

AS NORMA

2004 ANNUAL REPORT

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Beginning and end of reporting year:	01.01.2004-31.12.2004

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MANAGEMENT REPORT 2004

General information for AS Norma

The history of AS Norma goes back 100 years: in 1891 Paulus Michelson founded a tin workshop that has carried the name of Norma since 1931. The production of safety seatbelts for passenger cars was started in 1973. Today, AS Norma is a leading supplier of car safety systems for automobile factories in Russia and the supplier of safety belts for several Western automobile groups. The shares of AS Norma are listed in the Main List at Tallinn Stock Exchange.

The main operations of AS Norma are the production of safety systems and details for automobiles, their sale and the development of projects relating to the main operations. The technologies used for the main operations are metalworking, welding and galvanic covering of details.

In 2004, the AS Norma Group consisted of AS Norma and two wholly-owned subsidiaries. At the end of 2004, the Group employed 874 people, including 795 employees at AS Norma. AS Norma is located at Laki tn. 14, Tallinn, Republic of Estonia.

Important financial data

In millions of kroons, except for shares and amounts per share

	Group			AS Norma (parent company) *		
	2004	2003	Change %	2004	2003	Change %
Net sales	986.3	999.3	-1.3	964.3	979.0	-1.5
Operating profit	113.9	121.8	-6.5	113.1	125.3	-9.7
Corporate income tax	18.6	3.5		18.5	3.5	
Net profit	104.9	128.3	-18.2	104.9	128.3	-18.2
Assets	950.6	962.6	-1.2	949.4	960.8	-1.2
Equity	830.5	791.5	4.9	830.5	791.5	4.9
Share capital	132	132		132	132	
Number of employees	874	882		795	800	
Number of shares	13.2	13.2		13.2	13.2	
Earnings per share	7.95	9.72	-18.2	7.95	9.72	-18.2
ROE	0.126	0.162	-22.2	0.126	0.162	-22.2
ROA	0.110	0.133	-17.3	0.110	0.134	-17.3

*AS Norma is consolidated under the equity method

Operating activities of AS Norma in 2004

1. Sales Revenue

The sales revenue of the AS Norma Group in 2004 was 986.3 million kroons, which is 1.3% less than in 2003. Safety belts and their components made up 89% of the sales revenue. The consolidated sales of the subsidiaries were 22 million kroons. The Group exported 99% of its production, 57% of it to Sweden and 34% of to Russia.

The sales to the different subdivisions of the parent Autoliv increased by 6.4% to 579.9 million kroons as compared to 2003. The sales growth of units was even higher, as in 2004 Norma started to assemble inertia reels in safety belts in addition to the assembly of safety belts which decreased the proportion of purchased products in the price of the final product and simultaneously, the sales price of the final product decreased. Safety belts to Autoliv made up 90% and components of safety belts 10% of the sales. Other largest Western customers were Karosa, Iris Bus-IVECO, Intersafe and Van - Hool.

In Russia, fierce competition continued in the market of simple safety belts in 2004, as a result of which the volumes as well as sales prices continued to be under pressure. The sales of AS Norma to the Russian customers decreased by 14.9% to 330.3 million kroons as compared to 2003. The largest customers in Russia were AvtoVAZ, IzhAvto, GM-AvtoVAZ JV and GAZ.

The Russian automobile industry is going through major changes. An increasing number of car buyers choose a foreign car as their new car, at the same time the increasing purchasing power of people sets higher demands on the production of domestic automobile makers, both for quality as well as characteristics for use (including safety). AvtoVAZ is the only manufacturer able to meet such consumer expectations; it started the serial manufacturing of a simple version of Lada Kalina in 2004. The improved version with the modern safety system based on the components of Autoliv and Norma will go into manufacturing at the end of 2005. The other Russian car manufacturers unfortunately lack such modern production development potential.

2. Profitability of operations

	Group			AS Norma (parent company)*		
	2004	2003	Change %	2004	2003	Change %
Net sales	986.3	999.3	-1.3	964.3	979.0	-1.5
Cost of goods sold	807.2	812.6	-0.7	792.9	800.4	-0.9
Period expenses	66.7	63.5	5.0	61.7	57.3	7.7
Operating profit	113.9	121.8	-6.5	113.1	125.3	-9.7
Profit before tax	123.6	131.8	-6.2	123.5	131.8	-6.3
Net profit	104.9	128.3	-18.2	104.9	128.3	-18.2
Net profit margin (%)	10.6	12.8	-17.2	10.9	13.1	-16.8

*AS Norma is consolidated under the equity method

The net profit of the Group was 104.9 million kroons in 2004, decreasing by 18.2 % as compared to 2003. Profit before tax decreased by 6.2%, i.e. by 8.2 million kroons to 123.6 million kroons. The net margin decreased from 12.8 percent to 10.6 percent. The decrease of profits can be attributed to the decrease of sales volumes and the sales price in the Eastern market.

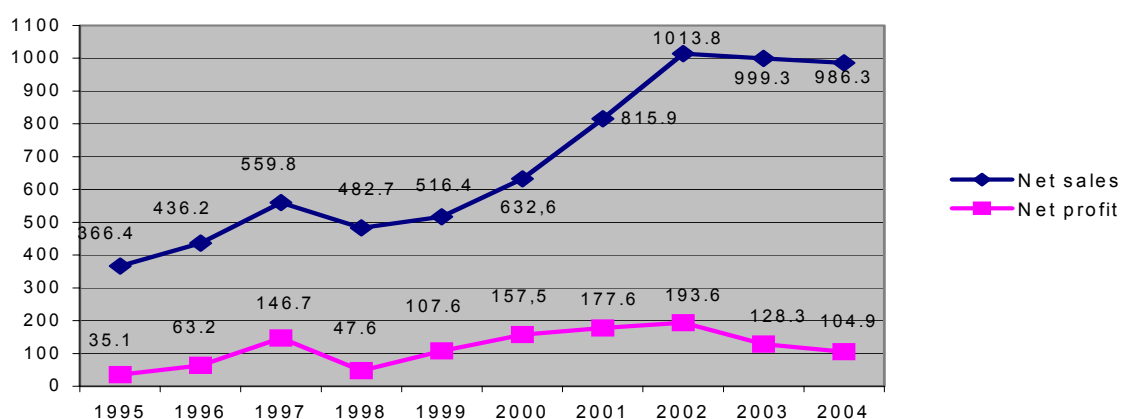
The net sales decreased by 1.3% in 2004, the cost of goods sold decreased by 0.7%. Period expenses increased by 5%, i.e. by 3.2 million kroons, including product development costs by 62.2% or 12.2 million kroons. Product development costs (31.9 million kroons in 2004, 19.7 million kroons in 2003) constituted 3.2% of the sales, the year before they amounted to 2% of sales. The major part of additional expenses was related to the rendering of the development service for VAZ 1118 security system. Distribution costs decreased by 22.8% or 3.8 million kroons and administrative expenses decreased by 19.2% or 5.2 million kroons. Period expenses constituted 6.7% of the sales in 2004, the increase was 0.4% in a year. The Group's operating profit decreased by 6.5%.

