

# AS Norma

Interim report for the period Q2 Y2005

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## MANAGEMENT REPORT Q2 Y2005

### General information for AS Norma

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 Q2 Y2005, the AS Norma Group consisted of AS Norma and two wholly-owned subsidiaries. At the end of Q2 Y2005, the Group employed 897 people. AS Norma is located at Laki tn. 14, Tallinn, Republic of Estonia.

### Important financial data Q2 Y2005

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

	Group			AS Norma (parent company)		
	Q2Y2005	Q2Y2004	Change %	Q2Y2005	Q2Y2004	Change %
Net sales	<b>17.3</b>	18.1	-4.6	<b>17.0</b>	18.0	-5.4
Operating profit	<b>1.7</b>	2.4	-30.7	<b>1.6</b>	2.4	-31.4
Corporate income tax	<b>1.3</b>	0		<b>1.3</b>	0	
Net profit	<b>0.5</b>	2.5		<b>0.5</b>	2.5	
Assets	<b>67.8</b>	60.6	11,5	<b>67.1</b>	60.3	11.2
Equity	<b>51.2</b>	53.1	-3.4	<b>50.8</b>	52.7	-3.7
Share capital	<b>8.4</b>	8.4		<b>8.4</b>	8.4	
Number of employees	<b>897</b>	839	1.3	<b>824</b>	760	8.4
Number of shares	<b>13.2</b>	13.2		<b>13.2</b>	13.2	
Earnings per share	<b>0.04</b>	0.19		<b>0.04</b>	0.19	

## Operating activities of AS Norma in Q2 Y 2005

### 1. Sales Revenue

#### Sales and Revenues

During the period H1 Y2005 consolidated net sales of AS Norma totalled 32.6 MEUR (510.9 MEEK), 98% of which were generated by parent company in the amount of 31.9 MEUR (499.0 MEEK).

Consolidated sales increased by 0.7% ( 0.2 MEUR, 3.3 MEEK) from H1 Y2004.

Q2 Y2005 consolidated sales totalled 17.3 MEUR (270.7 MEEK) and decreased 4.6%.

Sales to Russian customers decreased 17% and to Western customers rose by 9.5% in H1 Y2005.

Q2 Y2005 sales to Russia were 27% lower than last year, but 9% higher than in Q1 Y2005.

Exports accounted to 99% of sales revenue, 27% of production was exported to Russian customers (H1 Y2004 33%) and 61% to Sweden.

Sales to Autoliv was H1 Y2005 20.6 MEUR (322.0 MEEK).

Sales two wholly-owned subsidiaries amounted 1.2 MEUR (18.8 MEEK) in H1 Y2005.

### 2. Profitability of operations

	Group			AS Norma (parent company)		
	Q2Y2005	Q2Y2004	Change %	Q2Y2005	Q2Y2004	Change %
Net sales	17.3	18.1	-4.6	17.0	18.0	-5.4
Cost of goods sold	14.4	15.0	-4.1	14.3	14.9	-4.3
Period expenses	1.3	0.7	68.1	1.1	0.7	58.9
Operating profit	1.6	2.4	-30.7	1.6	2.4	-31.4
Profit before tax	1.9	2.5	-25.5	1.9	2.5	-25.9
Net profit	0.5	2.5		0.5	2.5	
Net profit margin (%)	3.2	13.8		3.1	13.9	

Profit before taxes of the Group was 1.9 MEUR (29,4 MEEK) in Q2 Y2005, which is 10,9% from net sales. At same period in 2004 profit before taxes was 2,5 MEUR (39,5 MEEK), 13,9% from net sales. In first six months profit before taxes was 1,9 MEUR (58 MEEK), which is 11,4% from net sales, a decrease 0,3 MEUR (5,4 MEEK) compared to same period last year.

As provision for income tax on dividends (1,3 MEUR; 20,8 MEEK) was recorded in Q2 this year (1,2 MEUR in Q3 in 2004) net profit amounted 2,4 MEUR in H1 2005, which is remarkably lower compared to same period in last year (4,0 MEUR; 63,2 MEEK).

Net sales decreased by 4,6% in Q2 Y2005, cost of goods sold by 4,1%. Period expenses increased by 0,5 MEUR (8,1 MEEK), because of 2 main reason: transport costs were reclassified for 0,1 MEUR (1,8 MEEK) to marketing costs which last year in same period were recorded as cost of good sold; addition of support functions (including engineering services) to transfer of seat belt and retractor assembly from Autoliv Sweden. Same reason was behind of increase in headcount, wages, transportation and other costs.

Small increase in sales (0,7%) was followed by 0,4% of increase in cost of goods sold, 83% from net sales in H1 2005. The cost of raw materials and components decreased by 5,6% depreciation rose by 6,3%, wages and salaries by 5,9%. The price increase of raw materials especially that of steel in 2004-2005 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 because of the growing volume (230% increase compared to same period in 2004) of the production in-house of the most important component of safety belts, i.e. the retractor, which previously were imported.

