

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	63.0	63.9	-1.3	61.6	62.6	-1.5
Operating profit	7.3	7.8	-6.5	7.2	8.0	-9.7
Corporate income tax	1.2	0.2		1.2	0.2	
Net profit	6.7	8.2	-18.2	6.7	8.2	-18.2
Assets	60.8	61.5	-1.2	60.7	61.4	-1.2
Equity	53.1	50.6	4.9	53.1	50.6	4.9
Share capital	8.4	8.4		8.4	8.4	
Number of employees	874	882		795	800	
Number of shares	13.2	13.2		13.2	13.2	
Earnings per share	0.51	0.62	-18.2	0.51	0.62	-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 63.0 MEUR, 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 1.4 MEUR. 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 37.1 MEUR 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 21.1 MEUR 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	63.0	63.9	-1.3	61.6	62.6	-1.5
Cost of goods sold	51.6	51.9	-0.7	50.7	51.2	-0.9
Period expenses	4.3	4.1	5	3.9	3.7	7.7
Operating profit	7.3	7.8	-6.5	7.2	8.0	-9.7
Profit before tax	7.9	8.4	-6.2	7.9	8.4	-6.3
Net profit	6.7	8.2	-18.2	6.7	8.2	-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 6.7 MEUR in 2004, decreasing by 18.2 % as compared to 2003. Profit before tax decreased by 6.2%, i.e. by 0.5 MEUR to 7.9 MEUR. 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.

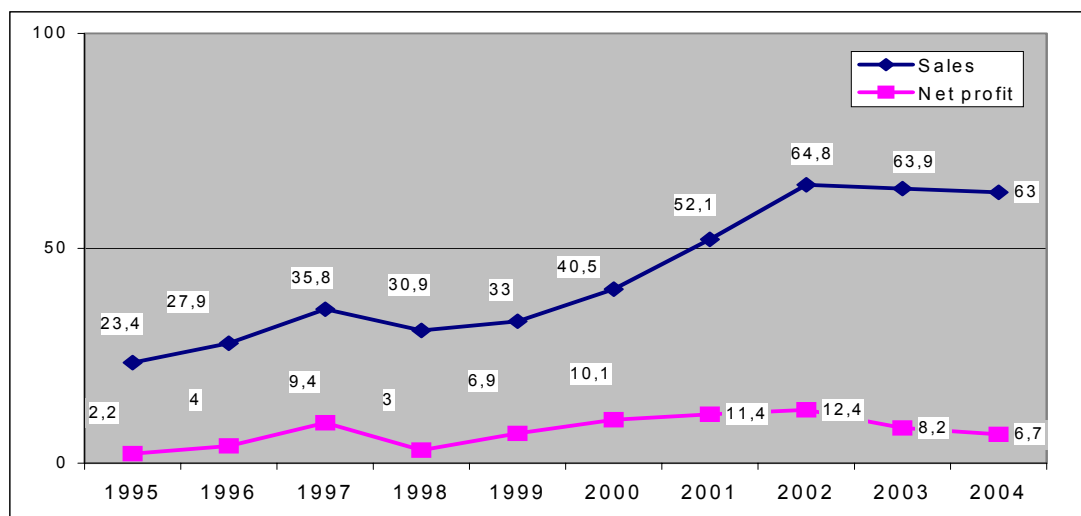
The net sales decreased by 1.3% in 2004, the cost of goods sold decreased by 0.7%. Period expenses increased by 5%, i.e. by 0.2 MEUR, including product development costs by 62.2% or 0.8 MEUR. Product development costs (2.0 MEUR in 2004, 1.3 MEUR in 2003) constituted 3.2% of the sales, the year before 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 0.24 MEUR and administrative expenses decreased by 19.2% or 0.33 MEUR. 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. 2.0 MEUR, depreciation which increased by 24.6%, i.e. 0.66 MEUR, wages and salaries which increased by 2.9% i.e. 0.22 MEUR 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 61.6 MEUR 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 7.9 and 7.2 MEUR, respectively.

The Group's staff costs were 9.3 MEUR 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 EUR)



3. Liquidity management and use of capital

The Group's equity increased by 2.5 MEUR or 4.99 %, amounting to 53.1 MEUR at the end of the year. The equity to assets ratio was 87% (82% at the end of 2003). The distributable shareholders' equity was 43.8 MEUR.

The percentage of cash and liquid securities was 42.8% of total assets at the end of 2004. Net current assets amounted to 9.7 MEUR, non-current assets to 17.4 MEUR 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 60.8 MEUR at the end of the reporting period, being 0.77 MEUR less than at the end of 2003. Current assets decreased by 0.47 million to 43.4 million euros at the end of the period.

