
Cost of goods sold	<b>812.6</b>	773.9	5.0	<b>800.4</b>	769.3	4.0
Administrative and selling expenses	<b>63.5</b>	75.6	-12.9	<b>57.3</b>	63.4	-9.6
Operating profit	<b>121.8</b>	186.9	-34.8	<b>125.3</b>	160.1	-21.7
Profit before tax	<b>131.8</b>	197.5	-33.3	<b>131.8</b>	197.3	-33.3
Net profit	<b>128.3</b>	193.6	-33.7	<b>128.3</b>	193.6	-33.7
Sales margin (%)	<b>12.8</b>	19.1	-33.0	<b>13.1</b>	19.5	-32.8

\*AS Norma consolidated equity method

The group's net profit was 128.3 million kroons in 2003. Net profit fell 34% from 2002. Profit before tax decreased by 33% (i.e. 66 million kroons) to 131.8 million kroons. The group's sales margin fell from 19.1% to 12.8%. In 2002, disposals of buildings and real estate contributed to operating profit of 19.7 million kroons. Such an operating profit was not achieved in 2003. The decline in profit is a consequence of the decrease in the sales volumes and prices on the Eastern market.

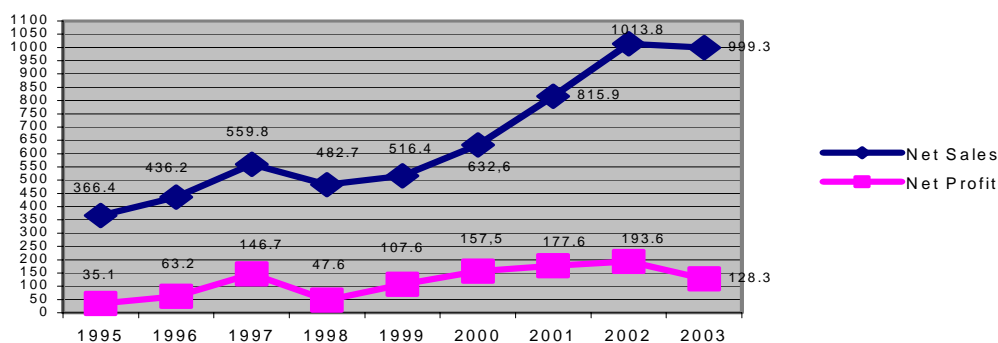
In 2003 net sales dropped by 1%, whereas cost of sales increased by 5%. The company's gross profit decreased by 22%. R&D expenses decreased by 13%, general administrative expenses by 10%, and marketing expenses by 17%, thus 13% was saved on the general expenses of the accounting period.

The rise in the share of cost of goods sold in the group's revenue-expenditure structure continued (from net sales an increase from 76% in 2002 to 81% in 2003), including a 3% rise in the cost of raw materials (i.e. 19 million kroons), 13% increase in depreciation (i.e. 5 million kroons), and 5% decrease in wages and salaries (i.e. 6 million kroons), compared to 2002. Increase in the share of costs of raw materials was triggered by the use of purchased components instead of raw materials upon making safety belts for Autoliv. Sales to Autoliv group companies reached 545.0 million kroons in 2003, making up 55% of net turnover (growth of 22% from 2002).

98% of the group's net turnover (i.e. 979 million kroons) originated from the parent company, a decrease of 1%, compared to the previous period. The parent company's gross profit decreased by 20% and operating profit by 22%, reaching 178.6 and 125.3 million kroons respectively.

Personnel expenses of the group totalled 146.1 million kroons in 2003, a decrease of 9%, compared to last year. The share of personnel expenses in the net turnover decreased to 15% in 2003 (16% in 2002). There were 882 employees in the group at the end of 2003, which is 164 employees less than the previous year. The number of employees at the parent company decreased by 84 to 800. The average expenditure per employee stayed at 2002 levels.

### The Dynamics of the Group Net Sales and Net Profit in 1995-2003 (in millions of kroons)



### 3. Liquidity management and use of capital

The group's equity increased by 62 million kroons or 9%, amounting to 791.5 million kroons by the end of the accounting year. The share of equity in the balance sheet was 82% (86% at the end of 2002). Distributable equity at the end of the year was 646.3 million kroons.

At the end of 2003, the share of cash and liquid securities amounted to 31% of total assets. Net working capital was 215.5 million kroons as of 31 December 2003, and fixed assets amounted to 276.9 million kroons. The group has no need for external funding.

In managing liquidity and making financial investments, AS Norma was traditionally conservative in 2003 as well. Aside from Estonian banks' Estonian kroon and euro deposits of varying terms of maturity, and interest fund shares, resources were also deposited on a short-term basis in Autoliv Finance International and a short-term loan was granted to Autoliv Autosicherheitst GMBH in the amount of 5 million euros, which enabled to make a short-term euro investment at a higher interest rates than the market rates for euro deposits.

For more flexible management of financial resources within the group, and reducing interest expenses and need for external loans, a group cash pooling agreement is being used, allowing the subsidiaries to use the group's resources within the limits established by AS Norma.

### 4. Assets

The group's assets totalled to 962.6 million kroons at the end of the accounting period, 111 million kroons more than at the end of 2002, whereas 68 million kroons of its growth came from current assets. The latter reached 685.7 million kroons by the end of the period.

Customer receivables amounted to 202.4 million kroons at the end of the period, including 124.9 million kroons of accounts receivable from Autoliv group companies. In turn, accounts payable by AS Norma to the companies of the same group amounted to 97.4 million kroons. Although total customer receivables increased by 39 million kroons over the year, the accounts receivable from customers outside Autoliv group remained the same (77.5 million kroons). A provision for doubtful debts has been established in the amount of 9.3 million kroons, 78% of it being connected to accounts of Russian and Ukrainian customers.

The group's inventories amounted to 73.8 million kroons at the end of the accounting period, a decrease of 18 million kroons (19%), compared to the beginning of the period, making up 8% of assets. Raw materials and purchased components made up 60%, work in progress 22% and finished goods 13% of the inventories. Compared to 2002, material and component inventories decreased the most, from 57.4 to 44.3 million kroons, as did finished goods in stock, from 15.0 to 10.0 million kroons.

The group's non-current assets reached 276.9 million kroons at the end of 2003, a growth of 43 million kroons, making up 29% of assets. Tangible fixed assets increased by 26 million kroons to 249.8 million kroons – i.e. 26% of the group's assets. Intangible assets increased by 20 million kroons in 2003.

## **5. Highlights**

1. A new automatic line was installed and launched to prepare Autoliv safety belt inertial wheel
2. Legal procedures for the merger of AS Norma and AS Norma Maja were completed
3. The subsidiary (100%) Eksamo Automaatika AS was sold
4. DNV Certification OY/AB issued a certificate to AS Norma, proving the company's quality management system's conformance to ISO/TS 16949 requirements.

## **6. Subsidiaries**

In 2003, AS Norma group included three subsidiaries (AS Tööriistavabrik, Norma-Osvar ZAO, Eksamo Automaatika AS (was sold at the end of 2003)).

AS Tööriistavabrik field of activity is designing, manufacturing and repairing fixtures for plastic moulding dies. AS Tööriistavabrik is a strategic link in the Norma production chain. AS Tööriistavabrik sales in 2003 amounted to 33.4 million kroons and the net profit amounted to 1.4 million kroons. Its sales outside the group amounted to 14.3 million kroons.

Eksamo Automaatika AS provided maintenance and repair services for manufacturing equipment to the parent company and performs automation work for Norma as well as other firms. The company's turnover was 13.9 million kroons in 2003 and the net loss amounted to 243,000 kroons. Its sales outside the group amounted to 4.7 million kroons. Eksamo Automaatika AS was sold at the end of 2003.

The turnover of the Russian-based subsidiary Norma-Osvar ZAO was 37 million kroons in 2003 and the net loss amounted to 1.7 million kroons. Its sales outside the group amounted to 1.3 million kroons.

## **7. Investments**

To reinforce manufacturing capacity and ensure effectiveness of manufacturing processes, 98.4 million kroons were invested in the group in 2003.

