NORMA

ANNUAL REPORT 2006

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Dear AS Norma Shareholders,

2006 was successful for AS Norma despite of tougher competition and an increase in the cost of raw materials and energy.

The sales revenue of the Group in 2006 exceeded the "billion threshold" - 1,047,493 thousand kroons, which is 7% more than in 2005 and we earned 84% of this from sales of safety belts. The operating profit of the Group was 91,460 thousand kroons, which is 8.7 % of turnover. Profit per share in 2006 was 6.49 kroons, which was 2.8% more than in 2005.

One year is a short time in the history of a company that has been operating more than 100 years. We can consider that the year 2006 was a successful one and I am certain that holding our position and becoming well established in the automotive industry, will continue through the Autoliv integration process.

Markets

In 2006, we exported 98.4% of our production, 57.7% of this to Sweden and 32.5% to Russia. Sales to Russia increased 8.6% and this was achieved due to re-launch of export to GAZ in the second half of the year.

The increase of the car market by over 2 million annually has turned Russia into one of the major European markets. The boost in purchase power has led to the demand growth, which has augmented investments into retail sale network and accelerated assembly of cars in Russia.

The foreign brand vehicles, succesfully sold in Russia, are equipped with advanced safety systems. We expect the increased demand deriving from customers´ awareness and breakthrough in the sales of safety systems for Russian domestic cars in short run.

Quality Improvement and Environmental Activities

We are committed to the "zero defect" principle in the manufacturing processes. Implementing methods of error proofing and eliminating root causes of identified defects on manufacturing lines helps us to ensure this policy.

Norma´s processes and procedures comply with the requirements of ISO/TS 16949 quality system. Consistent implementation of the quality system as well as applying the Autoliv production system (APS) insures the quality of products, improves manufacturing processes. This has also improved the teamwork, strengthened the quality mindset and sense of responsibility, reinforced the implementation and usage of standards and increased efficiency in manufacturing.

A skilful team with state-of-the-art equipment performs products compliance verification and testing in production unit laboratories and Safety Belt Testing Center, which corresponds to the requirements of ISO/IEC 17025.

Quality excellence and customer-focused approach was evidenced by receipt of recognition award "Best Supplier 2006" from the leader of the Russian automotive industry AVTOVAZ.

Norma has implemented the ISO 14001 environmental management standard and acts accordingly. We focus on monitoring the activities, efficient use of materials and natural recourses, implementation of advanced technology and environmental improvement.

In 2006 Norma introduced the processes corresponding to the renewed automotive requirements and discontinued the use of hexavalent chromium in galvanic surface coatings.

PRESIDENT'S LETTER

Investments

During 2006, Norma invested 38.4 million kroons into new technologies, expansion of production capacity, efficiency increase of manufacturing processes and working environment improvement. The drop in the investment capacity comparing to the previous year is mainly the result of two facts:

- production movement from the Autoliv Vårgårda has been completed;
- production efficiency of components was commenced in autumn 2006 and will be transmitted into 2007.

We are proud to say that the working environment has been improved significantly due to Norma´s investment policy. Skilled and motivated employees, who have belief in the company and its future developments, are among our highest priorities.

Further Plans

The main activity area of AS Norma is associated with the safety and health of driving public. Cars are becoming safer and systems more complex, that means a constantly growing market. AS Norma has set the goal of being proactive and competitive in this market. To achieve this, we have to work hard to improve the quality of our products, increase the efficiency of production – to become the best for the best price.

We have set the following long-term goals to achieve:
- maintain our market share in Russia and obtain new orders for safety systems;
- increase of competitiveness through cost reduction;
- innovation – creating the environment to favour development of the methods, processes and products;
- "0" quality problems – improvement and simplification of processes, products and components.

The Supervisory Board and Management Board of AS Norma would like to thank our shareholders for their trust and all the employees and partners for their successful work in 2006.

Peep Siimon
Chairman of the Management Board

MANAGEMENT REPORT

Field of activity

The main field of activity of AS Norma (hereinafter also referred to as the "Parent") and its subsidiaries (together hereinafter also referred to as the "Group") is production and sale of car safety belts and their components. The Group also manufactures car components, as well as dies and moulds for stamping machines, and renders engineering services related to the design and adaptation of car safety systems and seatbelts.