98,5% of the net sales came from the parent company in Q2 2005 (97,7% in H1 2005).

The number of employees rose by 26 people during Q2 2005 reaching 897 at the end of June 2005.

### **3. Liquidity management and use of capital**

The Group's equity decreased by 1,9 MEUR (29 MEEK) amounting to 51,2 MEUR (802 MEEK) at the end of Q2 Y2005. The equity to assets ratio was 76% (87% at the end of 2004). The distributable shareholders' equity was 42 MEUR (657 MEEK). A decrease of it was caused by recording dividends (4,2 MEUR; 66 MEEK) and income tax on dividends (1,3 MEUR; 20,8 MEEK) in Q2 2005.

The percentage of cash and liquid securities was 44,1% of total assets at the end of Q2 Y2005. Net current assets amounted to 2,7 MEUR (43 MEEK), non-current assets to 18.6 MEUR (291 MEEK) as at June 30,2005. The Group has no need for external financing.

AS Norma maintained its traditionally conservative stance on liquidity management and making financial investments in 2005. 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.

### **4. Assets**

The Group's assets totalled 67,84 MEUR (1060 MEEK) at the end of the reporting period, being 7 MEUR (110 MEEK) higher than at the end of 2004. Current assets increased by 5,8 MEUR (90,7 MEEK), non-current assets by 1,2 MEUR (18,9 MEEK). Trade receivables were 11,6 MEUR (182 MEEK) at the end of the period, incl. 7,6 MEUR (119 MEEK) from the undertakings belonging to the Autoliv Group. In its turn, AS Norma had a payable of 6,5 MEUR (102 MEEK) to the undertakings of the same Group. Trade receivables increased by 0,7 MEUR (10,2 MEEK) as compared to the previous period. The reserve set up for the coverage of doubtful receivables was at same level, 0,3 million euros (5,0 MEEK). The share of accounts in arrears of total receivable was 13,9%.

Group had inventories for 7,0 MEUR (109 MEEK) at the end of the reporting period, i.e. 1,4 MEUR (22,1 MEEK) higher than at the beginning of year, being 10,3% of assets. Raw materials and materials (components) constituted 57,5%, work-in-progress 19,5% and finished goods

24,4% of the inventories. As compared to 2004, raw material and components increased the most, by 0,7 MEUR (10,9 MEEK).

The Group's non-current assets were 18,6 MEUR (291 MEEK) at the end of the period, constituting 27,5% of assets. Property, plant and equipment increased by 1,3 MEUR (20,6 MEEK) to 16,7 MEUR (262 MEEK), i.e. 24,7% of the Group's assets. 3,2 MEUR (49,6 MEEK) was invested to Property, Plant and Equipment, incl. 3,0 MEUR (46,5 MEEK) by parent company. Mainly investments were made to production machinery and equipment (2,6 MEUR; 40,7 MEEK).

## **5. Subsidiaries**

In Q2 Y2005, 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.. The net sales of AS Tööriistavabrik were 1.1 MEUR (16.6 MEEK), consolidated sales were 9.1 MEUR (0.6 MEEK).

The net sales of the subsidiary Norma-Osvar ZAO located in Russia were 0.6 MEUR (9.7 MEEK). The consolidated sales were 0.6 MEUR (9.7 MEEK).

## **6. Stock market and dividends**

AS Norma has issued 13.2 million ordinary shares, each with one voting right. For the operating activities of 2004, dividends in the amount of 4.2 MEUR or 0.32 EUR per share were distributed in 2005.

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 30.06.2005:

Autoliv AB	51.0%
ING LUXEMBOURG S.A.	7.4%
Clients of Skandinaviska Enskilda Banken AB	7.1%
Clients of Clearstream Banking Luxembourg S.A.	3.0%

At the end of the reporting period (30.06.2005), the closing price of a share of AS Norma at Tallinn Stock Exchange was 7.26 EUR (113.6 EEK).

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

The Management Board confirms the completeness and correctness of AS Norma Q2 Y2005 interim statements:

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

Peep Siimon



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Chairman of the Management Board

Ivar Aas



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Member of the Management Board

Ülle Jõgi



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Member of the Management Board

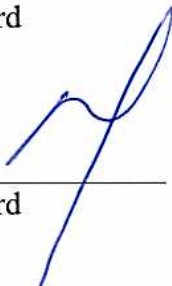
Garri Krieger



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Member of the Management Board

Kaido Salurand



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Member of the Management Board

Stig Carlsson



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Member of the Management Board