The largest investments in 2003 were the following:

Product and technology licenses	22.4 million kroons
Metal processing equipment	14.9 million kroons
Assembly lines	18.6 million kroons
IT	3.3 million kroons
Thermoplastic production	9.4 million kroons
Quality management systems	6.0 million kroons
Environmental protection	3.5 million kroons
Construction work	1.5 million kroons

## **8. Stock market and stock performance**

AS Norma has issued 13.2 million ordinary shares, which give one vote per share. Dividends in the amount of 66.0 million kroons were paid out for activities in 2002 (i.e. 5 kroons per share).

AS Norma shares are quoted on the main list of the Tallinn Stock Exchange, and they are also traded on exchanges in Frankfurt, Berlin and Munich.

AS Norma shareholders whose share exceeds 3%, as of 31 December 2003:

Autoliv AB	51.0%
Nordea Bank Finland PLC Clients Account Trading	9.5%
Skandinaviska Enskilda Banken AB Clients	8.7%
Clearstream Banking Luxembourg S.A. Clients	3.7%
Firebird Republics Fund Ltd	3.0%

At the end of the accounting period (31.12.2003), the closing price of a share of AS Norma on the Tallinn Stock Exchange was 101.70 kroons.

## Financial Statements

### Management Board's Confirmation on the Financial Statements

The Management Board confirms the completeness and correctness of AS Norma 2003 financial statements as presented on pages 7-28:

- 1) the financial statements have been prepared in accordance with International Financial Reporting Standards;
- 2) the financial statements give a true and fair view of the financial position and the results of operations of AS Norma parent company and the group;
- 3) AS Norma and its group companies are going concerns.

Peep Siimon   
Chairman of the Management Board

Peeter Tibbo   
Member of the Management Board

Ivar Aas   
Member of the Management Board

Ülle Jõgi   
Member of the Management Board

Garri Krieger   
Member of the Management Board

Kaido Salurand   
Member of the Management Board

Tallinn, 16 February 2004

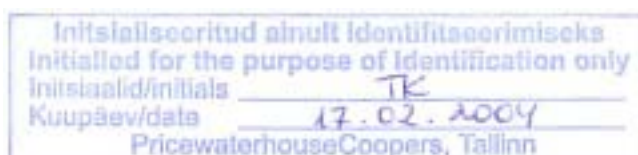
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Kuupäev/date <u>17.02.2004</u>
PricewaterhouseCoopers, Tallinn

## Consolidated balance sheet

(in thousands of kroons)

Assets	31.12.2003	31.12.2002	Note No.
<b>Current assets</b>			
Cash and bank accounts	179 092	214 228	1
Available-for-sale investments	73 219	80 996	2
Held-to-maturity investments	46 858	47 624	3
Accounts receivable	202 419	163 209	4
Allowance for doubtful receivables	-9 340	-10 164	4
Other receivables and prepayments	90 438	6 522	5
Prepaid taxes	29 228	23 313	6
Inventories	73 816	91 551	7
<b>Total current assets</b>	<b>685 730</b>	<b>617 279</b>	
<b>Non-current assets</b>			
Held-to-maturity investments	5 196	9 600	8
Property, plant and equipment	249 762	223 030	10
Intangible assets	21 935	1 711	11
<b>Total non-current assets</b>	<b>276 893</b>	<b>234 341</b>	
<b>Total assets</b>	<b>962 623</b>	<b>851 620</b>	
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	165 664	117 801	13
Taxes payable	5 426	4 619	14
<b>Total current liabilities</b>	<b>171 090</b>	<b>122 420</b>	
<b>Total liabilities</b>	<b>171 090</b>	<b>122 420</b>	
<b>Owners' equity</b>			
Share capital (par value)	132 000	132 000	15
Statutory reserves	13 200	13 200	
Retained earnings	518 000	390 376	
Profit for the financial year	128 333	193 624	
<b>Total owners' equity</b>	<b>791 533</b>	<b>729 200</b>	
<b>Total liabilities and owners' equity</b>	<b>962 623</b>	<b>851 620</b>	

The accounting principles presented on pages 14 to 17 and the notes to Financial Statements presented on pages 18 to 28 form an integral part of the Financial Statements.



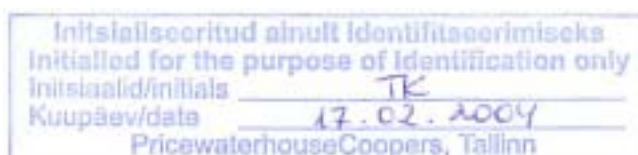


## AS NORMA (parent company) balance sheet

(in thousands of kroons)

Assets	31.12.2003	31.12.2002	Note No.
<b>Current assets</b>			
Cash and bank accounts	178 658	213 047	1
Available-for-sale investments	73 219	80 996	2
Held-to-maturity investments	46 858	47 624	3
Accounts receivable	206 971	166 329	4
Allowance for doubtful receivables	-9 340	-10 164	4
Other receivables and prepayments	90 171	4 587	5
Prepaid taxes	26 941	22 307	6
Inventories	64 625	81 811	7
<b>Total current assets</b>	<b>678 103</b>	<b>606 537</b>	
<b>Non-current assets</b>			
Held-to-maturity investments	5 196	9 600	8
Investments in subsidiaries	18 579	21 741	9
Property, plant and equipment	237 668	209 261	10
Intangible assets	21 301	955	11
<b>Total non-current assets</b>	<b>282 744</b>	<b>241 557</b>	
<b>Total assets</b>	<b>960 847</b>	<b>848 094</b>	
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	164 629	115 562	13
Taxes payable	4 686	3 332	14
<b>Total current liabilities</b>	<b>169 315</b>	<b>118 894</b>	
<b>Total liabilities</b>	<b>169 315</b>	<b>118 894</b>	
<b>Owners' equity</b>			
Share capital (par value)	132 000	132 000	15
Statutory legal reserves	13 200	13 200	
Retained earnings	518 000	390 376	
Profit for the financial year	128 333	193 624	
<b>Total owners' equity</b>	<b>791 533</b>	<b>729 200</b>	
<b>Total liabilities and owners' equity</b>	<b>960 847</b>	<b>848 094</b>	

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## Consolidated income statement

(in thousands of kroons)

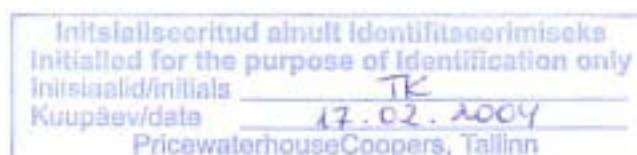
	01.01.03-31.12.03	01.01.02-31.12.02	Note No.
Net sales	999 314	1 013 765	16
Cost of goods sold	812 640	773 911	17
<b>Gross profit</b>	<b>186 673</b>	239 854	
Marketing expenses	16 528	20 005	18
General expenses	27 304	30 328	20
Research and Development expenses	19 690	22 592	19
Other income	2 543	23 539	21
Other expenses	3 939	3 581	22
<b>Operating profit</b>	<b>121 756</b>	186 887	
Financial income	10 331	12 130	23
Financial expenses	299	1 535	23
Profit before taxes	131 788	197 482	
Income tax expense	3 455	3 858	24
<b>Net profit</b>	<b>128 333</b>	193 624	
Earnings per share in kroons	9,72	14,67	15

## AS NORMA (parent company) income statement

(in thousands of kroons)

	01.01.03-31.12.03	01.01.02-31.12.02	Note No.
Net sales	978 970	992 090	16
Cost of goods sold	800 415	769 286	17
<b>Gross profit</b>	<b>178 555</b>	222 804	
Marketing expenses	16 192	19 603	18
General expenses	21 393	18 841	20
Research and Development expenses	19 690	22 592	19
Other income	7 829	1 478	21
Other expenses	3 776	3 147	22
<b>Operating profit</b>	<b>125 333</b>	160 099	
Financial income	11 806	38 693	23
Financial expenses	5 351	1 533	23
Profit before taxes	131 788	197 259	
Income tax expense	3 455	3 635	24
<b>Net profit</b>	<b>128 333</b>	193 624	
Earnings per share in kroons	9,72	14,67	15

The accounting principles presented on pages 14 to 17 and the notes to Financial Statements presented on pages 18 to 28 form an integral part of the Financial Statements.