Developments in the operating environment

Markets

The increase of sales of foreign cars on the Russian market continued.
AS Norma sales volumes increased.

On one of AS Norma's biggest markets – Russia – changes that had begun already in previous years continued – the sales of passenger vehicles increased to 1.8 million cars (27% growth).

The market share of foreign vehicles increased from 43% in 2005 to 57% in 2006. A total of 720 thousand new vehicles were imported and 280 thousand (2005: 164 thousand) were produced in Russia by foreign car producers (the biggest of these were Ford, GM, Renault, Hyundai). The experts predict that the growth of 66% in foreign new passenger vehicles segment in 2006 will be followed by 35-40% growth in 2007.

Approximately 800 thousand of the domestic passenger vehicles produced in Russia were sold (according to AutoNews information), 9% less than a year ago. The projection for 2007 is a decrease of 5 to 6%. The whole Russian car market will grow a total of 17-20% according to the experts.

The production of cars in Russia increased 10.8% in 2006, about 1.5 million vehicles were produced, 1.17 million of which were passenger vehicles (2005: 1.07 million).

AutoVAZ, the biggest on the market, produced 766 thousand vehicles, which was 6.1% more than the previous year, and in addition 200 thousand (2005: 190 thousand) car assemblies were produced, which were put together in other factories of Russia, Ukraine, Kazakhstan and other countries. During the accounting period, AutoVAZ sold 724 thousand cars (2005: 745 thousand), 99 thousand cars were exported.

GM-AutoVaz (joint venture of AutoVAZ and General Motors) produced 48 thousand Chevrolet Niva and Chevrolet Viva cars. A 7.6% decrease occurred compared to last year when 52 thousand were produced.

GAZ sold 51 thousand Volga passenger vehicles, which is 7% less than in 2005, but the sale of light vans and buses Gazell and Sobol increased 17% to 165 thousand.

IZavto produced 65 thousand passenger vehicles (2005: 53 thousand); the growth was 23%. Twenty-nine thousand of those were assembled Ladas, 24 thousand were KIA Spektra models and 12 thousand IZ vans.

Other Russian producers such as UAZ, KAMAZ, ZMA, ZIL produced approximately 120 thousand cars.

In Ukraine, 30% of the market share was made up by AutoVAZ Ladas, 113 thousand of those were sold in 2006 (2005: 91 thousand), 38 thousand vehicles were imported from Russia, the rest were put together from assemblies of AutoVAZ in the Ukrainian factories. ZAZ produced 193 thousand passenger vehicles (2005: 148 thousand), for growth of 30%, including 32 thousand VAZ models produced in 2006.

The growth of the Russian car market by over 2 million cars per year (including used imported cars) has placed Russia amongst the biggest markets in Europe such as Italy, France, Great Britain. The rise in purchasing power has caused an increase in demand, which has in turn increased investments into the car sales network and has increased the production of cars in Russia.

An expert from PricewaterhouseCoopers, S. Rut, believes that the growth of the car market in Russia depends on the following factors:
1) development of car component production;
2) economic and administrative conditions created for small and medium sized enterprises;
3) investments into roads;
4) changes in tax laws;
5) development of car utilisation technologies.

In 2006, there was an 8.6% increase in the sales volumes of AS Norma's retractor seat belts to the Eastern market: the amount of retractor seat belts delivered to AutoVAZ increased by 6.3% compared to 2005, the deliveries to GM-Autovaz, IZavto and ZAZ remained at the same level, while in the second half of the year the deliveries to GAZ were restarted (2005: 0).

AS Norma participates in the Western car market mainly in co-operation with its parent company Autoliv AB. The biggest end-customer for seatbelt sales is Volvo Car Corporation; smaller deliveries are also made to Saab Automobile, and Volvo Group (Volvo Trucks, Volvo Buses).

In 2006, Volvo Car Corporation produced 439 thousand cars (2005: 467 thousand), 248 thousand of those were produced in Belgium (2005: 268 thousand). The seat belts produced in AS Norma are delivered to Volvo's Belgian and Swedish factories. The amount of belts sold increased 3.9% to 2.44 million units.