Tallinn, 16 August 2005

Consolidated balance sheet as of 30.06.05  
unaudited

	EEK in thousands		EUR in thousands	
	30.06.05	31.12.04	30.06.05	31.12.04
Assets				
Current assets				
Cash and bank accounts	366 651	319 043	23 433	20 391
Available-for-sale investments	99 480	81 206	6 358	5 190
Held-to-maturity investments	1 357	6 483	87	414
Accounts receivable	182 105	171 342	11 639	10 951
Allowance for doubtful receivables	-4 959	-4 948	-317	-316
Other receivables and prepayments	9 107	12 250	582	783
Prepaid taxes	6 463	6 223	413	398
Inventories	108 828	86 758	6 955	5 545
Total current assets	769 032	678 357	49 150	43 355
Non-current assets				
Long-term financial assets	11 787	12 088	753	773
Property, plant and equipment	261 878	241 287	16 737	15 421
Intangible assets	17 526	18 920	1 120	1 209
Total non-current assets	291 191	272 295	18 610	17 403
Total assets	1 060 223	950 652	67 761	60 758
Liabilities and shareholders' equity				
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	231 084	114 795	14 769	7 337
Taxes payable	27 446	5 336	1 754	341
Total current liabilities	258 530	120 131	16 523	7 678
Total liabilities	258 530	120 131	16 523	7 678
Owners' equity				
Share capital (par value)	132 000	132 000	8 436	8 436
Statutory reserves	13 200	13 200	844	844
Retained earning	619 321	580 333	39 582	37 090
Net profit	37 172	104 988	2 376	6 710
Total owners' equity	801 693	830 521	51 238	53 080
Total liabilities and owners' equity	1 060 223	950 652	67 761	60 758

Parent company balance sheet as of 30.06.05  
unaudited

	EEK in thousands		
	30.06.05	31.12.04 adjusted according to IFRS 3	31.12.04 as published earlier
Assets			
Current assets			
Cash and bank accounts	365 456	318 668	318 668
Available-for-sale investments	99 480	81 206	81 206
Held-to-maturity investments	0	4 000	4 000
Accounts receivable	187 252	178 155	178 155
Allowance for doubtful receivables	-4 959	-4 948	-4 948
Other receivables and prepayments	9 028	12 928	12 161
Prepaid taxes	5 282	4 628	4 628
Inventories	100 413	79 343	79 343
Total current assets	761 952	673 980	673 213
Non-current assets			
Long-term financial assets	23 904	24 204	30 831



Property, plant and equipment	246 359	226 953	226 953
Intangible assets	17 172	18 411	18 411
Total non-current assets	287 435	269 568	276 195
Total assets	1 049 387	943 548	949 408
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	228 545	114 444	114 444
Taxes payable	26 664	4 443	4 443
Total current liabilities	255 209	118 887	118 887
Total liabilities	255 209	118 887	118 887
Owners' equity			
Share capital (par value)	132 000	132 000	132 000
Statutory reserves	13 200	13 200	13 200
Retained earning	613 461	575 271	580 333
Net profit	35 517	104 190	104 988
Total owners' equity	794 178	824 661	830 521
Total liabilities and owners' equity	1 049 387	943 548	949 408

Parent company balance sheet as of 30.06.05  
unaudited

	EUR in thousands		
	30.06.05	31.12.04 adjusted according to IFRS 3	31.12.04 as published earlier
Assets			
Current assets			
Cash and bank accounts	23 357	20 367	20 367
Available-for-sale investments	6 358	5 190	5 190
Held-to-maturity investments	0	256	256
Accounts receivable	11 968	11 386	11 386
Allowance for doubtful receivables	-317	-316	-316
Other receivables and prepayments	577	826	777
Prepaid taxes	338	296	296
Inventories	6 418	5 071	5 071
Total current assets	48 698	43 075	43 026
Non-current assets			
Long-term financial assets	1 528	1 547	1 970
Property, plant and equipment	15 745	14 505	14 505
Intangible assets	1 097	1 177	1 177
Total non-current assets	18 370	17 229	17 652
Total assets	67 068	60 304	60 678
Liabilities and shareholders' equity			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	14 607	7 314	7 314
Taxes payable	1 704	284	284
Total current liabilities	16 311	7 598	7 598
Total liabilities	16 311	7 598	7 598
Owners' equity			
Share capital (par value)	8 436	8 436	8 436

Statutory reserves	844	844	844
Retained earning	39 207	36 767	37 090
Net profit	2 270	6 659	6 710
Total owners' equity	50 757	52 705	53 080
Total liabilities and owners' equity	67 068	60 304	60 678

### Consolidated income statement Q2 and H1 Y2005 unaudited

	EEK in thousands			
	01.04.05- 30.06.05	01.01.05- 30.06.05	01.04.04- 30.06.05	01.01.04- 30.06.04
Net sales	270 657	510 855	283 827	507 512
Cost of goods sold	224 756	425 403	234 487	423 628
Gross profit	45 901	85 452	49 340	83 884
Marketing expenses*	3 378	6 806	1 388	2 481
Administrative and general exp.	6 754	12 025	5 134	12 578
Product development expenses	11 125	17 551	6 327	13 811
Bad debt provision	14	16	109	109
Other income	2 261	4 422	1 237	4 351
Other expenses	996	1 696	178	700
Operating profit	25 895	51 780	37 441	58 556
Financial income/expenses	3 535	6 234	2 063	4 825
Profit before taxes	29 430	58 014	39 504	63 381
Provision for taxes**	20 842	20 842	152	152
Net profit	8 588	37 172	39 352	63 229
Earnings per share	0,65	2,82	2,98	4,79