Trade receivables were 10.9 MEUR at the end of the period, incl. 6.2 MEUR from the undertakings belonging to the Autoliv Group. In its turn, AS Norma had a payable of 2.3 MEUR to the undertakings of the same Group. Trade receivables decreased by 1.99 MEUR as compared to the previous period. The reserve set up for the coverage of doubtful receivables was reduced by 0.28million euros to 0.31 million euros.

The Group's inventories were 5.5 MEUR at the end of the reporting period, i.e. 0.8 MEUR (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 2.8 to 3.3 million euros, also, the inventories of finished goods at the warehouse increased from 0.6 to 1.0 million euros.

The Group's non-current assets were 17.4 MEUR at the end of the year, a decrease of 0.3 MEUR and, constituting 28.6% of assets. Property, plant and equipment decreased by 0.5 MEUR to 15.4 MEUR, i.e. 25.4% of the Group's assets. Intangible assets decreased by 0.2 MEUR 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 2.22 MEUR and the net profit was 0.01 MEUR in 2004. The external sales of the Group were 1.0 MEUR.

The net sales of the subsidiary Norma-Osvar ZAO located in Russia were 2.49 MEUR and the loss was 0.03 MEUR in 2004. The external sales of the Group were 2.49 MEUR.

6. Investments

To ensure its production capacities and guarantee the efficiency of its production processes, the Group invested 3.0 MEUR in 2004.

The largest real investments were as follow in 2004:

Metal processing equipment	0.9 MEUR
Assembly lines	0.4 MEUR
Jigs	0.6 MEUR
IT	0.1 MEUR
Thermoplastic automatic machines	0.5 MEUR
Quality management systems	0.1 MEUR
Construction work	0.4 MEUR

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 4.2 MEUR or 0.32 EUR 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 6.5 EUR.

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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Kuupäev/date <u>16.02.2005</u>
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Consolidated balance sheet

(in thousands of euros)

Assets	31.12.2004	31.12.2003	Note No.
Current assets			
Cash and bank accounts	20 391	11 446	1
Available-for-sale investments	5 190	4 680	2
Held-to-maturity investments	414	2 995	3
Accounts receivable	10 951	12 937	4
Impairment for doubtful receivables	-316	-597	4
Other receivables and prepayments	783	5 780	5
Prepaid taxes	398	1 868	6
Inventories	5 544	4 718	7
Total current assets	43 355	43 826	
Non-current assets			
Held-to-maturity investments	773	332	8
Property, plant and equipment	15 421	15 963	10
Intangible assets	1 209	1 402	11
Total non-current assets	17 403	17 697	
Total assets	60 758	61 523	
Liabilities and owners' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	7 337	10 588	13
Taxes payable	341	347	14
Total current liabilities	7 678	10 935	
Total liabilities	7 678	10 935	
Owners' equity			
Share capital (par value)	8 436	8 436	15
Statutory reserves	844	844	
Retained earnings	37 090	33 106	
Profit for the financial year	6 710	8 202	
Total owners' equity	53 080	50 588	
Total liabilities and owners' equity	60 758	61 523	

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 euros)

Assets	31.12.2004	31.12.2003	Note No.
Current assets			
Cash and bank accounts	20 367	11 418	1
Available-for-sale investments	5 190	4 680	2
Held-to-maturity investments	256	2 995	3
Accounts receivable	11 386	13 228	4
Impairment for doubtful receivables	-316	-597	4
Other receivables and prepayments	777	5 763	5
Prepaid taxes	296	1 722	6
Inventories	5 070	4 130	7
Total current assets	43 026	43 339	
Non-current assets			
Held-to-maturity investments	773	332	8
Investments in subsidiaries	1 197	1 187	9
Property, plant and equipment	14 505	15 190	10
Intangible assets	1 177	1 362	11
Total non-current assets	17 652	18 071	
Total assets	60 678	61 409	
Liabilities and owners' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	7 314	10 522	13
Taxes payable	284	299	14
Total current liabilities	7 598	10 821	
Total liabilities	7 598	10 821	
Owners' equity			
Share capital (par value)	8 436	8 436	15
Statutory legal reserves	844	844	
Retained earnings	37 090	33 106	
Profit for the financial year	6 710	8 202	
Total owners' equity	53 080	50 588	
Total liabilities and owners' equity	60 678	61 409	

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Consolidated income statement

(in thousands of euros)