Raw material

Steep rise in the prices of non-ferrous metals

The economic activities of AS Norma were significantly affected by the steep rise in the price of non-ferrous metals, which started in the 4th quarter of 2005 and saw a hike in the second half of 2006. In 2006, the average increase in the price for nickel used for coating was about 70%, which eliminated the estimated and actual decrease in the price for other material groups (such as steel strip).

In the beginning of 2007, the situation in the prices of raw materials has not significantly changed.

Estonian economic environment

Since AS Norma exports 98% of its products, the main issues of concern are the tax environment and the labour market situation. The tax environment in Estonia is stable, but in 2006 the sharp decrease in unemployment and the rapid growth in employee's salary expectations added tension to the Estonian labour market. The staff policy of the Group is discussed in more detail in the staff policy section of the current management report.

Seasonal nature of the business

The tradition of a low sales period on the Russian car market in January is further enhanced by the establishment of long New Year's holidays in 2005. Swedish car manufacturers are on a collective vacation in July, and in December (between Christmas and New Year).

The turnover of AS Norma, as the supplier, is thus considerably lower during these periods.

Highlights of the financial year

Development projects

In co-operation with the engineers of Autoliv, development of the car safety system was started for the next development project of AutoVAZ – Lada Priora – a new version of the currently produced Lada 2110 into 2170, which is due in production in 2008.

Production

The second half of the year was a very intense -- and successful – period.

In 2006, the production lines for retractor safety belts were modified and the assembly of next generation products for new Volvo platforms was started. The clutch production line was taken over from the Swedish subcontractor, where altogether 9 operators work.

The work environment was very intense in both the units producing the seat belt components as well as in the assembly factory, as the production of seat belts delivered to Eastern markets increased 50% in the second half of the year compared to the first half. The production capacity increased 11% during that period and despite the problems crossing the borders, the goods were delivered to customers almost completely according to schedule (on-time delivery 98%).

In 2006, over 30 new metal and plastic components were introduced to production.

Quality improvement

The seat belts of cars and fastening systems produced by AS Norma have to save lives.

In order to guarantee that lives are saved, the company practises the "zero-defect principle", paying great attention to preventive methods, for the purpose of systematically ensuring that the products delivered meet the client and regulatory requirements.

The delivery of flawless production is ensured by using:

1. Norma's quality management/control system, which was certified according to the specific requirements of the car industry (ISO/TS 16949) by DNV Certification Oy in 2003 and recertified in 2006.

2. The product development system (APDS), the 5 phases of which – planning of project, defining the product concept, development and approval of the product and manufacturing process, implementation of the product – and overview ending each phase, is obligatory for each new product to pass.

3. The manual for Autoliv supplier, which sets the requirements on Norma's suppliers.

4. Tthe production system of Autoliv (APS), which supports ensuring the quality by using teamwork and quality methods, including of employees and increasing their motivation and knowledge about quality, using means to prevent mistakes in production processes and discovering the mistakes early.

5. The checking of the compliance with requirements for products and testing takes place in production units labs and at the Safety Belts Testing Center (Ohutusrihmade Katsekeskus). AS Norma Ohutusrihmade Katsekeskus has an ISO/IEC accreditation certificate, "Overall requirements on the competency of testing and calibrating laboratories" on compliance issued in 2005 by the Estonian Accreditation Center (Eesti Akrediteerimiskeskus).

The 2006 indicators on quality were:
1) the number of products returned from clients per million products (PPM) - 11 (2005: 35);
2) delivery precision on average 98% (2005: 99%).

In 2006, the leader of the Russian car industry AutoVAZ gave the evaluation of "Excellent supplier" as a testimony to the quality of products and implementation of customer centred policy.

Investments made in the financial year

In 2006, the Group invested 2.5 million euros in the implementation of new technologies, expansion of production capacities, enhancement of the efficiency of the production processes and modernisation of the working environment.