### Consolidated income statement Q2 and H1 Y2005 unaudited

	EUR in thousands			
	01.04.05- 30.06.05	01.01.05- 30.06.05	01.04.04- 30.06.05	01.01.04- 30.06.04
Net sales	17 298	32 650	18 140	32 436
Cost of goods sold	14 365	27 188	14 986	27 075
Gross profit	2 934	5 461	3 153	5 361
Marketing expenses*	216	435	89	159
Administrative and general exp.	432	769	328	804
Product development expenses	711	1 122	404	883
Bad debt provision	1	1	7	7
Other income	145	283	79	278
Other expenses	64	108	11	45
Operating profit	1 655	3 309	2 393	3 742
Financial income/expenses	226	398	132	308
Profit before taxes	1 881	3 708	2 525	4 051
Provision for taxes**	1 332	1 332	10	10
Net profit	549	2 376	2 515	4 041
Earnings per share	0,04	0,18	0,19	0,31

\* The cost of delivery production 3,435 th.EEK (221 th.EUR) has been reclassified to marketing expenses. In 2004 it was recorded as cost of goods sold.

\*\* The dividends income tax liability in the Q2 Y2005 is 20, 842 th. kroons(1 332 th.euros). Y 2004. dividends income tax 18 511 th.kroons (1 192 th.euros) was recorded in Q3 Y2004.

Parent company income statement Q2 Y 2005  
unaudited

	Thousands of EEK		
	01.04.05- 30.06.05	01.04.04- 30.06.04 adjusted according to IFRS 3	01.04.04- 30.06.04 as published earlier
Net sales	266 526	281 787	281 787
Cost of goods sold	223 070	233 246	233 246
Gross profit	43 456	48 541	48 541
Marketing expenses *	3 378	1 388	1 388
Administrative and general expenses	5 380	4 061	4 061
Product development expenses	11 125	6 327	6 327
Bad bedt provision	14	109	109
Other income	2 878	809	809
Other expenses	811	163	163
Operating profit	25 626	37 302	37 302
Financial income/Financial expenses	3 480	2 045	2 050
Profit before taxes	29 106	39 347	39 352
Provision for taxes	20 842	0	0
Net profit	8 264	39 347	39 352
Earnings per share in kroons	0,63	2,98	2,98

Parent company income statement H1 Y 2005  
unaudited

	Thousands of EEK		
	01.01.05- 30.06.05	01.01.04- 30.06.04 adjusted according to IFRS 3	01.01.04- 30.06.04 as published earlier
Net sales	498 990	497 005	497 005
Cost of goods sold	418 516	416 834	416 834
Gross profit	80 474	80 171	80 171
Marketing expenses *	6 806	2 481	2 481
Administrative and general expenses	10 455	10 489	10 489
Product development expenses	17 551	13 811	13 811
Bad bedt provision	16	109	109
Other income	5 702	3 877	3 877
Other expenses	1 133	280	280
Operating profit	50 215	56 878	56 878
Financial income/Financial expenses	6 144	4 788	6 351
Profit before taxes	56 359	61 666	63 229
Provision for taxes	20 842	0	0
Net profit	35 517	61 666	63 229
Earnings per share in kroons	2,69	4,67	4,79

Parent company income statement Q2 Y 2005  
 unaudited

	Thousands of EUR		
	01.04.05- 30.06.05	01.04.04- 30.06.04 adjusted according to IFRS 3	01.04.04- 30.06.04 as published earlier
Net sales	17 034	18 009	18 009
Cost of goods sold	14 257	14 907	14 907
Gross profit	2 777	3 102	3 102
Marketing expenses *	216	89	89
Administrative and general expenses	344	260	260
Product development expenses	711	404	404
Bad bedt provision	1	7	7
Other income	184	52	52
Other expenses	52	10	10
Operating profit	1 638	2 384	2 384
Financial income/Financial expenses	222	131	131
Profit before taxes	1 860	2 515	2 515
Provision for taxes	1 332	0	0
Net profit	528	2 515	2 515
Earnings per share in kroons	0,04	0,19	0,19

Parent company income statement H1 Y 2005  
 unaudited

	Thousands of EUR		
	01.01.05- 30.06.05	01.01.04- 30.06.04 adjusted according to IFRS 3	01.01.04- 30.06.04 as published earlier
Net sales	31 891	31 764	31 764
Cost of goods sold	26 748	26 641	26 641
Gross profit	5 143	5 124	5 124
Marketing expenses *	435	159	159
Administrative and general expenses	668	670	670
Product development expenses	1 122	883	883
Bad bedt provision	1	7	7
Other income	364	248	248
Other expenses	72	18	18
Operating profit	3 209	3 635	3 635
Financial income/Financial expenses	393	306	406
Profit before taxes	3 602	3 941	4 041
Provision for taxes	1 332	0	0
Net profit	2 270	3 941	4 041
Earnings per share in kroons	0,17	0,30	0,31

\* The cost of delivery production 3,453 th.EEK (221 th.EUR) has been reclassified to marketing expenses. In 2004 it was recorded as cost of goods sold.