The percentage of cost of goods sold stabilised in the Group's structure of income and expenses (from 81.3% of net sales in 2003 to 81.8% in 2004), including the cost of raw materials and materials which decreased by 5.2%, i.e. 31.6 million kroons, depreciation which increased by 24.6%, i.e. 10.4 million kroons, wages and salaries which increased by 2.9% i.e. 3.4 million kroons as compared to 2003. Several different factors impacted the cost of raw materials and materials. The price increase of raw materials especially that of steel in the second half of the year also led to an increase of AS Norma's expenses. At the same that the cost of components purchased for the assembly of safety belts for Autoliv decreased the cost of the in-house assembly of the most important component of safety belts, i.e. the reel.

Of the net sales, 97.8% or 964.30 million kroons came from the parent, the decrease was 1.5% as compared to the previous period. The gross profit of the parent increased by 4.0% and the operating profit by 9.7%, amounting to 123.5 and 113.1 million kroons, respectively.

The Group's staff costs were 144.9 million kroons in 2004, a 0.8% decrease as compared to the year before. The percentage of staff costs in net sales stayed at the same level as in 2003, i.e. 14.7%. The number of employees was 874 at the Group at the end of 2004, which is 8 employees fewer than the year before, the number of employees at the parent company decreased by 5 employees, and was 795 at the end of the year.

The trend of the Group's net sales and profit in 1995-2004 (in millions of kroons)



3. Liquidity management and use of capital

The Group's equity increased by 39 million kroons or 4.99 %, amounting to 830.5 million kroons at the end of the year. The equity to assets ratio was 87% (82% at the end of 2003). The distributable shareholders' equity was 685.3 million kroons.

The percentage of cash and liquid securities was 42.8% of total assets at the end of 2004. Net current assets amounted to 151.5 million kroons, non-current assets to 272.3 million kroons as at 31.12.2004, The Group has no need for external financing.

AS Norma maintained its traditionally conservative stance on liquidity management and making financial investments in 2004. In addition to deposits as well as the units of money market and interest funds of different length of maturities of the Estonian kroon and the Euro at the Estonian banks, cash was also deposited for short term at the Financial Markets Division of Autoliv AB which enabled the company to invest cash short-term at a higher rate than that offered by deposits in the market.

A group account is used for more flexible intra-group cash management, the reduction of interest expenses and loan demand. This enable the subsidiaries to use the resources within the limits established for them by AS Norma.

4. Assets

The Group's assets totalled 950.7 million kroons at the end of the reporting period, being 12 million kroons less than at the end of 2003. Current assets decreased by 7.4 million to 678.4 million kroons at the end of the period.

Trade receivables were 171.3 million kroons at the end of the period, incl. 97.0 million kroons from the undertakings belonging to the Autoliv Group. In its turn, AS Norma had a payable of 36.3 million kroons to the undertakings of the same Group. Trade receivables decreased by 31.1 million kroons as compared to the previous period. The reserve set up for the coverage of doubtful receivables was reduced by 4.4 million kroons to 4.9 million kroons.

The Group's inventories were 86.8 million kroons at the end of the reporting period, i.e. 12.9 million kroons (17.5%) higher than at the beginning of the period, being 9.1% of assets. Raw materials and materials (components) constituted 60%, work-in-progress 19% and finished goods 17% of the inventories. As compared to 2003, the inventories of materials and components increased the most, from 44.3 to 51.7 million kroons, also, the inventories of finished goods at the warehouse increased from 10.0 to 15.1 million kroons.

The Group's non-current assets were 272.3 million kroons at the end of the year, a decrease of 4.6 million kroons and, constituting 28.6% of assets. Property, plant and equipment decreased by 8.5 million kroons to

241.3 million kroons, i.e. 25.4% of the Group's assets. Intangible assets decreased by 3.0 million kroons in 2004.

5. Subsidiaries

In 2004, the AS Norma Group consisted of two subsidiaries (AS Tööriistavabrik, Norma-Osvar ZAO).

AS Tööriistavabrik engages in the design, production and repair of jigs and dies as well as plastic die-casting moulds. AS Tööriistavabrik is a link of strategic importance in the production chain of AS Norma. The net sales of AS Tööriistavabrik were 34.8 million kroons and the net profit was 0.16 million kroons in 2004. The external sales of the Group were 15.8 million kroon.

The net sales of the subsidiary Norma-Osvar ZAO located in Russia were 38.9 million kroons and the loss was 0.4 million kroons in 2004. The external sales of the Group were 38.9 million kroons.

6. Investments

To ensure its production capacities and guarantee the efficiency of its production processes, the Group invested 47,2 million kroons in 2004.