The Group's investments in 2006 are divided as follows:

Metal processing equipment	0.9 million euros
Assembly lines	0.8 million euros
Quality testing equipment	0.3 million euros
Injection moulding machines	0.2 million euros
Reconstruction and facility repairs	0.1 million euros
Information technology	0.1 million euros
Tooling	0.1 million euros

Financial highlights of the Group

Economic activities		2006	2005	2004
Revenue (million EUR)		**66,9**	62,4	63,0
	Change with respect to previous year		7%	-1%
Gross profit (MEUR)		**10,6**	10,7	11,4
	Change with respect to previous year		0%	-7%
Gross profit margin[1] (%)		**15,9%**	17,1%	18,1%
Operating profit (MEUR)		**5,8**	6,0	7,3
	Change with respect to previous year		-2%	-18%
Operating profit margin[2]		**8,7%**	9,6%	11,5%
EBITDA (earnings before interest, taxes depreciation and amortisation) (MEUR)		**9,8**	10,0	11,0
	Change with respect to previous year		-2%	-9%
Profit before taxes (MEUR)		**6,7**	6,7	7,9
	Change with respect to previous year		1%	-16%
Pre-tax profit margin[3]		**10,1%**	10,7%	12,5%
Net profit (MEUR)		**5,5**	5,3	6,7
	Change with respect to previous year		3%	-21%
Net profit margin[4]		**8,2%**	8,5%	10,6%
Working capital5 (MEUR)		**32,8**	23,4	28,1
Return on working capital[6]		**2,0**	2,7	2,2
Return on equity (ROE)[7]		**9,9%**	9,9%	12,9%
Return on assets (ROA)[8]		**8,6%**	8,8%	11,0%
Average number of employees per month		**912**	915	873

[1] Gross profit margin –gross profit/revenue
[2] Operating profit margin – operating profit/revenue
[3] Pre-tax profit margin – profit before tax/revenue
[4] Net profit margin – net profit/revenue
[5] Working capital – current assets except for cash and cash equivalents (deposits with maturity < 3 months; interest fund shares) less current liabilities
[6] Return on working capital – revenue/working capital
[7] ROE – net profit/average owner's equity
[8] ROA – net profit/average assets

Share and dividend related figures			
Number of shares	13,2	13,2	13,2
Earnings per share[9] (EUR)	0,4	0,4	0,5
Dividends per share (EUR)	0,3	0,3	0,3
Equity per share[10] (EUR)	4,2	4,1	4,0
Dividend/net profit	0,8	0,8	0,6
Price/earnings ratio (P/E)[11]	12,3	16,3	12,8

[9] Earnings per share – net profit per share in kroons: the company has no contingently issuable common shares, therefore diluted EPS equals to basic EPS
[10] Equity per share – total equity/number of shares (in kroons)
[11] P/E – stock price at the end of the period/EPS