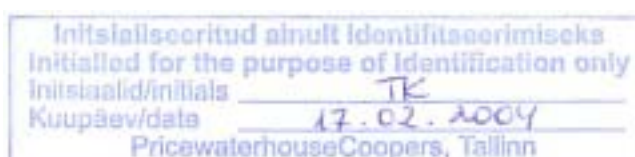
## Changes in owners' equity (the group and parent company)

(in thousands of kroons)

	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	Total owners' equity
<b>31.12.2001</b>	<b>132 000</b>	<b>13 200</b>	<b>291 938</b>	<b>177 638</b>	<b>614 776</b>
2001 profit transferred to retained earnings	-	-	177 638	-177 638	0
Dividends	-	-	-79 200	-	-79 200
Net profit for the financial year	-	-	-	193 624	193 624
<b>31.12.2002</b>	<b>132 000</b>	<b>13 200</b>	<b>390 376</b>	<b>193 624</b>	<b>729 200</b>
<b>31.12.2002</b>	<b>132 000</b>	<b>13 200</b>	<b>390 376</b>	<b>193 624</b>	<b>729 200</b>
2002 profit transferred to retained earnings			193 624	-193 624	0
Dividends	-	-	-66 000	-	-66 000
Net profit for the financial year	-	-	-	128 333	128 333
<b>31.12.2003</b>	<b>132 000</b>	<b>13 200</b>	<b>518 000</b>	<b>128 333</b>	<b>791 533</b>

According to the requirements of Business Law, the statutory reserve is 10% from share capital. Statutory reserves can be used to cover the loss of past periods or to increase the share capital. No disbursements will be made to shareholders from statutory reserves.

The accounting principles presented on pages 14 to 17 and the notes to Financial Statements presented on pages 18 to 28 form an integral part of the Financial Statements.

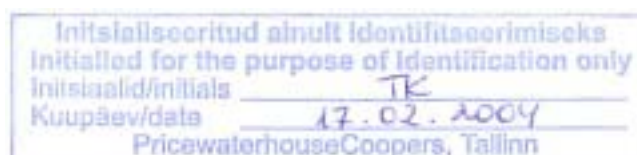


## AS Norma consolidated cash flows

(in thousands of kroons)

	2003	2002	Note No.
<b>Operating activities</b>			
Operating profit	121 756	186 887	
Profit from sale of property, plant and equipment	-253	-23 329	
Depreciation	47 637	40 354	10,11
Residual value of dismantled property, plant and equipment	1 776	173	
Write-down of property, plant and equipment	15	0	
Increase (-), decrease (+) in current assets	-34 308	44 382	
Change in long-term receivables related to operating activities	-500	0	
Increase (+), decrease (-) in current liabilities	48 671	12 035	
Interest received and other financial income	10 098	12 413	
Interest paid and other financial expenses	-11	-74	
Income tax paid	0	-223	24
	<b>194 881</b>	<b>272 618</b>	
<b>Investing activities</b>			
Property, plant and equipment sold	253	29 422	
Property, plant and equipment acquired	-90 098	-53 514	
Loans issued	-128	-152	8
Proceeds from the sale of a subsidiary	116	0	
Financial investments acquired	0	-8 703	
Loan repayments received	119	480	
	<b>-89 739</b>	<b>-32 467</b>	
<b>Financing activities</b>			
Payment of income tax on dividends	-3 455	-3 635	24
Dividends paid	-66 000	-79 200	
	<b>-69 455</b>	<b>-82 835</b>	
<b>Net cash flow</b>	<b>35 687</b>	<b>157 316</b>	
<b>Cash and cash equivalents at the beginning of the year:</b>			
	<b>295 224</b>	<b>139 369</b>	
Net cash inflow	35 687	157 316	
Foreign exchange loss	-367	-1 461	23
<b>Cash and cash equivalents at the end of the year:</b>	<b>330 544</b>	<b>295 224</b>	
incl. cash and bank accounts ( <i>and deposits</i> )	179 092	214 228	1
<i>available-for-sale investments</i>	73 219	80 996	2
<i>Short-term deposit with Autoliv group company</i>	78 233	0	5

The accounting principles presented on pages 14 to 17 and the notes to Financial Statements presented on pages 18 to 28 form an integral part of the Financial Statements.

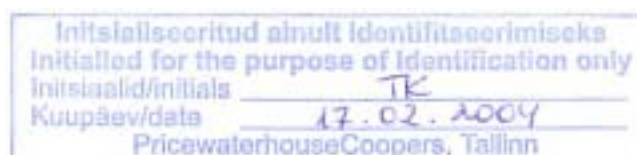


## AS Norma (parent company) cash flows

(in thousands of kroons)

	<b>2003</b>	2002	Note No.
<b>Operating activities</b>			
Operating profit	<b>125 333</b>	160 099	
Profit from sale of property, plant and equipment	<b>-252</b>	-690	
Depreciation	<b>43 061</b>	30 741	10,11
Residual value of dismantled property, plant and equipment	<b>1 457</b>	4	
Write-down of property, plant and equipment	<b>15</b>	0	
Increase (-), decrease (+) in current assets	<b>-37 068</b>	74 239	
Change in long-term receivables related to operating activities	<b>-500</b>	0	
Increase (+), decrease (-) in current liabilities	<b>50 421</b>	17 828	
Interest received and other financial income	<b>10 079</b>	12 127	
Interest paid and other financial expenses	<b>-11</b>	-72	
	<b>192 535</b>	<b>294 276</b>	
<b>Investing activities</b>			
Property, plant and equipment sold	<b>252</b>	690	
Property, plant and equipment acquired	<b>-87 001</b>	-45 949	
Loans issued	<b>-128</b>	-152	8
Loan repayments received	<b>119</b>	480	
Financial investments acquired	<b>0</b>	-8 703	
Proceeds from the sale of a subsidiary	<b>116</b>	0	
Cash and cash equivalents received from subsidiary consolidation	<b>0</b>	130	
	<b>-86 642</b>	<b>-53 504</b>	
<b>Financing activities</b>			
Payment of income tax on dividends	<b>-3 455</b>	-3 635	24
Dividends paid	<b>-66 000</b>	-79 200	
	<b>-69 455</b>	<b>-82 835</b>	
<b>Net cash flow</b>	<b>36 438</b>	<b>157 937</b>	
<b>Cash and cash equivalents at the beginning of the year:</b>			
	<b>294 043</b>	137 567	
Net cash inflow	<b>36 438</b>	157 937	
Foreign exchange loss	<b>-371</b>	-1 461	23
<b>Cash and cash equivalents at the end of the year:</b>	<b>330 110</b>	<b>294 043</b>	
incl. cash and bank accounts ( <i>and deposits</i> )	<b>178 658</b>	213 047	1
<i>available-for-sale investments</i>	<b>73 219</b>	80 996	2
<i>Short-term deposit with Autoliv group company</i>	<b>78 233</b>	0	5

The accounting principles presented on pages 14 to 17 and the notes to Financial Statements presented on pages 18 to 28 form an integral part of the Financial Statements.



## Accounting policies

### Accounting principles

AS Norma consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention except as disclosed in the accounting policies below, e.g. financial instruments which are shown at fair value.

### Principles of consolidation

The consolidated income statements are prepared considering the will of the users of the financial statements to view related enterprises as a single economic unit, in which the financial statements of each company in the group are consolidated in accordance with International Financial Reporting Standards.

Consolidated financial statements include only transactions with companies not part of AS Norma Group.

The consolidated financial statements include the accounts of AS Norma and its subsidiaries (in which AS Norma has power to exercise control over the operations), which are consolidated line-by-line. All inter-company balances and transactions are eliminated. Investments in subsidiaries in parent company accounts are accounted using equity method.

### 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 rate for the year; assets and liabilities in foreign currencies are translated according to the Bank of Estonia exchange rate valid on 31 December.

### Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, short-term deposits and other marketable securities with maturity date of 3 months or less (for example money-market fund shares).

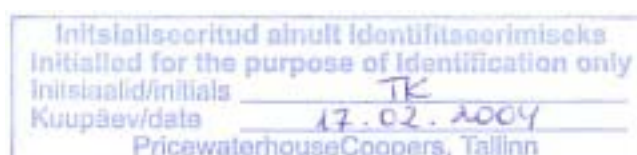
### Financial investments

Financial investments are classified into two categories: available-for-sale and held-to-maturity.

The held-to-maturity investments (bonds and loans issued by the enterprise) are carried at amortised cost using the effective yield method. Available-for-sale investments are carried at fair value. In case the market value cannot be reliably estimated, the investments are recorded at amortised cost. Unrealised gains and losses from revaluation of available-for-sale investments are included in the income statement. Financial investments are recorded at the date of the transaction.

### Accounts receivable

Trade receivables are carried at amortised cost (original invoice amount less provision made for impairment of these receivables). The estimated collectibility of trade receivables is assessed on an individual basis, based on the current credit information available. Trade receivables are discounted based on estimated collectible amount and allowance is recorded in the balance sheet account "Allowance for doubtful receivables". Collection of receivables that have been previously expensed as irrecoverable has been reported as an adjustment to doubtful receivables and adjustment to expense in the income statement of the reporting year. Irrecoverable trade receivables are written off the balance sheet.



### **Inventories**

Raw materials both in warehouses and in production and goods for resale are recorded in the balance sheet at the lower of acquisition cost or net realisable value. Finished goods and work in progress 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 40 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 written down 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**

Intangible assets are reported at acquisition cost less accumulated amortisation. Amortisation of intangible assets is calculated using the straight-line method, based on estimated useful life as follows:

Development costs	5 years
Purchased licenses	3-10 years

### **Income tax**

Until December 31, 2002 (according to the income tax law that took effect on January 1, 2000), only dividends paid by the company to resident natural persons and non-residents were subject to income tax (26/74 of net dividend paid). Since January 1, 2003 due to the changes in legislation, all dividends paid by the company are taxed. Tax rate is 26/74 of net dividends paid.

The company's potential income tax liability related to distribution of its retained earnings as dividends is not recorded in the balance sheet. The maximum possible income tax liability which would become payable if retained earnings would be fully paid out as dividends is disclosed in Note 24.

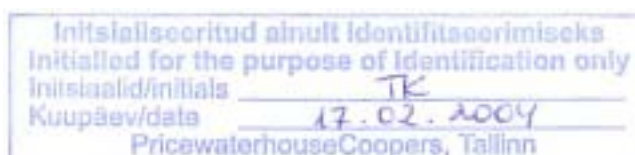
Dividend income tax will be recorded as an expense in the period dividends are declared.

### **Earnings per share**

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares. The company has no potential ordinary shares and therefore the basic earnings per share and diluted earnings per share are equal.

### **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 contingent 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 assessment and experience of management on the opinion of independent experts, if necessary.

Warranties, guarantees and other contingent liabilities, which may occur as liabilities under certain future conditions, are disclosed in notes to the consolidated financial statements as contingent liabilities.

### Related parties

For the purposes of preparation of financial statements, entities and individuals are considered related parties if one of the parties can exercise control or has significant influence over economic decisions made by other party. The following entities are considered as related parties by AS Norma:

- a) parent company (and parent company shareholders)
- b) subsidiaries
- c) other companies belonging to the Group
- d) members of the Management and Supervisory Board and their close relatives and companies related to them
- e) employees of the company.

### Recognition of 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 reported in the income statement under research and development expenses. If income related to expenses incurred will arise in future reporting periods, such expenses are capitalised in the balance sheet account "Development costs".

### Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

The company is the lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges (interest expense) so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated similar to acquired assets over the shorter of the useful life of the asset or the lease term.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.



The company is the lessor

When assets are leased out under a finance lease, the amount equal to the net investment in the lease is recognised as a receivable (the aggregate of: the present value of the lease payments receivable by the lessor under a finance lease, and any unguaranteed residual value accruing to the lessor). Each lease payment received is allocated between the receivable and finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

### **Segment reporting**

Primary segment reporting format is presented based on the activities across business segments. Secondary segment reporting format is presented based on geographical area. Across company's product lines main product line is car safety belts. Other product lines (car security system components, automobile details, metalworks, real estate activities) account for less than 10% from net sales.

Expenses are allocated in proportion to product line's share from net profit. Assets (excluding equity and other securities, and loans), liabilities and investments are allocated according to their their relation to the segment. Depreciation is allocated according to the relation between fixed assets and product lines. Write-down on fixed assets is allocated based on the particular segment an asset is related to.

## Notes to the financial statements

In thousands of Estonian kroons (if not stated otherwise)

1. <b>Cash and bank accounts</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Cash and bank accounts	1 790	1 759	1 546	578
Short-term deposits	177 302	212 469	177 112	212 469
	<b>179 092</b>	214 228	<b>178 658</b>	213 047

As at 31.12.03, the short-term deposits include deposits with maturity date less than a month in the total amount of 3 095 thousand euros and 5 148 thousand Estonian kroons with interest rate between 2,02 – 2,35%, and other deposits in the total amount of 1 500 thousand euros and 100 260 thousand Estonian kroons with interest rate between 2,2 – 3,6%. Deposits in group treasury are in the total amount of 103 651 thousand Estonian kroons (see Note 26).

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

2. <b>Available-for-sale investments</b>	group and parent company	
	31.12.2003	31.12.2002
Interest fund shares of Hansapank	72 919	80 896
Money Market Funds shares	300	100
	<b>73 219</b>	80 996

The shares are valued at their market value on 31 December 2003.

3. <b>Held-to-maturity investments</b>	group and parent company	
	31.12.2003	31.12.2002
Bonds	46 858	47 624
	<b>46 858</b>	47 624

Short-term held-to-maturity investments include Ühispank, Sampo Pank and Hansa Capital 3-11 month bonds denominated in Estonian kroons and Hansapank's euro bonds in the amount of 4 703 thousand Estonian kroons with 2,3-3,0% and 5,86% interest rate, respectively. Aforementioned investments are classified as held-to-maturity and are amortised based on acquisition cost and effective interest rate, accumulated interest is included in Note 5.

4. <b>Accounts receivable</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Trade receivables	77 494	76 647	64 570	67 541
Receivables to Parent Company Group entities	124 925	86 562	142 401	98 788
Allowance for doubtful receivables	-9 340	-10 164	-9 340	-10 164
	<b>193 079</b>	153 045	<b>197 631</b>	156 165

As at December 31, 2003, 78,3% of doubtful receivables were related to Russian and Ukrainian customers.

Based on the management decision, customer receivables from Russia (Avto VAZ, IZMAZ, Technobelt) in the total amount of 824 thousand kroons were written off during the reporting year.

5. <b>Other receivables and prepayments</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Other receivables, incl.	78 403	199	78 383	178
Short-term loans (see note 8)	150	170	150	170
Short-term loan to Autoliv Autosicherheits GMBH (see note 26)	78 233	0	78 233	0
Advances to employees	20	29	0	8
Prepayments for services	3 818	4 244	3 683	2 358
Accrued interest	1 575	1 259	1 575	1 259
Prepaid expenses	6 642	821	6 530	792
	<b>90 438</b>	6 522	<b>90 171</b>	4 587

As at 31 December 2003, largest prepaid expenses include prepayment to Autoliv Sverige (for VAZ 1118 safety system development project) in the total amount of 4 676 (2002: 0) thousand kroons, prepayment for software licenses to Autoliv France in the total amount of 1 058 (2002: 0) thousand kroons, prepaid insurance in the total amount of 429 (2002: 472) thousand kroons, prepaid amount media/press subscriptions in the total amount of 57 (2002: 112) thousand kroons, and prepayment for heating fuel in the total amount of 103 (2002: 103) thousand kroons.