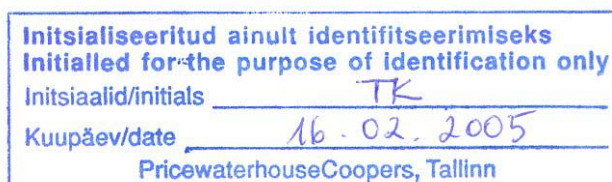
	01.01.04-31.12.04	01.01.03-31.12.03	Note No.
Net sales	63 036	63 868	16
Cost of goods sold	51 593	51 937	17
Gross profit	11 443	11 931	
Marketing expenses	815	1 056	18
General expenses	1 410	1 745	20
Research and Development expenses	2 041	1 258	19
Other income	269	163	21
Other expenses	164	252	22
Operating profit	7 282	7 782	
Financial income	644	660	23
Financial expenses	25	19	23
Profit before taxes	7 901	8 423	
Income tax expense	1 191	221	24
Net profit	6 710	8 202	
Earnings per share in euros	0.51	0.62	15

AS NORMA (parent company) income statement

(in thousands of euros)

	01.01.04-31.12.04	01.01.03-31.12.03	Note No.
Net sales	61 632	62 568	16
Cost of goods sold	50 679	51 156	17
Gross profit	10 953	11 412	
Marketing expenses	815	1 035	18
General expenses	1 091	1 367	20
Research and Development expenses	2 041	1 258	19
Other income	360	500	21
Other expenses	138	241	22
Operating profit	7 228	8 010	
Financial income	694	755	23
Financial expenses	29	342	23
Profit before taxes	7 893	8 423	
Income tax expense	1 183	221	24
Net profit	6 710	8 202	
Earnings per share in euros	0.51	0.62	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 euros)

	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	Total owners' equity
31.12.2002	8 436	844	24 950	12 375	46 604
2002 profit transferred to retained earnings	-	-	12 375	-12 375	0
Dividends	-	-	-4 218	-	-4 218
Profit for the financial year	-	-	-	8 202	8 202
31.12.2003	8 436	844	33 106	8 202	50 588
31.12.2003	8 436	844	33 106	8 202	50 588
2003 profit transferred to retained earnings	-	-	8 202	-8 202	0
Dividends	-	-	-4 218	-	-4 218
Profit for the financial year	-	-	-	6 710	6 710
31.12.2004	8 436	844	37 090	6 710	53 080

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 euros)

Operating activities	2004	2003	Note No.
Operating profit	7 282	7 781	
Profit from sale of property, plant and equipment	-73	-16	
Depreciation	3 684	3 044	10,11
Residual value of dismantled property, plant and equipment	28	114	
Write-down of property, plant and equipment	35	1	
Increase (-), decrease (+) in current assets	2 182	-2 542	
Change in long-term receivables related to operating activities	0	-32	
Increase (+), decrease (-) in current liabilities	-3 257	3 111	
Interest paid	-1	-1	
Income tax paid	-8	0	24
	9 872	11 460	
Investing activities			
Property, plant and equipment sold	77	16	
Property, plant and equipment acquired	-3 017	-5 758	
Loans issued	-4	-8	8
Proceeds from the sale of a subsidiary	0	7	
Financial investments acquired	-444	0	
Financial investments sold	2 739	350	
Loan repayments received	3	8	
Interest received	655	645	
	9	-4 740	
Financing activities			
Payment of income tax on dividends	-1 183	-221	24
Dividends paid	-4 218	-4 218	
	-5 401	-4 439	
Net cash flow	4 480	2 281	
Cash and cash equivalents at the beginning of the year:	21 126	18 868	
Net cash inflow	4 480	2 281	
Foreign exchange loss	-25	-23	23
Cash and cash equivalents at the end of the year:	25 581	21 126	
incl. cash and bank accounts <i>(and deposits)</i>	20 391	11 446	1
available-for-sale investments	5 190	4 680	2
Short-term loan with Autoliv group company	0	5 000	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.