The largest real investments were as follows in 2004

Metal processing equipment	13.7 million kroons
Assembly lines	5.6 million kroons
Jigs	9.1 million kroons
IT	1.3 million kroons
Thermoplastic automatic machines	7.9 million kroons
Quality management systems	0.7 million kroons
Construction work	5.9 million kroons

7. Stock market and dividends

AS Norma has issued 13.2 million ordinary shares, each with one voting right. For the operating activities of 2003, dividends in the amount of 66.0 million kroons or 5 kroons per share were distributed in 2004. The shares of AS Norma are listed in the main list of Tallinn Stock Exchange, its shares are additionally traded at the stock exchanges of Frankfurt, Berlin and Munich.

AS Norma shareholders with the participation of over 3% as at 31.12.2004:

Autoliv AB	51.0%
ING LUXEMBOURG S.A.	7.8%
Clients of Skandinaviska Enskilda Banken AB	5.1%
Clients of Clearstream Banking Luxembourg S.A.	3.3%

At the end of the reporting period (31.12.2004), the closing price of a share of AS Norma at Tallinn Stock Exchange was 102.48 kroons.

Financial Statements

Management Board's Confirmation on the Financial Statements

The Management Board confirms the completeness and correctness of AS Norma the parent company and the consolidation group 2004 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, the results of operations and cash flows of the parent company and the consolidation group;
- 3) the parent and entities belonging to the consolidation group 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

Stig Carlsson



Member of the Management Board

Tallinn, 16 February 2005

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Consolidated balance sheet

(in thousands of EEK)

Assets	31.12.2004	31.12.2003	Note No.
Current assets			
Cash and bank accounts	319 043	179 092	1
Available-for-sale investments	81 206	73 219	2
Held-to-maturity investments	6 483	46 858	3
Accounts receivable	171 342	202 419	4
Impairment for doubtful receivables	-4 948	-9 340	4
Other receivables and prepayments	12 250	90 438	5
Prepaid taxes	6 223	29 228	6
Inventories	86 758	73 816	7
Total current assets	678 357	685 730	
Non-current assets			
Held-to-maturity investments	12 088	5 196	8
Property, plant and equipment	241 287	249 762	10
Intangible assets	18 920	21 935	11
Total non-current assets	272 295	276 893	
Total assets	950 652	962 623	
Liabilities and owners' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	114 795	165 664	13
Taxes payable	5 336	5 426	14
Total current liabilities	120 131	171 090	
Total liabilities	120 131	171 090	
Owners' equity			
Share capital (par value)	132 000	132 000	15
Statutory reserves	13 200	13 200	
Retained earnings	580 333	518 000	
Profit for the financial year	104 988	128 333	
Total owners' equity	830 521	791 533	
Total liabilities and owners' equity	950 652	962 623	

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.

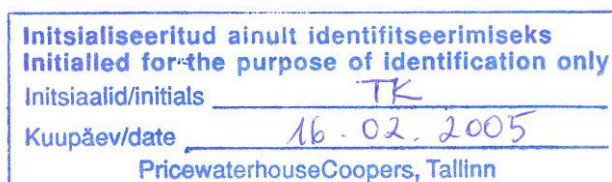
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AS NORMA (parent company) balance sheet

(in thousands of EEK)

Assets	31.12.2004	31.12.2003	Note No.
Current assets			
Cash and bank accounts	318 668	178 658	1
Available-for-sale investments	81 206	73 219	2
Held-to-maturity investments	4 000	46 858	3
Accounts receivable	178 155	206 971	4
Impairment for doubtful receivables	-4 948	-9 340	4
Other receivables and prepayments	12 161	90 171	5
Prepaid taxes	4 628	26 941	6
Inventories	79 343	64 625	7
Total current assets	673 213	678 103	
Non-current assets			
Held-to-maturity investments	12 088	5 196	8
Investments in subsidiaries	18 743	18 579	9
Property, plant and equipment	226 953	237 668	10
Intangible assets	18 411	21 301	11
Total non-current assets	276 195	282 744	
Total assets	949 408	960 847	
Liabilities and owners' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	114 444	164 629	13
Taxes payable	4 443	4 686	14
Total current liabilities	118 887	169 315	
Total liabilities	118 887	169 315	
Owners' equity			
Share capital (par value)	132 000	132 000	15
Statutory legal reserves	13 200	13 200	
Retained earnings	580 333	518 000	
Profit for the financial year	104 988	128 333	
Total owners' equity	830 521	791 533	
Total liabilities and owners' equity	949 408	960 847	

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Consolidated income statement

(in thousands of EEK)

	01.01.04-31.12.04	01.01.03-31.12.03	Note No.
Net sales	986 297	999 314	16
Cost of goods sold	807 248	812 640	17
Gross profit	179 049	186 673	
Marketing expenses	12 755	16 528	18
General expenses	22 059	27 304	20
Research and Development expenses	31 931	19 690	19
Other income	4 203	2 543	21
Other expenses	2 570	3 939	22
Operating profit	113 937	121 756	
Financial income	10 088	10 331	23
Financial expenses	397	299	23
Profit before taxes	123 628	131 788	
Income tax expense	18 640	3 455	24
Net profit	104 988	128 333	
Earnings per share in EEK	7.95	9.72	15

AS NORMA (parent company) income statement

(in thousands of EEK)

	01.01.04-31.12.04	01.01.03-31.12.03	Note No.
Net sales	964 325	978 970	16
Cost of goods sold	792 947	800 415	17
Gross profit	171 378	178 555	
Marketing expenses	12 755	16 192	18
General expenses	17 078	21 393	20
Research and Development expenses	31 931	19 690	19
Other income	5 633	7 829	21
Other expenses	2 159	3 776	22
Operating profit	113 088	125 333	
Financial income	10 857	11 806	23
Financial expenses	446	5 351	23
Profit before taxes	123 499	131 788	
Income tax expense	18 511	3 455	24
Net profit	104 988	128 333	
Earnings per share in EEK	7.95	9.72	15

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

(in thousands of EEK)

	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	Total owners' equity
31.12.2002	132 000	13 200	390 376	193 624	729 200
2002 profit transferred to retained earnings	-	-	193 624	-193 624	0
Dividends	-	-	-66 000	-	-66 000
Profit for the financial year	-	-	-	128 333	128 333
31.12.2003	132 000	13 200	518 000	128 333	791 533
31.12.2003	132 000	13 200	518 000	128 333	791 533
2003 profit transferred to retained earnings	-	-	128 333	-128 333	0
Dividends	-	-	-66 000	-	-66 000
Profit for the financial year	-	-	-	104 988	104 988
31.12.2004	132 000	13 200	580 333	104 988	830 521

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 can be made to shareholders from statutory reserves.