6. <b>Prepaid taxes</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Prepaid income tax	353	273	99	25
Prepaid VAT	28 875	23 040	26 842	22 282
	<b>29 228</b>	23 313	<b>26 941</b>	22 307

7. <b>Inventories</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Raw materials	44 321	57 388	43 516	56 290
Work in progress	15 880	14 083	8 732	8 965
Finished goods	9 963	15 036	9 963	15 036
Goods for resale	3 588	4 107	0	0
Prepayments to suppliers	64	937	2 414	1 520
	<b>73 816</b>	91 551	<b>64 625</b>	81 811

In 2003, the obsolete and substandard materials were written down in the amount of 1 064 (2002: 817) thousand kroons. Materials, unfinished and finished goods unsuitable for production and resale have been written off in the amount of 168 (2002: 820) thousand kroons during the reporting period.

Previously written down materials (in 2002, in the total amount of 45 thousand kroons) which now are used in production are written up to their original cost.

8. <b>Held-to-maturity investments (over 1 year)</b>	group and parent company	
	31.12.2003	31.12.2002
Held-to-maturity investments	4 002	8 705
Loans receivable	694	895
Other long-term receivables	500	0
	<b>5 196</b>	9 600

For cash flow management purposes, the company acquired 3 year fixed term bonds of Ühispank in the total amount of 4 million kroons and with interest rate 5,15% per year.

**Loans receivable** consist long-term loans to employees of AS Norma:

Purpose	Balance as of 31.12.02	Incl. classified as short-term	Incl. classified as long-term	Issued loans in 2003	Paid back in 2003	Balance as of 31.12.03	Incl.		Interest rate in percent
							classified as short-term	classified as long-term	
Purchase and improvements of real estate	191	66	125	-	46	145	67	78	13
Student loans	844	74	770	128	273	699	83	616	0
Other	30	30	-	-	30	-	-	-	9
	<b>1 065</b>	<b>170</b>	<b>895</b>	<b>128</b>	<b>349</b>	<b>844</b>	<b>150</b>	<b>694</b>	

AS Norma has given loans to group employees according to group lending policies. Loans are guaranteed with two surety agreements, real estate or equity securities.

## 9. Subsidiaries

Name of the company	Participation	Location
AS Tööriistavabrik	100%	Estonia
Norma-Osvar ZAO	100%	Russia

AS Norma subsidiaries have issued only common shares.

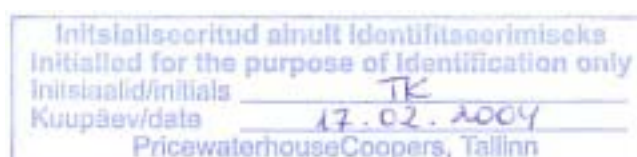
Due to the concentration to main activity Eksamo Automaatika AS shares were sold on 30.12.2003.

On December 30, 2003 all the shares of subsidiary Ekasmo Automaatika AS in which AS Norma had 100% participating interest were sold for 1 000 thousand kroons of which 125 thousand kroons were deposited on Norma AS' bank account, 375 thousand kroons is outstanding as short-term receivable from the buyer and 500 thousand kroons is outstanding as long-term receivable from the buyer. AS Norma's loss from the sale was 5 thousand kroons.

Eksamo Automaatika AS' assets and liabilities on the date of sale in thousands of kroons:

Assets	date of sale 01.01.03		Liabilities	date of sale 01.01.03	
Cash and bank	9	43	Trade payables	180	46
Accounts receivables	416	1 074	Loans from parent company	399	321
Receivable from parent	644	867	Tax liabilities	602	594
Receivables and prepayments	16	24	Payables to employees	837	857
Inventories	1 667	695	Total short-term liabilities	2 018	1 818
Non-current assets	271	363	Owner's equity	1 005	1 248
Total assets	3 023	3 066	Total liabilities and owner's equity	3 023	3 066

Due to the sale of subsidiary, the assets on the Group's balance sheet decreased by 1 878 thousand kroons in comparison to assets as at 31.12.02. AS Norma's 2003 consolidated annual report includes net sales of Eksamo Automaatika AS in the total amount of 13 912 thousand kroons and respective net loss in the total amount of 243 thousand kroons.



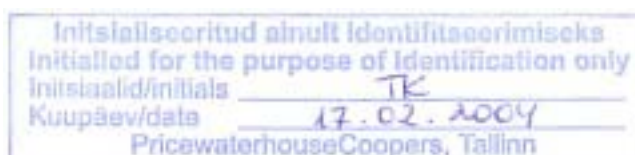
<b>10. Property, plant and equipment (group)</b>	Land and buildings	Machinery and equipment	Other equipment	Un-finished buildings	Prepay-ments	Total
<b>Acquisition cost as of 31.12.02</b>	<b>84 448</b>	<b>311 062</b>	<b>8 382</b>	<b>12 113</b>	<b>2 426</b>	<b>418 431</b>
Additions	1 443	66 420	1 144	5 167	641	74 815
Sale and dismantling	-	-9 015	-4 104	-	-	-13 119
Reclassification	-	14 570	-31	-12 113	-2 426	-
<b>Acquisition cost as of 31.12.03</b>	<b>85 891</b>	<b>383 037</b>	<b>5 391</b>	<b>5 167</b>	<b>641</b>	<b>480 127</b>
<b>Accumulated depreciation as of 31.12.02</b>	<b>-12 949</b>	<b>-180 090</b>	<b>-2 362</b>	-	-	<b>-195 401</b>
Depreciation charge	-3 537	-39 852	-1 051	-	-	-44 440
Write-down	-	-	-15	-	-	-15
Accumulated depreciation of sold and dismantled fixed assets	-	8 503	988	-	-	9 491
<b>Accumulated depreciation as of 31.12.03</b>	<b>-16 486</b>	<b>-211 439</b>	<b>-2 440</b>	-	-	<b>-230 365</b>
<b>Net book value 31.12.02</b>	<b>71 499</b>	<b>130 972</b>	<b>6 020</b>	<b>12 113</b>	<b>2 426</b>	<b>223 030</b>
<b>Net book value 31.12.03</b>	<b>69 405</b>	<b>171 598</b>	<b>2 951</b>	<b>5 167</b>	<b>641</b>	<b>249 762</b>

Acquisition cost of fully depreciated fixed assets (0 book value) as of 31.12.02 was 76 540 thousand kroons; as of 31.12.03 97 324 thousand kroons.

<b>Property, plant and equipment (parent company)</b>	Land and buildings	Machinery and equipment	Other equipment	Un-finished buildings	Prepay-ments	Total
<b>Acquisition cost as of 31.12.02</b>	<b>84 448</b>	<b>281 756</b>	<b>6 517</b>	<b>12 113</b>	<b>2 426</b>	<b>387 260</b>
Additions	1 443	63 744	1 100	5 167	641	72 095
Sale and dismantling	-	-6 278	-4 104	-	-	-10 382
Reclassification	-	14 539	-	-12 113	-2 426	-
<b>Acquisition cost as of 31.12.03</b>	<b>85 891</b>	<b>353 761</b>	<b>3 513</b>	<b>5 167</b>	<b>641</b>	<b>448 973</b>
<b>Accumulated depreciation as of 31.12.02</b>	<b>-12 949</b>	<b>-163 079</b>	<b>-1 971</b>	-	-	<b>-177 999</b>
Depreciation charge	-3 537	-35 920	-760	-	-	-40 217
Write-down	-	-	-15	-	-	-15
Accumulated depreciation of sold and dismantled fixed assets	-	5 939	988	-	-	6 927
<b>Accumulated depreciation as of 31.12.03</b>	<b>-16 486</b>	<b>-193 060</b>	<b>-1 759</b>	-	-	<b>-211 305</b>
<b>Net book value 31.12.02</b>	<b>71 499</b>	<b>118 677</b>	<b>4 546</b>	<b>12 113</b>	<b>2 426</b>	<b>209 261</b>
<b>Net book value 31.12.03</b>	<b>69 405</b>	<b>160 701</b>	<b>1 754</b>	<b>5 167</b>	<b>641</b>	<b>237 668</b>

Acquisition cost of fully depreciated fixed assets in use by parent company (0 book value) as of 31.12.02 was 67 099 thousand kroons; as of 31.12.03 87 654 thousand kroons.