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AS Norma (parent company) cash flows

(in thousands of euros)

	2004	2003	Note No.
Operating activities			
Operating profit	7 228	8 010	
Profit from sale of property, plant and equipment	-7	-16	
Depreciation	3 442	2 752	10,11
Residual value of dismantled property, plant and equipment	27	93	
Write-down of property, plant and equipment	35	1	
Increase (-), decrease (+) in current assets	2 068	-2 718	
Change in long-term receivables related to operating activities	0	-32	
Increase (+), decrease (-) in current liabilities	-3 223	3 222	
Interest paid	-4	-1	
	9 566	11 311	
Investing activities			
Property, plant and equipment sold	8	16	
Property, plant and equipment acquired	-2 637	-5 560	
Loans issued	-4	-8	8
Loan repayments received	3	8	
Financial investments acquired	-444	0	
Financial investments sold	2 739	350	
Proceeds from the sale of a subsidiary	0	7	
Interest received	653	644	
	318	-4 543	
Financing activities			
Payment of income tax on dividends	-1 183	-221	24
Dividends paid	-4 218	-4 218	
	-5 401	-4 439	
Net cash flow	4 483	2 329	
Cash and cash equivalents at the beginning of the year:			
	21 098	18 793	
Net cash inflow	4 483	2 329	
Foreign exchange loss	-24	-24	23
Cash and cash equivalents at the end of the year:	25 557	21 098	
incl. cash and bank accounts (<i>and deposits</i>)	20 367	11 418	1
<i>available-for-sale investments</i>	5 190	4 680	2
<i>Short-term loan with Autoliv group company</i>	0	5 000	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.

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Presentation of the current set of financial statements

The measurement currency of AS Norma is Estonian kroon. For the convenience of users and according to the Tallinn Stock Exchange Rules the information in these financial statements is presented in euros. The financial statements have been translated from the original in Estonian kroons. Because Estonian kroon is bound to euro with fixed exchange rate 1 euro = 15.64664 Estonian kroons, no foreign exchange differences result from the translation. All amounts shown in these financial statements are presented in thousands unless otherwise stated.

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.

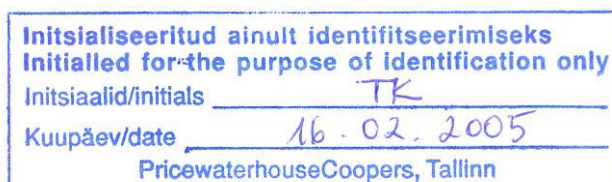
Income statement and cash flow of a subsidiary located outside of Estonia is translated into Estonian kroons based on average Bank of Estonia exchange rate for the year; assets and liabilities in foreign currencies are translated according to the Bank of Estonia exchange rate valid on 31 December.
The 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

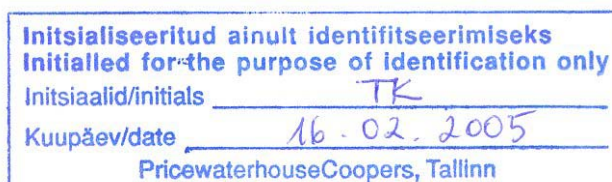
Intangible assets are reported at acquisition cost less accumulated amortisation. Amortisation of intangible assets is calculated using the straight-line method, based on estimated useful life as follows:

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:

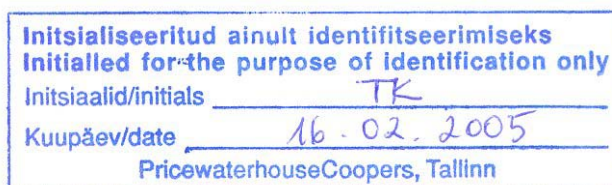
- a) parent company (and parent company shareholders)
- b) subsidiaries
- c) other companies belonging to the Group
- d) members of the Management and Supervisory Board and their close relatives and companies related to them
- e) employees of the company.

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.

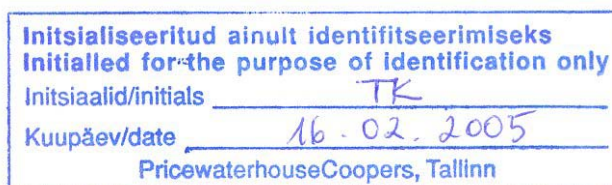
Segment reporting

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.



Notes to the financial statements

In thousands of euros (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	141	114	117	99
Short-term deposits	20 250	11 332	20 250	11 320
	20 391	11 446	20 367	11 418

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	5 190	4 660
Money Market Funds shares	0	19
	5 190	4 680

The shares are valued at their market value.