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AS Norma consolidated cash flows

(in thousands of EEK)

	2004	2003	Note No.
Operating activities			
Operating profit	113 937	121 756	
Profit from sale of property, plant and equipment	-1 145	-253	
Depreciation	57 641	47 637	10,11
Residual value of dismantled property, plant and equipment	435	1 776	
Write-down of property, plant and equipment	550	15	
Increase (-), decrease (+) in current assets	34 142	-39 777	
Change in long-term receivables related to operating activities	0	-500	
Increase (+), decrease (-) in current liabilities	-50 959	48 671	
Interest paid	-8	-11	
Income tax paid	-128	0	24
	154 465	179 314	
Investing activities			
Property, plant and equipment sold	1 208	253	
Property, plant and equipment acquired	-47 200	-90 098	
Loans issued	-62	-128	8
Proceeds from the sale of a subsidiary	0	116	
Financial investments acquired	-6 953	0	
Financial investments sold	42 858	5 469	
Loan repayments received	48	119	
Interest received	10 241	10 098	
	140	-74 171	
Financing activities			
Payment of income tax on dividends	-18 511	-3 455	24
Dividends paid	-66 000	-66 000	
	-84 511	-69 455	
Net cash flow	70 094	35 687	
Cash and cash equivalents at the beginning of the year:			
	330 544	295 224	
Net cash inflow	70 094	35 687	
Foreign exchange loss	-389	-367	23
Cash and cash equivalents at the end of the year:	400 249	330 544	
incl. cash and bank accounts <i>(and deposits)</i>	319 043	179 092	1
<i>available-for-sale investments</i>	81 206	73 219	2
<i>Short-term loan with Autoliv group company</i>	0	78 233	5

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AS Norma (parent company) cash flows

(in thousands of EEK)

	2004	2003	Note No.
Operating activities			
Operating profit	113 089	125 333	
Profit from sale of property, plant and equipment	-105	-252	
Depreciation	53 863	43 061	10,11
Residual value of dismantled property, plant and equipment	428	1 457	
Write-down of property, plant and equipment	550	15	
Increase (-), decrease (+) in current assets	32 352	-42 537	
Change in long-term receivables related to operating activities	0	-500	
Increase (+), decrease (-) in current liabilities	-50 428	50 421	
Interest paid	-70	-11	
	149 679	176 987	
Investing activities			
Property, plant and equipment sold	127	252	
Property, plant and equipment acquired	-41 258	-87 001	
Loans issued	-62	-128	8
Loan repayments received	48	119	
Financial investments acquired	-6 953	0	
Financial investments sold	42 858	5 469	
Proceeds from the sale of a subsidiary	0	116	
Interest received	10 211	10 079	
	4 971	-71 094	
Financing activities			
Payment of income tax on dividends	-18 511	-3 455	24
Dividends paid	-66 000	-66 000	
	-84 511	-69 455	
Net cash flow	70 139	36 438	
Cash and cash equivalents at the beginning of the year:			
Net cash inflow	70 139	36 438	
Foreign exchange loss	-376	-371	23
Cash and cash equivalents at the end of the year:	399 874	330 110	
incl. cash and bank accounts (<i>and deposits</i>)	<i>318 668</i>	<i>178 658</i>	<i>1</i>
<i>available-for-sale investments</i>	<i>81 206</i>	<i>73 219</i>	<i>2</i>
<i>Short-term loan with Autoliv group company</i>	<i>0</i>	<i>78 233</i>	<i>5</i>

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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

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated.

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, 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 statement and cash flow of a subsidiary located outside of Estonia is 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.

The company does not use hedge accounting.

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).

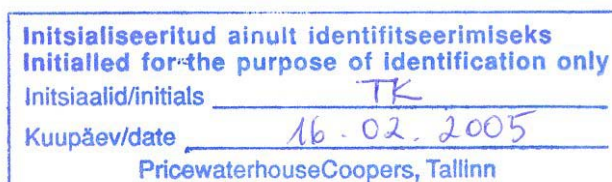
Financial investments

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. Purchases and sales of 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 is probable 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

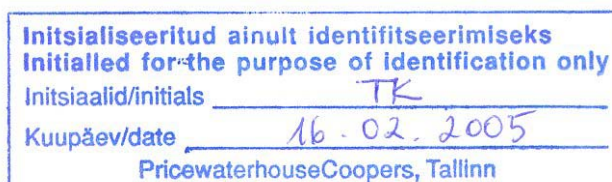
Income tax

According to the Income Tax Act of the Republic of Estonia the net profit earned by enterprises is not taxed. Thus, there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets and liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is subject to income tax 24/76 of net dividend paid (until 31.12.2004 the tax rate was 26/74). The corporate income tax arising from the payment of dividends is accounted for as an expense in the period which dividends are declared, regardless of the actual payment date or the period for which the dividends are paid for.

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.

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 crystallise 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

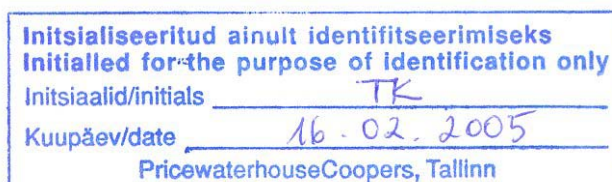
Product development expenses are generally reported in the income statement under research and development expenses. If income related to expenses incurred will arise in future reporting periods, such expenses are capitalised in the balance sheet account "Development costs".