<b>11. Intangible assets (group)</b>	Product and technology licences	Software licences	Total
<b>Acquisition cost 31.12.02</b>	-	<b>7 373</b>	<b>7 373</b>
Additions	22 402	1 166	23 568
Write-down	-	-486	-486
<b>Acquisition cost 31.12.03</b>	<b>22 402</b>	<b>8 053</b>	<b>30 455</b>
<b>Accumulated amortisation 31.12.02</b>	-	<b>-5 662</b>	<b>-5 662</b>



Amortisation for the year	-2 240	-957	-3 197
Write-down	-	339	339
<b>Accumulated amortisation 31.12.03</b>	<b>-2 240</b>	<b>-6 280</b>	<b>-8 520</b>
<b>Net book value 31.12.02</b>	<b>-</b>	<b>1 711</b>	<b>1 711</b>
<b>Net book value 31.12.03</b>	<b>20 162</b>	<b>1 773</b>	<b>21 935</b>

In 2003 the Group entered into 10 year licensing agreement with Autoliv Development AB in order to acquire rights to sell products developed and/ or in possession by Autoliv, and rights to use Autoliv's technology in manufacturing. The licence was recorded as intangible asset in the total amount of 22 402 thousand kroons with useful life of 10 years.

<b>Intangible assets (parent company)</b>	Product and technology licences	Software licences	Total
<b>Acquisition cost 31.12.02</b>	-	<b>5 088</b>	<b>5 088</b>
Additions	22 402	788	23 190
Write-down	-	-75	-75
<b>Acquisition cost 31.12.03</b>	<b>22 402</b>	<b>5 801</b>	<b>28 203</b>
<b>Accumulated amortisation 31.12.02</b>	-	<b>-4 133</b>	<b>-4 133</b>
Amortisation for the year	-2 240	-604	-2 844
Write-down	-	75	75
<b>Accumulated amortisation 31.12.03</b>	<b>-2 240</b>	<b>-4 662</b>	<b>-6 902</b>
<b>Net book value 31.12.02</b>	-	<b>955</b>	<b>955</b>
<b>Net book value 31.12.03</b>	<b>20 162</b>	<b>1 139</b>	<b>21 301</b>

## 12. Operating lease

The company has signed operating lease contracts to rent cars. In 2002 the amount of leasing payments was 476 thousand kroons, in 2003 the amount of leasing payments was 1 032 thousand kroons. Minimum lease liability under operating lease terms is 293 thousand kroons in 2004, 265 thousand kroons in 2005 and 252 thousand kroons in 2006.

The company is leasing land under operating lease terms (leasing period 2003 – 2006) with annual rental payments in total of 25 thousand kroons, and buildings (leasing period 2003 – 2004). In 2003, the company paid rent for land and buildings in the total amount of 673 thousand kroons. The minimum lease liability for the year 2004 is 699 thousand kroons.

13. <b>Accounts payable and accrued expenses</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Customer prepayments	<b>1 816</b>	1 678	-	-
Accounts payable	<b>41 883</b>	36 870	<b>40 129</b>	35 013
Salaries payable	<b>18 158</b>	16 694	<b>16 473</b>	14 263
Accrued expenses	<b>165</b>	16	<b>165</b>	6
Deferred revenues	<b>6 262</b>	-	<b>6 262</b>	-
Payables to parent company (information in Note 26)	<b>97 380</b>	62 543	<b>101 600</b>	66 272
	<b>165 664</b>	117 801	<b>164 629</b>	115 562

Deferred revenues include I.D.P.S.a.r.l prepayment for 6 262 thousand kroons (2002: 0) for I stage of VAZ 1118 safety system development project.

14. <b>Taxes payable</b>	group		parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Unemployment insurance tax	<b>68</b>	29	<b>59</b>	14
Social security tax	<b>5 358</b>	4 269	<b>4 627</b>	3 200
VAT payable	-	321	-	118
	<b>5 426</b>	4 619	<b>4 686</b>	3 332

15. <b>Share capital</b>	group and parent company	
	31.12.2003	31.12.2002
Share capital par value (10 kroons per share)	<b>132 000</b>	132 000

AS Norma has issued 13,2 common shares with one vote per share. Dividends paid out for 2002 were 66 million kroons or 5 kroons per share. 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.

The authorised share capital for the company is 528 000 thousand kroons.

AS Norma shareholders with participation over 3% as of 31.12.03:

Autoliv Ab	51,0%
The clients of Nordea Bank Finland PLC	9,5%
The clients of Skandinaviska Eskilda Banken Ab	8,7%
The clients of Clearstream Banking Luxembourg S.A.	3,7%
Firebird Republics Fund Ltd	3,0%

<b>Earnings per share</b>	group and parent company	
	2003	2002
Net profit	<b>128 333</b>	193 624
Average number of shares (in thousands)	<b>13 200</b>	13 200
Earnings per share (EPS) kroons	<b>9,72</b>	14,67

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

## 16. Segment information

### Primary reporting format: by product line (the group)

	Safety belts 2003	Other products 2003	Total 2003	Safety belts 2002	Other products 2002	Total 2002
Sales	<b>925 314</b>	<b>102 256</b>	<b>1 027 570</b>	950 241	129 930	1 080 171
Internal sales		<b>(28 256)</b>	<b>(28 256)</b>		(66 406)	(66 406)
Consolidated sales	<b>925 314</b>	<b>74 000</b>	<b>999 314</b>	950 241	63 524	1 013 765
Operating profit for the segment	<b>121 118</b>	<b>638</b>	<b>121 756</b>	184 661	2 226	186 887
Segment assets	<b>639 234</b>	<b>20 292</b>	<b>659 526</b>	549 492	95 275	644 767
Unallocated assets			<b>303 097</b>			206 853
Total assets			<b>962 623</b>			851 620
Segment liabilities	<b>165 234</b>	<b>5 856</b>	<b>171 090</b>	113 024	9 396	122 420
Capital expenditures	<b>91 098</b>	<b>7 285</b>	<b>98 383</b>	53 102	334	53 436
Depreciation and amortisation charge	<b>42 897</b>	<b>4 740</b>	<b>47 637</b>	35 499	4 855	40 354
Write-down on fixed assets	<b>0</b>	<b>15</b>	<b>15</b>	0	0	0

The primary reporting format is business (product lines) segment and the secondary reporting format is the geographical segment.

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) account for less than 10% of total sales.



The division of costs is 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 is allocated according to the relation between fixed assets and product lines. Write-down on fixed assets is allocated based on the particular segment an asset is related to.

**By product lines (parent company)**

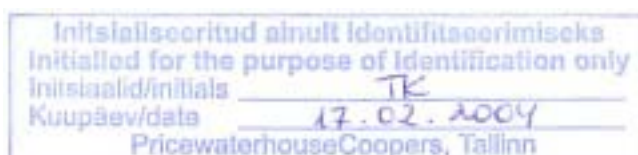
	<b>Safety belts 2003</b>	<b>Other products 2003</b>	<b>Total 2003</b>	Safety belts 2002	Other products 2002	Total 2002
Sales	<b>925 314</b>	<b>53 656</b>	<b>978 970</b>	950 241	41 849	992 090
Operating profit for the segment	<b>123 695</b>	<b>638</b>	<b>125 333</b>	157 873	2 226	160 099
Assets	<b>639 234</b>	<b>18 516</b>	<b>657 750</b>	549 492	91 749	641 241
Unallocated assets			<b>303 097</b>			206 853
Total Assets			<b>960 847</b>			848 094
Segment liabilities	<b>165 234</b>	<b>4 081</b>	<b>169 315</b>	113 024	5 870	118 894
Capital expenditures	<b>90 063</b>	<b>5 222</b>	<b>95 285</b>	45 949	0	45 949
Depreciation and amortisation charge	<b>40 701</b>	<b>2 360</b>	<b>43 061</b>	29 444	1 297	30 741
Write-down on fixed assets	<b>0</b>	<b>15</b>	<b>15</b>	0	0	0