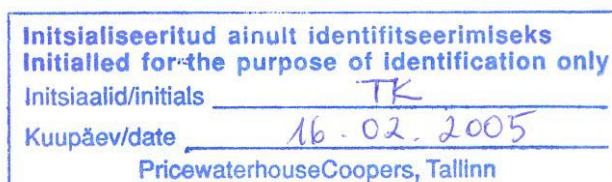
3. Held-to-maturity investments	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Bonds	414	2 995	256	2 995
	414	2 995	256	2 995

Short-term held-to-maturity investments include Ühispank 3-11 month bonds denominated in Estonian kroons in the amount of 256 thousand euros and with the interest rate of 5.15% and commercial bank euro bonds in the amount of 158 thousand euros. 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	4 755	4 953	4 357	4 127
Receivables to Parent Company Group entities	6 196	7 984	7 029	9 101
Allowance for doubtful receivables	-316	-597	-316	-597
	10 635	12 340	11 070	12 631

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 73 thousand euros 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.	10	5 011	10	5 010
Short-term loans (see note 8)	10	10	10	10
Short-term loan to Autoliv				
Autosicherheitst GMBH (see note 26)	0	5 000	0	5 000
Advances to employees	0	1	0	0
Prepayments for services	6	243	5	235
Accrued interest	91	101	91	101
Prepaid expenses	676	425	671	417
	783	5 780	777	5 763

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 620 (2003: 299) thousand euros, prepayment for software licenses to Autoliv France in the total amount of 10 (2003: 68) thousand euros, prepaid insurance in the total amount of 16 (2003: 27) thousand euros, prepaid amount media/press subscriptions in the total amount of 4 (2003: 4) thousand euros, and prepayment for heating fuel in the total amount of 7 (2003: 7) thousand euros.

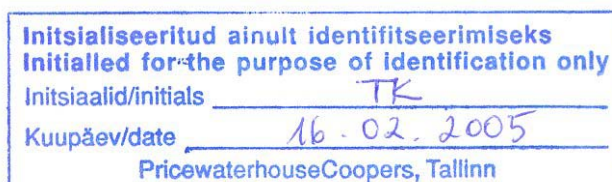
6. Prepaid taxes	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Prepaid income tax	29	23	0	6
Prepaid VAT	369	1 845	296	1 716
	398	1 868	296	1 722

7. Inventories	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Raw materials	3 303	2 833	3 270	2 781
Work in progress	1 068	1 015	773	558
Finished goods	1 170	866	967	637
Prepayments to suppliers	3	4	60	154
	5 544	4 718	5 070	4 130

In 2004, there were no obsolete and substandard materials impaired (2003: 68). Materials, unfinished and finished goods unsuitable for production and resale have been written off in the amount of 26 (2003: 11) thousand euros 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	700	256
Loans receivable	41	44
Other long-term receivables	32	32
	773	332

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%.



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	9	4	5	0	2	8	2	5	13
Student loans	45	5	39	4	6	42	7	35	0
	54	10	44	4	8	50	10	40	

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	5 489	24 481	345	330	41	30 686
Additions	375	1 947	33	127	519	3 002
Sale and dismantling	-3	-653	-2	-	-	-658
Reclassification	-	368	3	-330	-41	-
Acquisition cost as of 31.12.04	5 862	26 143	378	127	519	33 029
Accumulated depreciation as of 31.12.03	-1 054	-13 513	-156	-	-	-14 723
Depreciation charge	-291	-3 129	-57	-	-	-3 476
Write-down	-	-35	-	-	-	-35
Accumulated depreciation of sold and dismantled fixed assets	3	622	2	-	-	626
Accumulated depreciation as of 31.12.04	-1 342	-16 056	-211	-	-	-17 608
Net book value 31.12.03	4 436	10 967	189	330	41	15 963
Net book value 31.12.04	4 520	10 087	167	127	519	15 421

Acquisition cost of fully depreciated fixed assets (0 book value) as of 31.12.03 was 6 220 thousand euros; as of 31.12.04 7 114 thousand euros.

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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	5 489	22 609	225	330	41	28 695
Additions	375	1 544	30	126	562	2 637
Sale and dismantling	-3	-392	-	-	-	-395
Reclassification	-	368	3	-330	-41	-
Acquisition cost as of 31.12.04	5 862	24 128	258	126	562	30 936
Accumulated depreciation as of 31.12.03	-1 054	-12 339	-112	-	-	-13 505
Depreciation charge	-291	-2 930	-37	-	-	-3 258
Write-down	-	-35	-	-	-	-35
Accumulated depreciation of sold and dismantled fixed assets	3	364	-	-	-	366
Accumulated depreciation as of 31.12.04	-1 342	-14 940	-150	-	-	-16 431
Net book value 31.12.03	4 436	10 271	112	330	41	15 190
Net book value 31.12.04	4 520	9 188	109	126	562	14 505

Acquisition cost of fully depreciated fixed assets in use by parent company (0 book value) as of 31.12.03 was 5 602 thousand euros; as of 31.12.04 6 482 thousand euros.