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 sales. Assets (excluding equity and other securities, and loans), liabilities and investments are allocated according to their relation to the segment. Depreciation is allocated according to the portion of fixed assets to the segment. Write-down on fixed assets is allocated based on the particular segment an asset is related to.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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Notes to the financial statements

In thousands of Estonian kroons (if not stated otherwise)

1. Cash and bank accounts	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Cash and bank accounts	2 203	1 790	1 828	1 546
Short-term deposits	316 840	177 302	316 840	177 112
	319 043	179 092	318 668	178 658

As of 31.12.04, the short-term deposits include deposits with maturity date less than a month in the total amount of 157 thousand euros and 1 200 thousand Estonian kroons with interest rate between 1.95 – 2.40%, and other deposits in the total amount of 1 000 thousand euros and 65 445 thousand Estonian kroons with interest rate between 2.42-2.70%. Deposits in group treasury are in the total amount of 95 600 thousand Estonian kroons and 7 500 thousand euros with the interest rate of 2.5-2.7% (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. Available-for-sale investments	group and parent company	
	31.12.2004	31.12.2003
Interest fund shares of Hansapank	81 206	72 919
Money Market Funds shares	0	300
	81 206	73 219

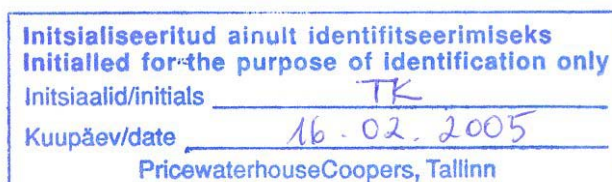
The shares are valued at their market value.

3. Held-to-maturity investments	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Bonds	6 483	46 858	4 000	46 858
	6 483	46 858	4 000	46 858

Short-term held-to-maturity investments include Ühispank 3-11 month bonds denominated in Estonian kroons in the amount of 4 000 thousand kroons and with the interest rate of 5.15% and commercial bank euro bonds in the amount of 2 483 thousand Estonian kroons. 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. Accounts receivable	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Trade receivables	74 390	77 494	68 169	64 570
Receivables to Parent Company Group entities	96 952	124 925	109 986	142 401
Allowance for doubtful receivables	-4 948	-9 340	-4 948	-9 340
	166 394	193 079	173 207	197 631

As at December 31, 2004, 56.6% of doubtful receivables were related to Russian customers. Based on the management decision, customer receivables from Russia in the total amount of 1 147 thousand kroons were written off during the reporting year.



5. Other receivables and prepayments	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Other receivables, incl.	160	78 403	158	78 383
Short-term loans (see note 8)	154	150	154	150
Short-term loan to Autoliv	0	78 233	0	78 233
Autosicherheitst GMBH (see note 26)				
Advances to employees	6	20	4	0
Prepayments for services	89	3 818	89	3 683
Accrued interest	1 422	1 575	1 422	1 575
Prepaid expenses	10 579	6 642	10 492	6 530
	12 250	90 438	12 161	90 171

As at 31 December 2004, largest prepaid expenses include prepayment to Autoliv Sverige (for VAZ 1118 safety system development project) in the total amount of 9 707 (2003: 4 676) thousand kroons, prepayment for software licenses to Autoliv France in the total amount of 161 (2003: 1 058) thousand kroons, prepaid insurance in the total amount of 248 (2003: 429) thousand kroons, prepaid amount media/press subscriptions in the total amount of 55 (2003: 57) thousand kroons, and prepayment for heating fuel in the total amount of 103 (2003: 103) thousand kroons.

6. Prepaid taxes	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Prepaid income tax	446	353	0	99
Prepaid VAT	5 777	28 875	4 628	26 842
	6 223	29 228	4 628	26 941

7. Inventories	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Raw materials	51 698	44 321	51 186	43 516
Work in progress	16 711	15 880	12 088	8 732
Finished goods	18 309	13 551	15 132	9 963
Prepayments to suppliers	40	64	937	2 414
	86 758	73 816	79 343	64 625

In 2004, there were no obsolete and substandard materials impaired (2003: 1064). Materials, unfinished and finished goods unsuitable for production and resale have been written off in the amount of 401 (2003: 168) thousand kroons during the reporting period.

8. Held-to-maturity investments (over 1 year)	group and parent company	
	31.12.2004	31.12.2003
Held-to-maturity investments	10 955	4 002
Loans receivable	633	694
Other long-term receivables	500	500
	12 088	5 196

For cash flow management purposes, the company acquired fixed term bonds of Sampo bank in the total amount of 700 thousand euros and with interest rate 3M EURIBOR+0.90%.

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

Purpose	Balance as of 31.12.03	Incl. classified as short-term	Incl. classified as long-term	Issued loans in 2004	Paid back in 2004	Balance as of 31.12.04	Incl.		Interest rate in percent
							classified as short-term	classified as long-term	
Purchase and improvements of real estate	145	67	78	5	26	123	38	85	13
Student loans	699	83	616	57	93	664	116	548	0
	844	150	694	62	119	787	154	633	

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.

10. Property, plant and equipment (group)	Land and buildings	Machinery and equipment	Other equipment	Un-finished buildings	Prepayments	Total
Acquisition cost as of 31.12.03	85 891	383 037	5 391	5 167	641	480 127
Additions	5 868	30 471	511	1 994	8 122	46 966
Sale and dismantling	-44	-10 215	-39	-	-	-10 298
Reclassification	-	5 754	54	-5 167	-641	-
Acquisition cost as of 31.12.04	91 715	409 047	5 917	1 994	8 122	516 795
Accumulated depreciation as of 31.12.03	-16 486	-211 439	-2 440	-	-	-230 365
Depreciation charge	-4 549	-48 954	-889	-	-	-54 392
Write-down	-	-550	-	-	-	-550
Accumulated depreciation of sold and dismantled fixed assets	41	9 727	31	-	-	9 799
Accumulated depreciation as of 31.12.04	-20 994	-251 216	-3 298	-	-	-275 508
Net book value 31.12.03	69 405	171 598	2 951	5 167	641	249 762
Net book value 31.12.04	70 721	157 831	2 619	1 994	8 122	241 287

Acquisition cost of fully depreciated fixed assets (0 book value) as of 31.12.03 was 97 324 thousand kroons; as of 31.12.04 111 309 thousand kroons.