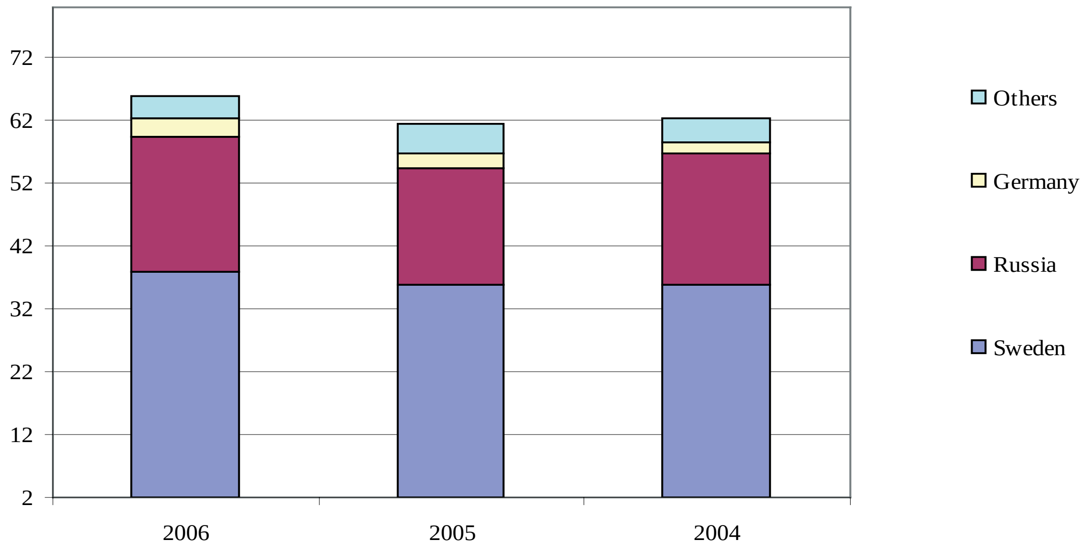
Sales

Group' sales increased by 7.4%.

The revenue of the Group amounted to 66.9 million euros in 2006. This constitutes a 7.4% increase, compared to 2005 (62.4 million euros). Seatbelts made up 83.9% (in 2005: 89.5%) of revenue. Sales of seat belt components to other Autoliv companies rose by 4.2 million euros compared to 2005. The most important other products and services included sales of seatbelt components to other Autoliv group companies, sales of dies and moulds, and provision of safety system-related engineering services.

In 2006, AS Norma exported 98.4% (in 2005: 98.5%) of its products - 57.7% (in 2005: 58.6%) to Sweden and 32.5% (in 2005: 30.3%) to Russia. The role of Germany as an export partner increased as well (2006: 4.5%; 2005: 3.5%).

Export 2004-2006 (millions of euros)



The sales to Russia increased by 15.4% and to Germany by 40.8%, mostly thanks to Autoliv seat belt components. The sales to the Czech Republic – a destination for seat belts for buses – increased by 41.5%. The export of seat belts to Ukraine increased by 7.5%.

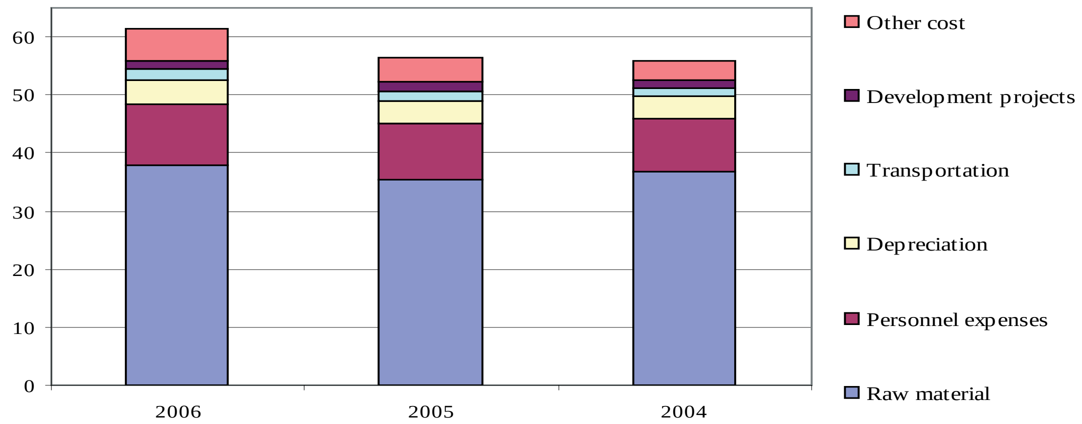
Sales to various sub-units of the parent company Autoliv increased by 8.9% compared to 2005, amounting to 41.3 million euros. The sale of seat belts made up 79.3% (2005: 91%) of total sales to Autoliv. The amount of belts sold increased by 3.9% (2005: 9%) amounting to 2.44 million units, the sale of seat belt components increased 105%.

Other major Western customers included Khimaira (Volvo buses), Karosa, Iris Bus-IVECO, Intersafe and Van - Hool, who mostly require seat belts for buses and trucks. Sales in the sector grew by 2.1% compared to 2005.

Expenses

The expenses on raw materials, personnel and transport have increased in the last 3 years both in absolute terms and in percentage of revenue.