11. Intangible assets (group)	Product and technology licences	Software licences	Total
Acquisition cost 31.12.03	1 432	515	1 946
Additions	-	15	15
Acquisition cost 31.12.04	1 432	530	1 961
Accumulated amortisation 31.12.03	-143	-401	-544
Amortisation for the year	-143	-64	-208
Accumulated amortisation 31.12.04	-286	-466	-752
Net book value 31.12.03	1 289	113	1 402
Net book value 31.12.04	1 145	64	1 209

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 1 432 thousand euros with useful life of 10 years.

Intangible assets (parent company)	Product and technology licences	Software licences	Total
Acquisition cost 31.12.03	1 432	371	1 803
Acquisition cost 31.12.04	1 432	371	1 803
Accumulated amortisation 31.12.03	-143	-298	-441
Amortisation for the year	-143	-42	-185
Accumulated amortisation 31.12.04	-286	-339	-626
Net book value 31.12.03	1 289	73	1 362
Net book value 31.12.04	1 145	32	1 177

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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 66 thousand euros, in 2004 the amount of leasing payments was 41 thousand euros. Minimum lease liability under operating lease terms is 24 thousand euros in 2005, 20 thousand euros in 2006 and 3 thousand euros in 2007.

The company is leasing land under operating lease terms (leasing period 2003 – 2006) with annual rental payments in total of 2 thousand euros, and buildings (leasing period 2003 – 2005). In 2004, the company paid rent for land and buildings in the total amount of 43 thousand euros. The minimum lease liability for the year 2005 is 43 thousand euros.

13. Accounts payable and accrued expenses	group		parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Customer prepayments	62	116	-	-
Accounts payable	2 849	2 676	2 704	2 565
Salaries payable	1 277	1 161	1 179	1 053
Accrued expenses	-	11	-	11
Deferred revenues	826	400	826	400
Payables to parent company (information in Note 26)	2 323	6 224	2 605	6 493
	7 337	10 588	7 314	10 522

Deferred revenues include I.D.P.S.a.r.l prepayment received for 826 thousand euros (2003: 400) 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	2	4	1	4
Social security tax	320	343	281	295
	2	-	2	-
VAT payable	17	-	-	-
	341	347	284	299

15. Share capital	group and parent company	
	31.12.2004	31.12.2003
Share capital par value (0.64 euros per share)	8 436	8 436

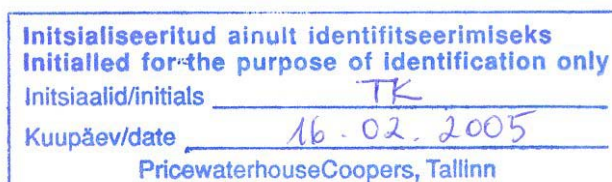
AS Norma has issued 13.2 common shares with one vote per share. Dividends paid out for 2003 were 4 218.2 thousand euros or 0.32 euros per share. AS Norma shares are listed in the main list of the Tallinn Stock Exchange and are quoted on the Frankfurt, Berlin and Munich Stock Exchanges. The authorised share capital for the company is 33 745 thousand euros.

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	6 710	8 202
Average number of shares (in thousands)	13 200	13 200
Earnings per share (EPS) euros	0.51	0.62

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	56 324	7 928	64 252	59 139	6 535	65 674
Internal sales		-1 216	-1 216		-1 806	-1 806
Consolidated sales	56 324	6 712	63 036	59 139	4 729	63 868
Operating profit for the segment	7 278	4	7 282	7 741	41	7 782
Segment assets	40 357	1 278	41 635	40 854	1 297	42 151
Unallocated assets			19 123			19 372
Total assets			60 758			61 523
Segment liabilities	7 319	359	7 678	10 560	375	10 935
Capital expenditures	2 612	405	3 017	5 822	466	6 288
Depreciation and amortisation charge	3 292	392	3 684	2 742	303	3 045
Write-down on fixed assets	10	25	35	0	1	1

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	55 929	5 703	61 632	59 055	3 513	62 568
Operating profit for the segment	7 224	4	7 228	7 906	41	8 010
Assets	40 357	1 198	41 555	40 854	1 184	42 038
Unallocated assets			19 123			19 371
Total Assets			60 678			61 409
Segment liabilities	7 319	279	7 598	10 560	261	10 821
Capital expenditures	2 268	369	2 637	5 756	334	6 090
Depreciation and amortisation charge	3 146	296	3 442	2 601	151	2 752
Write-down on fixed assets	10	25	35	0	1	1

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**Secondary reporting format:
by geographical market**