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Property, plant and equipment (parent company)	Land and buildings	Machinery and equipment	Other equipment	Un-finished buildings	Prepay-ments	Total
Acquisition cost as of 31.12.03	85 891	353 761	3 513	5 167	641	448 973
Additions	5 868	24 151	477	1 969	8 793	41 258
Sale and dismantling	-44	-6 138	-	-	-	-6 182
Reclassification	-	5 754	54	-5 167	-641	-
Acquisition cost as of 31.12.04	91 715	377 528	4 044	1 969	8 793	484 049
Accumulated depreciation as of 31.12.03	-16 486	-193 060	-1 759	-	-	-211 305
Depreciation charge	-4 549	-45 841	-583	-	-	-50 973
Write-down	-	-550	-	-	-	-550
Accumulated depreciation of sold and dismantled fixed assets	41	5 690	-	-	-	5 731
Accumulated depreciation as of 31.12.04	-20 994	-233 760	-2 342	-	-	-257 096
Net book value 31.12.03	69 405	160 701	1 754	5 167	641	237 668
Net book value 31.12.04	70 721	143 768	1 702	1 969	8 793	226 953

Acquisition cost of fully depreciated fixed assets in use by parent company (0 book value) as of 31.12.03 was 87 654 thousand kroons; as of 31.12.04 101 422 thousand kroons.

11. Intangible assets (group)	Product and technology licences	Software licences	Total
Acquisition cost 31.12.03	22 402	8 053	30 455
Additions	-	234	234
Acquisition cost 31.12.04	22 402	8 287	30 689
Accumulated amortisation 31.12.03	-2 240	-6 280	-8 520
Amortisation for the year	-2 240	-1 009	-3 249
Accumulated amortisation 31.12.04	-4 480	-7 289	-11 769
Net book value 31.12.03	20 162	1 773	21 935
Net book value 31.12.04	17 922	998	18 920

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.

Intangible assets (parent company)	Product and technology licences	Software licences	Total
Acquisition cost 31.12.03	22 402	5 801	28 203
Acquisition cost 31.12.04	22 402	5 801	28 203
Accumulated amortisation 31.12.03	-2 240	-4 662	-6 902
Amortisation for the year	-2 240	-650	-2 890
Accumulated amortisation 31.12.04	-4 480	-5 312	-9 792
Net book value 31.12.03	20 162	1 139	21 301
Net book value 31.12.04	17 922	489	18 411

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12. Operating lease

The company has signed operating lease contracts to rent cars. In 2003 the amount of leasing payments was 1 032 thousand kroons, in 2004 the amount of leasing payments was 642 thousand kroons. Minimum lease liability under operating lease terms is 369 thousand kroons in 2005, 315 thousand kroons in 2006 and 41 thousand kroons in 2007.

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 – 2005). In 2004, the company paid rent for land and buildings in the total amount of 676 thousand kroons. The minimum lease liability for the year 2005 is 676 thousand kroons.

13. Accounts payable and accrued expenses	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Customer prepayments	973	1 816	-	-
Accounts payable	44 562	41 883	42 300	40 129
Salaries payable	19 975	18 158	18 448	16 473
Accrued expenses	5	165	5	165
Deferred revenues	12 926	6 262	12 926	6 262
Payables to parent company (information in Note 26)	36 354	97 380	40 765	101 600
	114 795	165 664	114 444	164 629

Deferred revenues include I.D.P.S.a.r.l prepayment received for 12 926 thousand kroons (2003: 6 262) of VAZ 1118 safety system development project.

14. Taxes payable	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Unemployment insurance tax	28	68	19	59
Social security tax	5 012	5 358	4 401	4 627
	24	-	23	-
VAT payable	272	-	-	-
	5 336	5 426	4 443	4 686

15. Share capital	group and parent company	
	31.12.2004	31.12.2003
Share capital par value (10 kroons per share)	132 000	132 000

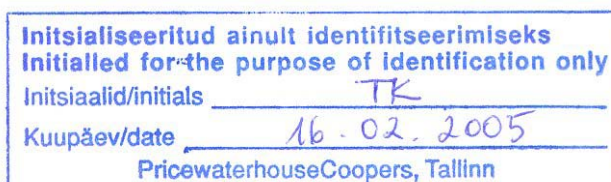
AS Norma has issued 13.2 common shares with one vote per share. Dividends paid out for 2003 were 66 million kroons or 5 kroons per share. AS Norma shares are listed in the main list of the Tallinn Stock Exchange and are quoted on the Frankfurt, Berlin and Munich Stock Exchanges. The authorised share capital for the company is 528 000 thousand kroons.

AS Norma shareholders with participation over 3% as of 31.12.04:

Autoliv AB	51.0%
ING LUXEMBOURG S.A.	7.8%
Skandinaviska Enskilda Banken AB clients	5.1%
Clearstream Banking Luxembourg S.A. clients	3.3%

Earnings per share	group and parent company	
	2004	2003
Net profit	104 988	128 333
Average number of shares (in thousands)	13 200	13 200
Earnings per share (EPS) kroons	7.95	9.72

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



**16. Primary reporting format:
by product line (the group)**

	Safety belts 2004	Other products 2004	Total 2004	Safety belts 2003	Other products 2003	Total 2003
Sales	881 271	124 052	1 005 323	925 314	102 256	1 027 570
Internal sales		(19 026)	(19 026)		(28 256)	(28 256)
Consolidated sales	881 271	105 026	986 297	925 314	74 000	999 314
Operating profit for the segment	113 875	61	113 936	121 118	638	121 756
Segment assets	631 452	19 987	651 439	639 234	20 292	659 526
Unallocated assets			299 213			303 097
Total assets			950 652			962 623
Segment liabilities	114 524	5 607	120 131	165 234	5 856	171 090
Capital expenditures	40 862	6 338	47 200	91 098	7 285	98 383
Depreciation and amortisation charge	51 503	6 138	57 641	42 897	4 740	47 637
Write-down on fixed assets	154	396	550	0	15	15

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 production. Other products and services (car components, metal products, real estate management) account for less than 10% of total sales.