Consolidated cash flows as of 30.06.05  
unaudited

	Thousands of EEK		Thousands of EUR	
	30.06.05	30.06.04	30.06.05	30.06.04
Operating activities				
Operating profit	51 780	58 556	3 309	3 742
Profit from sale of property, plant and equipment	-576	-93	-37	-6
Deprecation	30 022	28 433	1 919	1 817
Property, plant and equipment write-off	224	0	14	0
Increase (-), decrease (+) in current assets	-8 163	36 909	-522	2 359
Increase (+), decrease (-) in current liabilities	138 399	-33 312	8 845	-2 129
Interest received and other financial income	5 007	4 685	320	299
Other financial expenses paid	0	-197	0	-13
Total	216 693	94 981	13 849	6 070
Investing activities				
Property, plant and equipment sold	782	115	50	7
Property, plant and equipment acquired	-49 649	-19 940	-3 173	-1 274
Loans issued	-45	-12	-3	-1
Financial activities change	-14 274	-10 953	-912	-700
Loans repaid	131	23	8	1
Total	-63 055	-30 767	-4 030	-1 966
Financing activities				
Tax for dividends	-20 842	0	1 332	0
Dividends	-66 000	0	4 218	0
Financing activities total	-86 842	0	-5 550	0
Net cash flow	66 796	64 214	4 269	4 104
Movement in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year:	400 249	299 169	25 581	19 120
Net cash flow	66 796	64 214	4 269	4 104
Foreign exchange gain	442	39	28	2
Cash and cash equivalents at the end of year:	467 487	363 422	29 878	23 227
incl.cash and bank accounts	366 651	257 554	23 433	16 461
marketable securities	100 836	105 868	6 445	6 766

Parent company cash flows as of 30.06.05  
unaudited

	Thousands of EEK		Thousands of EUR	
	30.06.05	30.06.04	30.06.05	30.06.04
Operating activities				
Operating profit	50 215	56 878	3 209	3 635
Profit from sale of property, plant and equipment	-567	-42	-36	-3
Depreciation	28 030	26 630	1 791	1 702
Property, plant and equipment write-off	224	0	14	0
Increase (-), decrease (+) in current assets	-7 636	28 095	-488	1 796
Increase (+), decrease (-) in current liabilities	136 322	-34 086	8 713	-2 178
Interest received and other financial income	4 978	4 660	318	298
Other financial expenses paid	0	-70	0	-4
Total	211 566	82 065	13 522	5 245
Investing activities				
Property, plant and equipment sold	708	64	45	4
Property, plant and equipment acquired	-46 562	-16 065	-2 976	-1 027
Loans issued	-45	-12	-3	-1
Financial activities change	-14 274	-10 953	-912	-700
Loans repaid	131	23	8	1
Total	-60 042	-26 943	-3 837	-1 722
Financing activities				
Tax for dividends	-20 842	0	1 332	0
Dividends	-66 000	0	4 218	0
Financing activities total	-86 842	0	-5 550	0
Net cash flow	64 682	55 122	4 134	3 523
Movement in cash and cash equivalents				
Cash and cash equivalents at the beginning of the year:	399 874	298 735	25 557	19 093
Net cash flow	64 682	55 122	4 134	3 523
Foreign exchange gain	380	52	24	3
Cash and cash equivalents at the end of year:	464 936	353 909	29 715	22 619
incl.cash and bank accounts	365 456	248 041	23 357	15 853
marketable securities	99 480	105 868	6 358	6 766

Consolidated changes in owners` equity as of 30.06.05  
unaudited

	Thousands of EEK				Total owners' equity
	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	
31.12.2003	132 000	13 200	518 000	128 333	791 533
2003 profit transferred to retained earnings			128 333	-128 333	
Dividends			-66 000		-66 000
Net profit for the financial year				104 988	104 988
31.12.2004	132 000	13 200	580 333	104 988	830 521
31.12.2004	132 000	13 200	580 333	104 988	830 521
2004 profit transferred to retained earnings			104 988	-104 988	
Dividends			-66 000		-66 000
Net profit for the financial year				37 172	37 172
30.06.2005	132 000	13 200	619 321	37 172	801 693