Operating Expenses 2004-2006 (million euros)



Expenses on raw material increased by 2.5 million euros to 37.8 million euros, making up 56.5% (in 2005: 56.7%) of revenue. Steel and chrome prices increased expenses on raw materials. At the same time, local manufacturing of the most important components of seatbelts - retractors - reduced expenses on the components procured for local assembly of seatbelts for Autoliv. Retractor assembly increased by 32.47% in 2006, compared to last year. Also, the seat belts delivered to Autoliv have more components manufactured by AS Norma in them (2006: 4.7; 2005: 4.0; 2004: worth 1.5 million euros). Therefore, AS Norma has been able to respond to the increase in world market raw material price increases by increasing the value added (here) to the end product.

Depreciation and amortisation costs decreased by 2.2% (i.e. 0.1 million euros) in the financial year, compared to 2005, amounting to 3.9 million euros, or 5.9 % (in 2005: 6.4%) of the turnover.

Personnel expenses amounted to 10.7 million euros in 2006, having grown by 9.6% (i.e. 1.0 million euros), compared to the previous period. Total wages and salaries amounted to 8.0 (in 2005: 7.3) million euros, social tax to 2.6 (in 2005: 2.4) million euros and unemployment insurance to 0.02 (in 2005: 0.04) million euros.

Personnel expenses made up 15.9% of revenue in 2006 (in 2005: 15.6%). The biggest increase in personnel expenses 10.4% could be seen in production units.

The company employed a monthly average of 912, which is 3 employees more than in the previous year.

In 2006, the expenses on transport of goods increased by amounting to 2 million euros, making 3.1% of revenue.

Research and development costs decreased by 0.3 million euros in 2006, amounting to 2.2 million euros or 3.4% (in 2005: 4.0 %) of revenue. Similarly to 2005 (0.8 million euros), the biggest expenses were incurred in 2006 (1.0 million euros) on the sales of safety system development - related engineering services sold to AutoVAZ.

Profit and profitability

The decrease in gross and operating profit slowed, and net profit increased

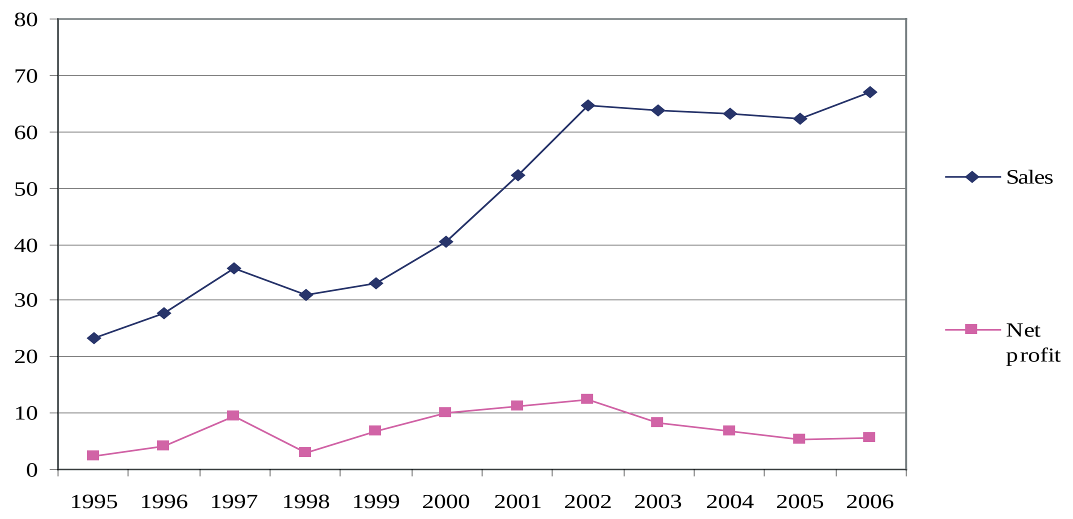
The Group's gross profit for 2006 was 10.6 million euros (in 2005: 10.7 million euros) - i.e. 15.9% (in 2005: 17.1%) of revenue. The 0.5% (i.e. 0.05 million euros) drop in gross profit was due to increase in the labour and transport cost.