**Secondary reporting format:  
by geographical market**

	<b>Sales (the Group)</b>		<b>Sales (parent)</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
Sweden	<b>545 443</b>	452 653	<b>543 551</b>	451 839
Russia	<b>388 176</b>	493 816	<b>386 868</b>	491 801
Estonia	<b>16 923</b>	16 636	<b>7 555</b>	4 864
Germany	<b>9 807</b>	2 186	<b>7 209</b>	2 186
Ukraine	<b>9 464</b>	7 464	<b>9 464</b>	7 464
France	<b>9 185</b>	7 978	<b>8 481</b>	7 978
Czech Republic	<b>5 655</b>	6 649	<b>5 655</b>	6 649
Polish	<b>2 741</b>	770	<b>2 741</b>	770
Belgium	<b>2 705</b>	2 517	<b>2 705</b>	2 517
Italy	<b>1 870</b>	-	<b>-</b>	-
USA	<b>1 867</b>	1 179	<b>1 867</b>	1 179
Netherlands	<b>1 422</b>	1 946	<b>1 422</b>	1 729
Finland	<b>1 344</b>	4 413	<b>56</b>	110
Spain	<b>1 099</b>	110	<b>1 099</b>	110
Great Britain	<b>1 008</b>	0	<b>-</b>	0
Denmark	<b>377</b>	2 000	<b>70</b>	58
Austria	<b>-</b>	12 071	<b>-</b>	12 071
Other countries	<b>227</b>	1 377	<b>227</b>	765
<b>Total</b>	<b>999 314</b>	1 013 765	<b>978 970</b>	992 090

AS Norma balance sheet includes a building (Polish module) with residual value of 42 thousand Estonian kroons which is located in the Russian Federation. Remaining inventories and tangible assets of the group with the exception of assets of Norma-Osvar ZAO are located in Estonia. Norman-Osvar ZAO's assets are located in Russian Federation. Norma-Osvar ZAO total assets are 20 160 thousand kroons (2002: 15 101) which includes fixed assets in the total amount of 608 (2002: 488) thousand kroons.

According to management assessment the pricing of transactions between segments is not significantly different of market prices.





17. <b>Cost of goods sold</b>	group		parent company	
	2003	2002	2003	2002
Raw materials	606 521	587 920	611 366	590 926
Salaries	116 765	123 224	97 682	101 819
Depreciation	42 230	37 215	38 010	28 058
Utilities	13 455	13 074	14 077	10 802
Repairs and maintenance	3 298	7 817	3 114	1 801
Transportation	11 004	4 840	10 903	4 169
Other	19 367	179	25 263	31 711
	<b>812 640</b>	<b>773 911</b>	<b>800 415</b>	<b>769 286</b>

18. <b>Marketing expenses</b>	group		parent company	
	2003	2002	2003	2002
Salaries	4 190	5 396	3 957	5 116
Depreciation	266	250	266	250
Consultation	0	1 813	0	1 813
Transportation	6 944	8 993	6 935	8 955
Advertising	377	372	338	243
Travel	575	683	537	649
Other services purchased	724	231	723	231
Other	3 452	2 267	3 436	2 436
	<b>16 528</b>	<b>20 005</b>	<b>16 192</b>	<b>19 603</b>

19. <b>Research and Development expenses</b>	group		parent company	
	2003	2002	2003	2002
Salaries	8 807	10 674	8 807	10 674
Prototype and pre-serial tooling	5 077	6 346	5 077	6 346
Depreciation	3 209	1 008	3 209	1 008
Travel	585	1 194	585	1 194
Other services	198	203	198	203
Other	1 814	3 167	1 814	3 167
	<b>19 690</b>	<b>22 592</b>	<b>19 690</b>	<b>22 592</b>

20. <b>Administrative and general expenses</b>	group		parent company	
	2003	2002	2003	2002
Salaries	16 338	20 385	12 714	12 615
Depreciation	1 932	1 883	1 577	1 425
Repairs and maintenance	455	427	279	275
Advertising, promotion	1 297	1 213	1 225	1 087
Travel	548	692	287	354
Telephone, office supplies	1 067	1 033	858	562
Other services	1 339	1 658	727	770
Training	1 077	966	969	767
Other	3 251	2 071	2 757	986
	<b>27 304</b>	<b>30 328</b>	<b>21 393</b>	<b>18 841</b>

21. <b>Other operating income</b>	group		parent company	
	2003	2002	2003	2002
Other sales	856	210	802	210
Profit from sales of property, plant and equipment	253	23 329	252	690
Foreign exchange gain	659	0	1 796	0
Other	775	0	4 979	578
	<b>2 543</b>	<b>23 539</b>	<b>7 829</b>	<b>1 478</b>

In order to focus more on its core business activity, AS Norma sold its office buildings in 2002 located at Laki 14 with profit of 17 008 thousand kroons and production facilities located at Jahu 12 with profit of 2 707 thousand kroons.

22. Other operating expenses	group	2002	parent company	2002
	2003		2003	
Membership fees of unions, other associations	113	150	85	122
Loss from the sale and dismantling of fixed assets	1 505	173	1 457	4
Sponsorship	1 974	2 360	1 891	2 267
Expenses unrelated to main production activity	314	96	314	0
Foreign exchange gain	0	550	0	550
Other	18	252	14	204
Write-down of property, plant and equipment	15	0	15	0
	<b>3 939</b>	3 581	<b>3 776</b>	3 147

23. Financial income/expenses	group	2002	parent company	2002
	2003		2003	
Income/ loss under equity method of accounting from subsidiaries	0	0	-3 556	26 850
Interest income from cash deposits	2 929	2 283	2 929	2 283
Interest income from bonds and money market funds	4 461	6 677	4 461	6 677
Loan interest income	2 930	2 864	2 930	2 864
Foreign exchange loss	-367	-1 461	-372	-1 533
Other financial income	79	311	65	19
	<b>10 031</b>	10 595	<b>6 455</b>	37 160

In effort to concentrate better to its core business activity, AS Norma sold its participation in Eksamo Automaatika AS on 30.12.03 at loss of 5 thousand kroons.

24. Income tax	group	2002	parent company	2002
	2003		2003	
Income tax	0	223	0	0
Dividend tax	3 455	3 635	3 455	3 635
<b>Total tax expense</b>	<b>3 455</b>	3 858	<b>3 455</b>	3 635

The subsidiary company of the group – ZAO Norma Osvar – is registered and located in the territory of the Russian Federation. Income tax from the profit (0 thousand kroons and 2002: 223) has been paid according to the income tax law valid in the jurisdiction.

#### Maximum potential income tax on net dividends

The retained earnings of the company amounted to 646 333 thousand kroons as at 31.12.03. In case of paying retained earnings fully out as dividends, the maximum potential income tax liability would be 166 445 thousand kroons. Accordingly, it would be possible to pay net dividends in the amount of 479 888 thousand kroons.

25. Personnel expenses	group	2002	parent company	2002
	2003		2003	
Wages and salaries	109 510	119 638	93 091	97 549
Social security	36 129	39 493	29 660	32 235
Unemployment insurance	461	548	409	440
	<b>146 100</b>	159 679	<b>123 160</b>	130 224

## 26. Related parties

	2003	2002
Sales to Norma AS by Autoliv Group	423 937	367 671
Purchases from Norma AS by Autoliv Group	545 020	445 189
Insurance premium for product liability Autoliv Group	483	924
Sales to Norma AS by AS Tööriistavabrik	18 810	20 574
Purchases from Norma AS by AS Tööriistavabrik	2 990	64
Purchases from Norma AS by AS Norma-Osvar	35 760	34 963
	<b>31.12.2003</b>	31.12.2002
Receivable from Autoliv group companies (see note 4)	124 925	86 562
Liability to Autoliv group companies (see note 13)	97 380	62 543
Short-term loan to Autoliv Autosicherheitst GmbH	78 233	0
Short-term deposit to Autoliv Finance International	103 651	78 310
Receivable: AS Tööriistavabrik	2 850	629
AS Norma-Osvar	17 005	11 575
Liability: AS Tööriistavabrik	4 143	2 784
AS Norma-Osvar	77	77

Autoliv AB is a parent company of AS Norma. According to management assessment the intra-company trading transactions with Autoliv companies are based on market prices. The short-term loan issued to another Autoliv subsidiary earned slightly higher interest than market rate and also the short-term deposit placed in the Autoliv Finance earned slightly higher interest rate than market rate.