	Thousands of EUR				
	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	Total owners' equity
31.12.2003	8 436	844	33 106	8 202	50 588
2003 profit transferred to retained earnings			8 202	-8 202	
Dividends			-4 218		-4 218
Net profit for the financial year				6 710	6 710
31.12.2004	8 436	844	37 090	6 710	53 080
31.12.2004	8 436	844	37 090	6 710	53 080
2004 profit transferred to retained earnings			6 710	-6 710	
Dividends			-4 218		-4 218
Net profit for the financial year				2 376	2 376
30.06.2005	8 436	844	39 582	2 376	51 238

Parent company changes in owners' equity as of 30.06.05  
unaudited

	Thousands of EEK				
	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	Total owners' equity
31.12.2003	132 000	13 200	512 948	128 323	786 471
2003 profit transferred to retained earnings			128 323	-128 323	
Dividends			-66 000		-66 000
Net profit for the financial year				104 190	104 190
31.12.2004	132 000	13 200	575 271	104 190	824 661
31.12.2004	132 000	13 200	575 271	104 190	824 661
2004 profit transferred to retained earnings			104 190	-104 190	
Dividends			-66 000		-66 000
Net profit for the financial year				35 517	35 517
30.06.2005	132 000	13 200	613 461	35 517	794 178

	Tuhandedes EUR				
	Share capital	Statutory reserves	Retained earnings	Profit for the financial year	Total owners' equity
31.12.2003	8 436	844	32 783	8 201	50 265
2003 profit transferred to retained earnings			8 201	-8 201	
Dividends			-4 218		-4 218
Net profit for the financial year				6 659	6 659
31.12.2004	8 436	844	36 767	6 659	52 705
31.12.2004	8 436	844	36 767	6 659	52 705
2004 profit transferred to retained earnings			6 659	-6 659	
Dividends			-4 218		-4 218

Net profit for the financial year				2 270	2 270
30.06.2005	8 436	844	39 207	2 270	50 757

## Notes to the Consolidated Financial Statements

In thousands of Estonian kroons (EEK 000'), unless otherwise stated

### Accounting principles and principles of consolidation

AS Norma Consolidated Financial Statements have been prepared in accordance with International Accounting Standards (IAS 34 "Interim Financial Reporting") and with Estonian Accounting Law.

Starting from 01.01.2005 new IFRS standards have been applied, including IFRS 3 "Commercial Enterprises", the implementation of which did not cause any significant changes in the current accounting principles nor affect group's profit, but it did affect profit of the parent company.

Unconsolidated or in parent company's balance sheet investments into subsidiaries are stated by acquisition cost instead of the previous equity method. The effect is seen in parent company's balance sheet and income statements (ref. note 2, 5, 8).

In Management Board opinion, the financial statements give a true and fair view of the financial position of AS Norma on June 30, 2005. Presented statements are not audited.

### 1. Inventories

	group		parent company	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Raw materials	62 618	51 698	61 930	51 186
Work in progress	19 511	16 711	11 817	12 088
Finished goods	26 531	18 309	24 545	15 132
Prepayments to suppliers	168	40	2 121	937
	108 828	86 758	100 413	79 343

### 2. Long-term financial assets

	group		parent company	
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Investments in subsidiaries	0	0	12 116	12 116
Held-to-maturity investments	10 954	10 954	10 954	10 954
Other receivables	833	1 134	833	1 134
	11 787	12 088	23 903	24 204

If previously declared parent company balance sheet line "Investment in subsidiaries" as at 31.12.2004 was 18 743 thousand EEK, which consisted of 12 116 thousand EEK investments into subsidiaries and 6 627 thousand EEK investment income by equity method, then the adjusted parent company balance sheet line "Investment in subsidiaries" as at 31.12.2004 is 12 116 thousand EEK.

### 3. Property, Plant and Equipment (group)



	Land and buildings	Machinery and Equip.	Other assets	Equipment being installed	Prepayments	Total
Acquisition cost as of 31.12.2004	91 715	409 047	5 917	1 994	8 122	516 795
Additions	6 837	33 850	165	6 838	1 893	49 583
Sale and written off	-596	-9 145	-80	0	0	-9 821
Reconstruction	0	10 116	0	-1 994	-8 122	0
Acquisition cost as of 30.06.2005	97 956	443 868	6 002	6 838	1 893	556 557
Depreciation as of 31.12.2004	-20 994	-251 216	-3 298	0	0	-275 508
Depreciation charge	-2 525	-25 558	-479	0	0	-28 562
Depreciation of fixed assets sold and written off	455	8 876	60	0	0	9 391
Depreciation as of 30.06.2005	-23 064	-267 898	-3 717	0	0	-294 679
Net book amount as of 31.12.2004	70 721	157 831	2 619	1 994	8 122	241 287
Net book amount as of 30.06.2005	74 892	175 970	2 285	6 838	1 893	261 878