Expenses are allocated in proportion to product line's share from sales. Assets (except shares, other securities and loans), liabilities and investments are divided by their relation to the segments. Depreciation is allocated according to the portion of fixed assets to the segment. Write-down on fixed assets is allocated based on the particular segment an asset is related to.

By product lines (parent company)

	Safety belts 2004	Other products 2004	Total 2004	Safety belts 2003	Other products 2003	Total 2003
Sales	875 088	89 237	964 325	924 007	54 963	978 970
Operating profit for the segment	113 028	61	113 089	123 695	638	125 333
Assets	631 452	18 743	650 195	639 234	18 516	657 750
Unallocated assets			299 213			303 097
Total Assets			949 408			960 847
Segment liabilities	114 524	4 363	118 887	165 234	4 081	169 315
Capital expenditures	35 487	5 771	41 258	90 063	5 222	95 285
Depreciation and amortisation charge	49 224	4 639	53 863	40 701	2 360	43 061
Write-down on fixed assets	154	396	550	0	15	15

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**Secondary reporting format:
by geographical market**

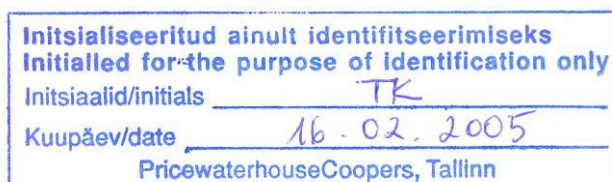
	Sales (the Group)		Sales (parent)	
	2004	2003	2004	2003
Sweden	558 920	545 443	557 799	543 551
Russia	330 377	388 176	324 194	386 868
Germany	25 165	9 807	23 433	7 209
France	24 302	9 185	24 302	8 481
Estonia	12 883	16 923	8 141	7 555
Ukraine	8 807	9 464	8 807	9 464
Czech Republic	6 340	5 655	6 340	5 655
Polish	3 273	2 741	3 273	2 741
Belgium	3 114	2 705	3 114	2 705
Italy	3 179	1 870	-	-
USA	3 011	1 867	1 350	1 867
Great Britain	2 565	1 008	17	-
Spain	1 615	1 099	1 615	1 099
Netherlands	1 033	1 422	1 033	1 422
Finland	904	1 344	243	56
Denmark	115	377	52	70
Other countries	694	228	612	227
Total	986 297	999 314	964 325	978 970

AS Norma parent company balance sheet includes a building with residual value of 33 thousand Estonian kroons which is located in the Russian Federation. Remaining inventories and property, plant and equipment of the group with the exception of assets of Norma-Osvar ZAO are located in Estonia. Norma-Osvar ZAO's assets are located in Russian Federation. Norma-Osvar ZAO total assets are 14 793 thousand kroons (2003: 20 160) which includes property, plant and equipment in the total amount of 477 (2002: 608) thousand kroons.

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

17. Cost of goods sold	group		parent company	
	2004	2003	2004	2003
Raw materials	574 904	606 521	580 610	611 366
Salaries	120 206	116 765	107 572	97 682
Depreciation	52 613	42 230	49 063	38 010
Utilities	14 317	13 455	14 303	14 077
Repairs and maintenance	11 164	3 298	13 687	3 114
Transportation	15 136	11 004	15 020	10 903
Other	18 908	19 367	12 691	25 263
	807 248	812 640	792 947	800 415

In the year 2004 there has been an increase in repair costs, because there was a change in the company structure (on the 30th of December 2003, the subsidiary Eksamo Automaatika AS was sold. The main activity of this enterprise was to do repair work). In 2003 the costs of Eksamo Automaatika AS were consolidated and the sales of repaired work eliminated (12 382 thousand kroons). In 2004 the repaired services were purchased from outside the group.



18. Marketing expenses	group		parent company	
	2004	2003	2004	2003
Salaries	3 102	4 190	3 102	3 957
Depreciation	67	266	67	266
Transportation	6 847	6 944	6 847	6 935
Agent's commission	868	436	868	436
Advertising	238	377	238	338
Travel	722	575	722	537
Other services purchased	80	724	80	723
Other	831	3 016	831	3 000
	12 755	16 528	12 755	16 192

19. Research and Development expenses	group		parent company	
	2004	2003	2004	2003
Salaries	6 814	8 807	6 814	8 807
Prototype and pre-serial tooling	6 403	3 713	6 403	3 713
VAZ 1118 project expenses	14 590	1 364	14 590	1 364
Depreciation	3 000	3 209	3 000	3 209
Travel	509	585	509	585
Other services	259	198	259	198
Other	356	1 814	356	1 814
	31 931	19 690	31 931	19 690

20. Administrative and general expenses	group		parent company	
	2004	2003	2004	2003
Salaries	14 743	16 338	12 761	12 714
Depreciation	1 961	1 932	1 733	1 577
Repairs and maintenance	461	455	310	279
Advertising, promotion	1 021	1 297	943	1 225
Travel	447	548	209	287
Telephone, office supplies	990	1 067	838	858
Other services	1 168	1 339	768	727
Training	648	1 077	594	969
Bad debt written-down	-2 975	329	-4 278	326
Other	3 595	2 922	3 200	2 431
	22 059	27 304	17 078	21 393

In 2004 the impairment allowance for doubtful receivables decreased to 4 393 thousand kroons. The total amount of receivables written off in the Group is 1 147 thousand kroons (115 thousand kroons in the parent company).