	Sales (the Group)		Sales (parent)	
	2004	2003	2004	2003
Sweden	35 722	34 860	35 650	34 739
Russia	21 115	24 809	20 720	24 725
Germany	1 609	627	1 498	461
France	1 553	587	1 553	542
Estonia	824	1 082	521	483
Ukraine	563	605	563	605
Czech Republic	405	361	405	361
Polish	209	175	209	175
Belgium	199	173	199	173
Italy	203	120	-	-
USA	192	119	86	119
Great Britain	164	64	1	0
Spain	103	70	103	70
Netherlands	66	91	66	91
Finland	58	86	16	4
Denmark	7	24	3	4
Other countries	44	15	39	15
Total	63 036	63 868	61 632	62 568

AS Norma parent company balance sheet includes a building with residual value of 2 thousand euros 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 945 thousand euros (2003: 1 288) which includes property, plant and equipment in the total amount of 30 (2002: 39) thousand euros.

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	36 743	38 764	37 108	39 073
Salaries	7 683	7 462	6 875	6 243
Depreciation	3 363	2 699	3 136	2 429
Utilities	915	860	914	900
Repairs and maintenance	714	211	875	199
Transportation	967	703	960	697
Other	1 208	1 238	811	1 615
	51 593	51 937	50 679	51 156

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 (791 thousand euros). In 2004 the repaired services were purchased from outside the group.

18. Marketing expenses	group		parent company	
	2004	2003	2004	2003
Salaries	198	268	198	253
Depreciation	4	17	4	17
Transportation	438	444	438	443
Agent's commission	55	28	55	28
Advertising	15	24	15	22
Travel	46	37	46	34
Other services purchased	5	46	5	46
Other	54	192	54	192
	815	1 056	815	1 035

19. Research and Development expenses	group		parent company	
	2004	2003	2004	2003
Salaries	435	563	435	563
Prototype and pre-serial tooling	409	237	409	237
VAZ 1118 project expenses	932	87	932	87
Depreciation	192	205	192	205
Travel	33	37	33	37
Other services	17	13	17	13
Other	23	116	23	116
	2 041	1 258	2 041	1 258

20. Administrative and general expenses	group		parent company	
	2004	2003	2004	2003
Salaries	943	1 044	816	813
Depreciation	125	123	111	101
Repairs and maintenance	29	29	20	18
Advertising, promotion	65	83	60	78
Travel	29	35	13	18
Telephone, office supplies	63	68	53	55
Other services	75	86	49	46
Training	41	69	38	62
Bad debt written-down	-190	21	-273	21
Other	230	187	204	155
	1 410	1 745	1 091	1 367

In 2004 the impairment allowance for doubtful receivables decreased to 281 thousand euros. The total amount of receivables written off in the Group is 91 thousand euros (7 thousand euros in the parent company).

21. Other operating income	group		parent company	
	2004	2003	2004	2003
Other sales	182	55	335	51
Profit from sales of property, plant and equipment	73	16	7	16
Foreign exchange gain	10	42	14	115
Other	4	50	4	318
	269	163	360	500

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22. Other operating expenses	group	2003	parent company	2003
	2004		2004	
Membership fees of unions, other associations	7	7	6	5
Loss from the sale and dismantling of fixed assets	28	96	27	93
Sponsorship	37	127	37	121
Expenses unrelated to main production activity	57	20	33	20
Other	0	1	0	1
Write-down of property, plant and equipment	35	1	35	1
	164	252	138	241

23. Financial income/expenses	group	2003	parent company	2003
	2004		2004	
Income/ loss(-) under equity method of accounting from subsidiaries	0	0	51	-227
Interest income from cash deposits	323	187	323	187
Interest income from bonds and money market funds	198	285	198	286
Loan interest income	116	187	116	187
Foreign exchange loss	-25	-23	-24	-24
Other financial income	7	5	1	4
	619	641	665	413

24. Income tax	group	2003	parent company	2003
	2004		2004	
Income tax	8	0	0	0
Dividend tax	1 183	221	1 183	221
Total tax expense	1 191	221	1 183	221

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 (8 thousand euros 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 43 800(31.12.2003: 41 308) thousand euros as at 31.12.04. In case of paying retained earnings fully out as dividends, the maximum potential income tax liability would be 10 512 (31.12.2003: 10 614) thousand euros. Accordingly, it would be possible to pay net dividends in the amount of 33 288 (31.12.2003: 30 670) thousand euros.