### Property, Plant and Equipment (parent company)

	Land and buildings	Machinery and Equip.	Other assets	Equipment being installed	Prepayments	Total
Acquisition cost as of 31.12.2004	91 715	377 528	4 044	1 969	8 793	484 049
Additions	6 837	30 059	138	6 827	2 635	46 496
Sale and written off	-596	-9 012	0	0	0	-9 608
Reconstruction	0	10 762	0	-1 969	-8 793	0
Acquisition cost as of 30.06.2005	97 956	409 337	4 182	6 827	2 635	520 937
Depreciation as of 31.12.2004	-20 994	-233 761	-2 342	0	0	-257 096
Depreciation charge	-2 524	-23 870	-330	0	0	-26 724
Depreciation of fixed assets sold and written off	455	8 788	0	0	0	9 243
Depreciation as of 30.06.2005	-23 063	-248 843	-2 672	0	0	-274 578
Net book amount as of 31.12.2004	70 721	143 768	1 702	1 969	8 793	226 953
Net book amount as of 30.06.2005	74 893	160 494	1 510	6 827	2 635	246 359

### 4. Intangible assets (group)

	Software licenses	Product and technology licences	Total
Acquisition cost as of 31.12.04	8 287	22 402	30 689
Additions	66	0	66
Acquisition cost 30.06.05	8 353	22 402	30 755
Accumulated amortization as of 31.12.04	-7 289	-4 480	-11 769
Amortization change	-340	-1 120	-1 480
Accumulated amortization as of 30.06.05	-7 629	-5 600	-13 229
Net book amount as of 31.12.04	998	17 922	18 920
Net book amount as of 30.06.05	724	16 802	17 526

## Intangible assets (parent company)

	Software licenses	Product and technology licences	Total
Acquisition cost as of 31.12.04	5 801	22 402	28 204
Additions	66	0	66
Acquisition cost 30.06.05	5 867	22 402	28 270
Accumulated amortization as of 31.12.04	-5 312	-4 480	-9 792
Amortization change	-186	-1 120	-1 306
Accumulated amortization as of 30.06.05	-5 498	-5 600	-11 098
Net book amount as of 31.12.04	489	17 922	18 411
Net book amount as of 30.06.05	370	16 802	17 172

	Group		Parent company	
5. Share Capital	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Share capital par value (EEK 10 per share)	132 000	132 000	132 000	132 000
Statutory legal reserves	13 200	13 200	13 200	13 200
Retained earnings	619 321	580 333	613 461	575 271
Profit for the financial year	37 172	104 988	35 517	104 190
	801 693	830 521	794 178	824 661

Previously declared parent company balance sheet line "Retained earnings" was 580 333 thousand EEK as at 31.12.2004, which consisted of 575 271 thousand EEK profits of previous periods and 5 062 thousand EEK income from investments into subsidiaries by equity method, but the adjusted parent company balance sheet line "Retained earnings" as at 31.12.2004 is 575 271 thousand EEK.

And previously declared parent company balance sheet line "Profit for the financial year" as at 31.12.2004 was 104 988 thousand EEK, which consisted of 104 190 thousand EEK parent company accounting year profit and 798 thousand EEK income from investments into subsidiaries by equity method during accounting year, then adjusted parent company balance sheet line "Profit for the financial year" as at 31.12.2004 is 104 190 thousand EEK.

AS Norma has issued 13.2 million common shares which grant one vote per share. 66,0 million kroons was paid out in dividends for 2004 at EEK 5 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.

AS Norma shareholders with participation over 3% as of 30.06.2005:

Autoliv AB	51,0%
ING LUXEMBOURG S.A.	7,4%
Skandinaviska Enskilda Banken Ab Clients	7,1%
Clearstream Banking Luxembourg S.A. Clients	3,0%

## 6. Primary reporting format:

### by product line (the group)

	Safety belts 01.01.05- 30.06.05	Other products 01.01.05- 30.06.05	Total 01.01.05- 30.06.05	Safety belts 01.01.04- 30.06.04	Other products 01.01.04- 30.06.05	Total 01.01.04- 30.06.04
Sales	453 420	64 891	518 311	458 315	60 927	519 242
Internal sales		(7 456)	(7 456)		(11 730)	(11 730)
Consolidated sales for the segment	453 420	57 435	510 855	458 315	49 197	507 512
Operating profit for the segment	51 153	627	51 780	57 973	583	58 556
Segment assets	677 137	24 272	701 409	730 250	22 525	752 775
Unallocated assets			358 814			239 765
Total assets			1 060 223			992 540
Segment liabilities	251 657	6 873	258 530	130 072	7 706	137 778
Capital expenditures	43 443	6 206	49 649	18 008	1 932	19 940
Depreciation charge	26 269	3 753	30 022	25 678	2 755	28 433

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) 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 line (parent company)