Operating profit decreased by 0.1 million euros to 5.8 million euros, making up 8.7% (in 2005: 9.6%) of revenue. In addition to the marketing expenses increasing due to an increase in transportation expenses, the administrative expenses also exceeded the previous year's level by 4 million kroons in 2006. Allowance for doubtful receivables was decreased by 0.1million euros in 2005.

Profit before taxes increased by 1.3% (i.e. by 0.1 million euros) to 6.7 million euros or 10.1% (in 2005: 10.7%) of revenue. Financial income increased by 29.3% - i.e. by 0.2 million euros.

The net profit for 2006 amounted to 5.5 (in 2005: 5.3) million euros. Income tax payable on dividends decreased by 0.1 million euros. Net profit has increased by 2.9%, compared to 2005.

The Group's revenue and profit dynamics: 1995-2006 (in millions of euros)



Cash flows and capital appropriation

Although the net cash flow was negative – -5.9 million kroons – the financial investments grew by 10.7 million euros.

The Group's cash flow from operating activities amounted to 10.2 (in 2005: 13.1) million euros. The 3.0 million euros decrease was, above all, due to the changes in current assets and current liabilities. The company's investments in property, plant and equipment and intangible assets was 3.4 million euros less than in 2005, the balance of financial investments increased by 10.7 million euros, the total cash flow from investments during the period was -10.6 (2005: -3.5) million euros, from financing -5.5 (2005: -5.6) million euros.

As at the end of 2006, cash and liquid securities made up 50.8% (in 2005: 47.0%) of the balance of assets. As of 31 December 2006, the company's working capital (short-term investments, receivables, prepayments, inventories less current liabilities) amounted to 32.8 (in 2005: 23.4) million euros, and the working capital appropriated for main activities (receivables, prepayments, inventories less current liabilities) to 6.3 (in 2005: 6.6) million euros.

AS Norma kept a traditionally conservative profile upon managing liquidity and making financial investments in 2006. In addition to the EEK and EUR deposits of different terms of maturity in Estonian banks, and the money and interest fund shares, the company also deposited short-term resources in Autoliv AB Treasury, which allowed making short-term deposits to earn an interest higher that that currently offered on the market.

Non-current assets made up 26.4% of the assets, having dropped in a year by 2.3 million euros due to decrease in property, plant and equipment by 1.4 and long-term financial investments by 0.7 million euros.

The Group has no long-term liabilities. Investments and operating activities are financed from equity.

The owner's equity of the Group increased by 1.3 million euros, amounting to 55.4 (in 2005: 54.2) million euros by the end of the financial year. Owner's equity made up 87.0% (in 2005: 89.5%) of the balance sheet. At the end of the year, available equity amounted to 46.2 (in 2005: 44.9) million euros.

Stock market and dividends

Dividend 0.32 euro per share, P/E 12.3

AS Norma has issued 13.2 million common shares. The share has a nominal value of 0.64 euro or 10 kroons, and grants its owner one vote at the general shareholders' meeting.

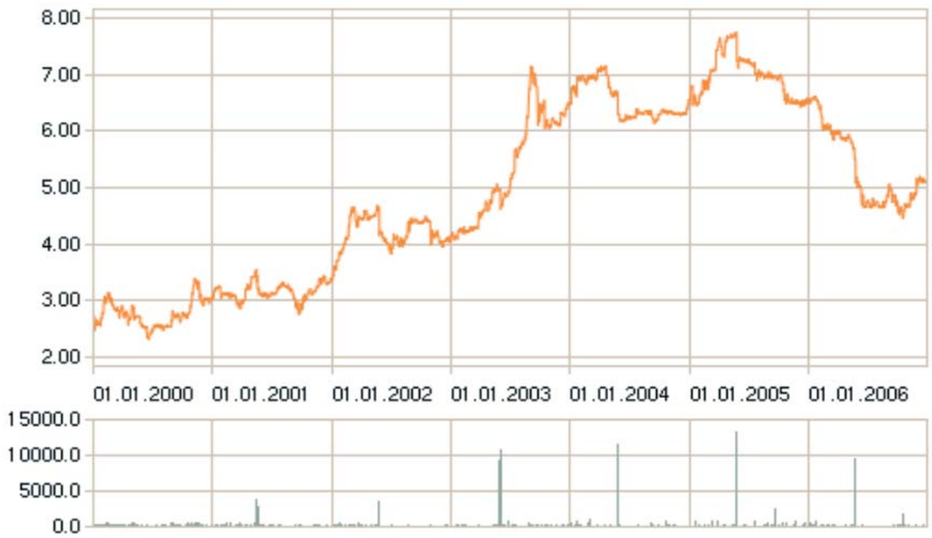
4.2 million euros (i.e. 0.32 euro per share) was paid to shareholders in dividends in 2006, similarly to the previous three years. The Management Board of AS Norma currently sees no need for changing the amount to be paid out as dividends. Both diluted EPS and basic EPS was 0.4 (in 2005: 0.4) euro, and owner's equity per share was 4.2 (in 2005: 4.1) euro. The P/E ratio decreased from 16.3 to 12.3 in 2006.