Salaries paid to the Management Board members during the year amounted to 7 173 thousand kroons and to members of the Supervisory Board amounted to 744 thousand kroons. According to the agreements signed with the Members of the Management Board the compensation paid at termination of the said contracts can amount from 0 to 12 months of salary depending on the terms of termination.

Loans to employees are disclosed in Note 8.

### Cash pooling agreement

On 22.10.1999 Hansabank and AS Norma, with its subsidiaries, entered into a contract of cash pooling agreement under which AS Norma is defined to be the parent company. Cash pooling agreement includes AS Tööriistavabrik bank accounts.

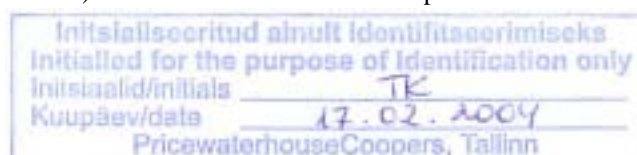
## 27. Primary risks for the AS Norma Group

### 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 regarding 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 payments from our long-term clients, we are constantly monitoring and analysing their financial position 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.

An allowance has been made to cover doubtful receivables. This allowance 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 and Ukrainian clients on 31.12.03 amounted to 65 960 thousand kroons (31.12.02: 65 928). Write-down at the end of the period amounted to 7 316 thousand kroons



(31.12.02: 7 806), therefore the net balance of receivables as at 31.12.03 amounted to 58 644 thousand kroons (31.12.02: 58 122).

### Currency risk

In 2003, 98.3% of AS Norma Group sales were export sales, made mainly in euro. The Group's expenses were primarily in Estonian kroons, euros, Swedish crowns and Russian roubles. Main sales and purchase contracts are denominated in euros. The risks related to other currencies than euro were monitored either by matching the incoming and outgoing cash flows of the same currency, or fixing contractual payments at euro exchange rate. Hedge accounting is not used.

Short-term investments are diversified between Estonian kroons and euros.

### Currency positions of the group

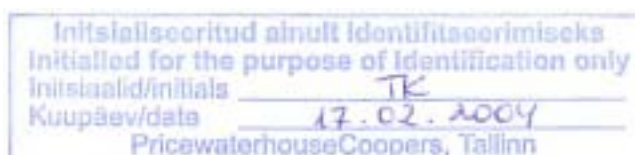
In thousands of kroons

31.12.2003							
Financial assets	EEK	SEK	USD	EUR	RUR	Other	Total
Cash	106 822	113	-	70 762	1 395	0	179 092
Customer receivables	2 206	331	-	188 204	10 556	1 123	202 420
Prepayments to suppliers	29	-	-	-	-	-	29
	<b>109 057</b>	<b>444</b>	<b>-</b>	<b>258 966</b>	<b>11 951</b>	<b>1 123</b>	<b>381 541</b>
Liabilities							
Customer prepayments	501	-	-	1 314	-	-	1 815
Trade accounts payable	19 011	13 921	317	105 185	77	753	139 264
	<b>19 512</b>	<b>13 921</b>	<b>317</b>	<b>106 499</b>	<b>77</b>	<b>753</b>	<b>141 079</b>
31.12.2002							
Financial assets	EEK	SEK	USD	EUR	RUR	Other	Total
Cash	101 613	420	5	111 059	705	426	214 228
Customer receivables	1 719	1 243	387	150 465	7 102	2 293	163 209
Trade accounts payable	743	-	56	1 627	-	-	2 426
	<b>104 075</b>	<b>1 663</b>	<b>448</b>	<b>263 151</b>	<b>7 807</b>	<b>2 719</b>	<b>379 863</b>
Liabilities							
Customer prepayments	247	-	-	1 375	48	8	1 678
Trade accounts payable	19 066	489	195	78 657	85	921	99 413
	<b>19 313</b>	<b>489</b>	<b>195</b>	<b>80 032</b>	<b>133</b>	<b>929</b>	<b>101 091</b>

### 28. Contingent liabilities

AS Norma holds a guarantee contract in the amount of 6 770 thousand kroons for guaranteeing import and interest duties, as well as the state duties. Also, AS Norma holds a guarantee contract in the amount of 499,8 euros for guaranteeing the prepayment for VAZ 1118 stage I safety system development in favour of I.D.P.S.a.r.l.

The company stands as a guarantor with 440 thousand kroons for the usage of staff credit cards.



## **PROFIT ALLOCATION PROPOSAL FOR THE FINANCIAL YEAR**

AS Norma net profit for 2003 is 128 332 544 EEK (8 201 923 EUR).

The Management proposal, which is agreed with the Supervisory Board, is to pay ordinary dividends to shareholders in the amount of 50% of the face value of the share in the total amount of 66 000 000 kroons or 5 kroons per share or 4 218 158 EUR (0.32 EUR per share).

Dividends are paid from previous periods' retained earnings.

The General Meeting of the Shareholders will set a fixed date for the list of shareholders with dividend rights.

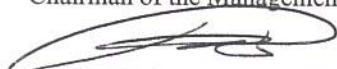
According to the Management Board's proposal, the list of shareholders with dividend rights will be fixed as at 01.06.2004 at 8:00 AM.

## Signatures of the Management Board and Supervisory Board to the 2003 Annual Report

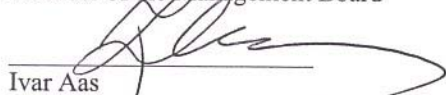
2003 Annual Report of AS Norma which is approved by the General Meeting of Shareholders on 18 May 2004, signed on 18 May 2004:



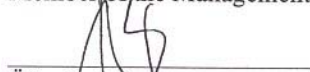
Peep Siimon  
Chairman of the Management Board



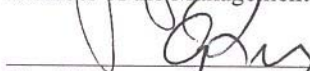
Peeter Tibbo  
Member of the Management Board



Ivar Aas  
Member of the Management Board



Ülle Jõgi  
Member of the Management Board



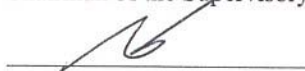
Garri Krieger  
Member of the Management Board



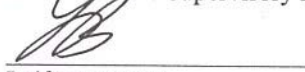
Kaido Salurand  
Member of the Management Board



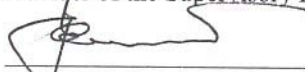
Jörgen I. Svensson  
Chairman of the Supervisory Board



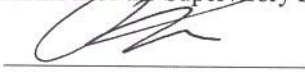
Magnus Lindquist  
Member of the Supervisory Board



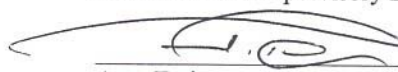
Leif Berntsson  
Member of the Supervisory Board



Toomas Tamsar  
Member of the Supervisory Board



Raivo Eerik  
Member of the Supervisory Board



Aare Tark  
Member of the Supervisory Board

**List of shareholders with more than 10% participating interest, as at 31.12.2003**

Account number	Name	Reg. no.	Address	City	Country	Postal code	Balance	Participation
99011551452	AUTOLIV AB	556036-1981	BOX 70381	STOCKHOLM	Sweden	SE-10724	6732000	51%

## AUDITOR'S REPORT

(Translation of the Estonian original)

To the shareholders of AS Norma

We have audited the financial statements of AS Norma (the Parent Company) and the consolidated financial statements of the Parent Company and its subsidiary companies (the Group) for the year ended 31 December 2003 as set out on pages 7 to 28. These financial statements are the responsibility of the Parent Company's management board. 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 Parent Company and the Group as at 31 December 2003 and of the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.



Urmas Kaarlep  
AS PricewaterhouseCoopers



Tiit Raimla  
Authorised auditor

17 February 2004