21. Other operating income	group		parent company	
	2004	2003	2004	2003
Other sales	2 851	856	5249	802
Profit from sales of property, plant and equipment	1 145	253	105	252
Foreign exchange gain	147	659	218	1 796
Other	61	775	61	4 979
	4 203	2 543	5 633	7 829

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22. Other operating expenses	group		parent company	
	2004	2003	2004	2003
Membership fees of unions, other associations	116	113	89	85
Loss from the sale and dismantling of fixed assets	435	1 505	428	1 457
Sponsorship	580	1 974	580	1 891
Expenses unrelated to main production activity	889	314	512	314
Other	0	18	0	14
Write-down of property, plant and equipment	550	15	550	15
	2 570	3 939	2 159	3 776

23. Financial income/expenses	group		parent company	
	2004	2003	2004	2003
Income/ loss(-) under equity method of accounting from subsidiaries	0	0	798	-3 556
Interest income from cash deposits	5 051	2 929	5 051	2 929
Interest income from bonds and money market funds	3 104	4 461	3 104	4 461
Loan interest income	1 819	2 930	1 819	2 930
Foreign exchange loss	-389	-367	-376	-372
Other financial income	106	79	15	65
	9 691	10 032	10 411	6 455

24. Income tax	group		parent company	
	2004	2003	2004	2003
Income tax	128	0	0	0
Dividend tax	18 511	3 455	18 511	3 455
Total tax expense	18 640	3 455	18 511	3 455

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 (128 thousand kroons and 2003: 0) 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 685 321 (31.12.2003: 646 333) thousand kroons as at 31.12.04. In case of paying retained earnings fully out as dividends, the maximum potential income tax liability would be 164 477 (31.12.2003: 166 066) thousand kroons. Accordingly, it would be possible to pay net dividends in the amount of 520 844 (31.12.2003: 479 888) thousand kroons.

25. Personnel expenses	group		parent company	
	2004	2003	2004	2003
Wages and salaries	108 557	109 510	97 607	93 091
Social security	35 823	36 129	32 210	29 660
Unemployment insurance	485	461	432	409
	144 865	146 100	130 249	123 160

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26. Related parties

	2004	2003
Sales to Norma AS by Autoliv Group	335 321	423 937
Purchases from Norma AS by Autoliv Group	579 925	545 020
Insurance premium for product liability Autoliv Group	362	483
Sales to Norma AS by AS Tööriistavabrik	18 936	18 810
Purchases from Norma AS by AS Tööriistavabrik	2 910	2 990
Purchases from Norma AS by AS Norma-Osvar	32 758	35 760
Sales to Norma by Law-office Tark &Ko	76	49
	31.12.2004	31.12.2003
Receivable from Autoliv group companies (see note 4)	96 952	124 925
Liability to Autoliv group companies (see note 13)	36 354	97 380
Short-term loan to Autoliv Autosicherheitst GmbH	0	78 233
Short-term deposit to Autoliv AB treasury	212 950	103 651
Receivable: AS Tööriistavabrik	1 891	2 850
AS Norma-Osvar	13 517	17 005
Liability: AS Tööriistavabrik	4 363	4 143
AS Norma-Osvar	47	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 AB treasury earned slightly higher interest rate than market rate.

Salaries paid to the Management Board members during the year amounted to 6 419 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

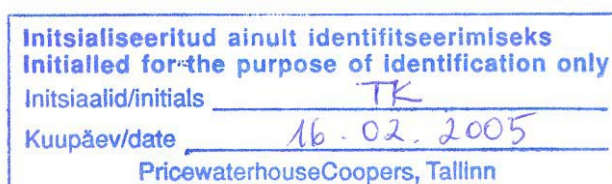
On 22.10.1999 Hansabank and AS Norma, with its subsidiaries, entered into a contract of cash pooling agreement under which AS Norma is defined to be the parent company. Cash pooling agreement includes AS Tööriistavabrik bank accounts.

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 31.12.04 amounted to 63 403 thousand kroons (31.12.03: 65 960). Write-down at the end of the period amounted to 2 800 thousand kroons (31.12.03: 7 316), therefore the net balance of receivables as at 31.12.04 amounted to 60 603 thousand kroons (31.12.03: 58 644).

Currency risk

In 2004, 98.7% 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.

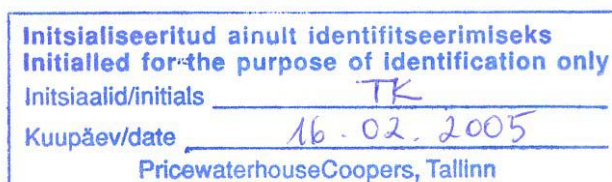
Currency positions of the group

In thousands of kroons

31.12.2004							
Financial assets	EEK	SEK	USD	EUR	RUR	Other	Total
Cash	173 851	1 213	2 019	141 598	362	0	319 043
Customer receivables	2 252	546	2 384	160 485	4 552	1 123	171 342
Prepayments to suppliers	1 622	-	-	6 522	18	-	8 162
	177 725	1 759	4 403	308 605	4 932	1 123	498 547
Liabilities							
Customer prepayments	287	-	-	686	-	-	973
Trade accounts payable	11 956	12 062	0	56 878	20	0	80 916
	12 243	12 062	0	57 564	20	0	81 889
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
	109 057	444	-	258 966	11 951	1 123	381 541
Liabilities							
Customer prepayments	501	-	-	1 314	-	-	1 815
Trade accounts payable	19 011	13 921	317	105 185	77	753	139 264
	19 512	13 921	317	106 499	77	753	141 079

28. Contingent liabilities

AS Norma holds a guarantee contract in the amount of 7 760 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 874.7 euros for guaranteeing the prepayment for VAZ 1118 safety system development in favour of I.D.P.S.a.r.l. The company stands as a guarantor with 464 thousand kroons for the usage of staff credit cards.



PROFIT ALLOCATION PROPOSAL FOR THE FINANCIAL YEAR

AS Norma net profit for 2004 is 104 988 368 EEK (6 709 980 EUR).

The Management proposal, which is agreed with the Supervisory Board, is not distribute 2004 net profit to retained earnings.

The Management proposes 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 4 218 169 EUR (0.32 EUR per share) from 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 2004 Annual Report

2004 Annual Report of AS Norma which has been represented for approval to the general meeting of share holders on the 18th of May 2005 and which was signed on the 18th of March 2005.



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




Stig Carlsson
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 31.12.2004

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 2004 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 2004 and of the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.



Tiit Raimla
Authorised auditor

16 February 2005