	Safety belts 01.01.05- 30.06.05	Other products 01.01.05- 30.06.05	Total 01.01.05- 30.06.05	Safety belts 01.01.04- 30.06.04	Other products 01.01.04- 30.06.05	Total 01.01.04- 30.06.04
Sales	443 684	55 306	498 990	434 177	62 828	497 005
Operating profit for the segment	49 588	627	50 215	56 295	583	56 878
Assets	677 137	13 436	690 573	730 250	19 975	750 225
Unallocated assets			358 814			239 765
Total assets			1 049 387			989 990
Segment liabilities	251 657	3 552	255 209	130 072	5 157	135 229
Capital expenditures	41 999	4 563	46 562	13 612	1 969	15 581
Depreciation charge	25 283	2 747	28 030	23 263	3 366	26 629

### Secondary reporting format: by geographical market

Sales (the Group)

Sales (parent company)

	01.01.05- 30.06.05	01.01.04- 30.06.04	01.01.05- 30.06.05	01.01.04- 30.06.04
Sweden	308 614	298 879	307 519	297 758
Russia	137 266	165 876	134 544	162 782
Germany	15 765	10 096	15 105	9 444
France	14 862	9 694	14 862	9 694
Estonia	6 402	6 269	3 435	5 024
Italy	4 381	1 574	-	-
Ukraine	7 164	2 961	7 164	2 961
Czech Republic	4 188	3 612	4 188	3 612
Finland	4 899	502	4 859	16
Belgium	2 098	2 005	2 098	2 005
Poland	1 930	1 498	1 930	1 498
USA	576	503	576	503
Spain	666	866	666	866
Great Britain	630	2 213	630	-
Other countries	1 414	964	1 414	842
<b>Total</b>	<b>510 855</b>	<b>507 512</b>	<b>498 990</b>	<b>497 005</b>

Geographic segments are divided by the location of clients and assets.

7. <b>Cost of goods sold</b>	group		parent company	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
Raw materials	291 323	307 634	294 560	309 474
Salaries	64 613	60 811	57 120	53 590
Depreciation	27 741	25 992	25 783	24 195
Utilities	7 640	7 518	7 637	7 498
Repairs and maintenance	2 976	2 875	3 546	4 316
Transportation	9 715	7 541	9 734	7 530
Other	21 395	11 257	20 136	10 231
	425 403	423 628	418 516	416 834

8. <b>Earnings per Share</b>	group		parent company	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
Profit for the financial year	37 172	63 229	35 517	61 666
Average number of shares (in thousands)	13 200	13 200	13 200	13 200
Earnings per share (EPS)	2,82	4,79	2,69	4,67

Previously declared parent company's income statement line "Profit for the financial year" as at 30.06.2004 was 69 229 thousand EEK, which consisted of 61 666 thousand EEK parent company's accounting year profit and 1 563 thousand EEK income from investments into subsidiaries by equity method during accounting year, but the adjusted parent company's income statement line "Profit for the financial year" as at 30.06.2004 is 61 666 thousand EEK.

The company has no unissued common shares and therefore primary and fully diluted earnings per share are equal.

## 9. **Related parties**

	01.01.05-30.06.05	01.01.04-30.06.04
Sales to Norma AS by Autoliv Group	166 842	199 154

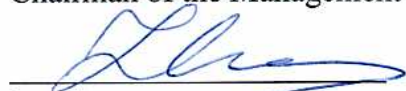
Purchases from Norma AS by Autoliv Group	322 289	307 356
Insurance premium for product liability Autoliv Group	181	241
Sales to Norma AS by AS Tööriistavabrik	7 456	10 265
Purchases from Norma AS by AS Tööriistavabrik	1 538	1 465
Purchases from Norma AS by AS Norma-Osvar	7 013	21 044
	30.06.2005	30.06.2004
Receivables from Autoliv group companies	118 653	113 249
Payable to Autoliv group companies	102 145	57 681
Short-term loan to Autoliv Autosicherheitst GmbH	0	78 233
Short-term deposit to Autoliv AB treasury	257 977	133 222
Receivables from: AS Tööriistavabrik	2 879	1 796
AS Norma-Osvar	12 927	24 043
Payable to: AS Tööriistavabrik	3 572	5 238
AS Norma-Osvar	75	82

Signatures of the Management Board to the Q2 Y2005 Interim Report

Q2 Y2005 Interim Report of AS Norma which is approved by the Management Board, signed on 16. August 2005:



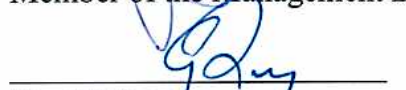
Peep Siimon  
Chairman of the Management Board



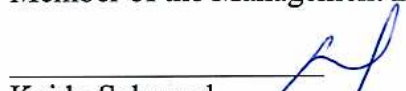
Ivar Aas  
Member of the Management Board



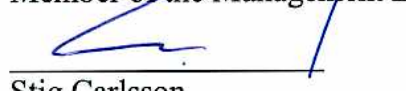
Ülle Jõgi  
Member of the Management Board



Garri Krieger  
Member of the Management Board



Kaido Salurand  
Member of the Management Board



Stig Carlsson  
Member of the Management Board