25. Personnel expenses	group	2003	parent company	2003
	2004		2004	
Wages and salaries	6 938	6 999	6 238	5 950
Social security	2 290	2 309	2 059	1 896
Unemployment insurance	31	29	28	26
	9 259	9 337	8 324	7 872

26. Related parties

	2004	2003
Sales to Norma AS by Autoliv Group	21 431	27 095
Purchases from Norma AS by Autoliv Group	37 064	34 833
Insurance premium for product liability Autoliv Group	23	31
Sales to Norma AS by AS Tööriistavabrik	1 210	1 202
Purchases from Norma AS by AS Tööriistavabrik	186	191
Purchases from Norma AS by AS Norma-Osvar	2 094	2 285
Sales to Norma by Law-office Tark &Ko	5	3
	31.12.2004	31.12.2003
Receivable from Autoliv group companies (see note 4)	6 196	7 984
Liability to Autoliv group companies (see note 13)	2 323	6 224
Short-term loan to Autoliv Autosicherheitst GmbH	0	5 000
Short-term deposit to Autoliv AB treasury	13 610	6 625
Receivable: AS Tööriistavabrik	121	182
AS Norma-Osvar	864	1 087
Liability: AS Tööriistavabrik	279	265
AS Norma-Osvar	3	5

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 410 thousand euros and to members of the Supervisory Board amounted to 48 thousand euros. 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

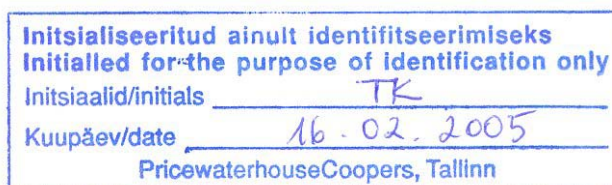
On 22.10.1999 Hansabank and AS Norma, with its subsidiaries, entered into a contract of cash pooling agreement under which AS Norma is defined to be the parent company. Cash pooling agreement includes AS Tööriistavabrik bank accounts.

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 4 052 thousand euros (31.12.03: 4 216). Write-down at the end of the period amounted to 179 thousand euros (31.12.03: 468), therefore the net balance of receivables as at 31.12.04 amounted to 3 873 thousand euros (31.12.03: 3 748).

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 euros

31.12.2004							
Financial assets	EEK	SEK	USD	EUR	RUR	Other	Total
Cash	11 111	78	129	9 050	23	-	20 391
Customer receivables	144	35	152	10 257	291	72	10 951
Prepayments to suppliers	104	-	-	417	1	-	522
	11 359	113	281	19 724	315	72	31 864
Liabilities							
Customer prepayments	18	-	-	44	-	-	62
Trade accounts payable	764	771	-	3 635	1	-	5 171
	782	771	-	3 679	1	-	5 233
31.12.2003							
Financial assets	EEK	SEK	USD	EUR	RUR	Other	Total
Cash	6 827	7	-	4 523	89	-	11 446
Customer receivables	141	21	-	12 028	675	72	12 937
Prepayments to suppliers	2	-	-	-	-	-	2
	6 970	28	-	16 551	764	72	24 385
Liabilities							
Customer prepayments	32	-	-	-	-	-	116
Trade accounts payable	1 215	890	20	6 723	5	48	8 901
	1 247	890	20	6 807	5	48	9 017

28. Contingent liabilities

AS Norma holds a guarantee contract in the amount of 496 thousand euros 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 30 thousand euros for the usage of staff credit cards.

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Kuupäev/date 16.02.2005
PricewaterhouseCoopers, Tallinn

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



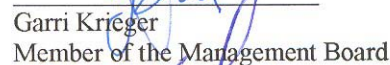
Peeter Tibbo
Member of the Management Board



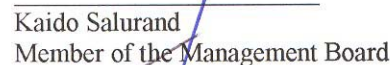
Ivar Aas
Member of the Management Board



Ülle Jõgi
Member of the Management Board



Garri Krieger
Member of the Management Board



Kaido Salurand
Member of the Management Board



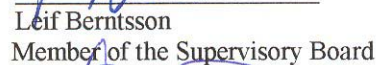
Stig Carlsson
Member of the Management Board



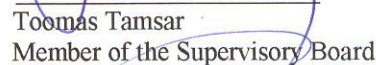
Jörgen I. Svensson
Chairman of the Supervisory Board



Magnus Lindquist
Member of the Supervisory Board



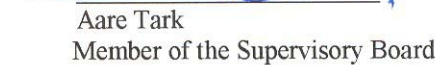
Leif Berntsson
Member of the Supervisory Board



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 translated into Euros from the original in Estonian kroons. 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