The shares of AS Norma were listed on the main list of the Tallinn Stock Exchange under the code NRM1T in 1997. The shares are also traded at the Frankfurt and Berlin stock exchanges.

Stock statistics for 2002-2006 (in euro, unless otherwise noted)

Price	2002	2003	2004	2005	2006
Open	3,38	4,04	6,50	6,55	6,56
High	4,69	7,19	7,16	7,78	6,65
Low	3,36	4,04	6,10	6,35	4,30
Last	4,04	6,50	6,55	6,56	5,11
Change %	19,5	60,9	0,8	0,2	-22
Traded volume, th.pcs.	4 559	8 854	4 765	4 718	4 257
Turnover, million euros	19,4	44,2	31,5	34,2	23,1
Capitalisation, million euros	53,3	85,8	86,5	86,6	67,4

Stock price movement (in EUR) and transaction volume in the Tallinn Stock Exchange from 1 January 2000 onwards.



As of 31.12.2006, 1507 (31.12.2005: 1503) shareholders have been listed in AS Norma's share register. The following shareholders held over 3% of the shares:

Autoliv Ab	51.0%
Skandinaviska Enskilda Banken Ab kliendid	7.5%
ING LUXEMBOURG S.A.	7.4%
Hansa Ida-Euroopa Aktsiafond	5.6%
Trigon Uus Euroopa Väikeettevõtete Fond	3.3%

The shareholders of AS Norma can be divided as follows: 59.7% (2005: 61.7%) residents of Sweden, 20.8% (2005: 18.6%) residents of Estonia, 10.4% (2005: 10.2%) residents of Luxembourg and 9.1% (2005: 10.2%) residents of other countries. 7.3% (2005: 7.7%) of the shareholders are natural persons.

As of 31.12.2006, the members of the Supervisory Board of AS Norma, and people close to them, held no shares in AS Norma. Member of the Management Board Garri Krieger (owner of 205 shares) is the only person among the members of the Management Board of AS Norma, and persons close to them, who holds any shares in AS Norma. No stock options have been issued to the members of the Supervisory Board and Management Board of the company.

Financial risks

Currency risks

AS Norma is exposed to currency risks related, above all, to product export and material import as well as the assets of the subsidiary located in Russia.

The euro is the predominant sales currency of AS Norma. The Group expenses are denominated in Estonian kroons, euros, Swedish kronors and Russian roubles. The euro is the underlying currency for the principal purchase and sales contracts. Risks related to other currencies have been hedged either by harmonising incoming or outgoing cash flows, or tying contractual payments to the euro exchange rate.

The company has a long position in the euro, to which the Estonian kroon exchange rate has been tied, and in the Russian rouble. The effect of the Russian rouble exchange rate fluctuations on the company's financial results is currently deemed insignificant by the management. Short position in the Swedish kronor consists of current liabilities. The effect of the related exchange rate fluctuations is also deemed immaterial.

Interest risks

Since AS Norma does not use debt financing, assessment of the interest risk is only important when it comes to investing activities. Deposits have a fixed interest rate, Hansabank Interest Fund units are recorded at market value - i.e. bond interest rate fluctuations at the market have an effect on the value of the company's investment. The effect of the potential interest change is insignificant, considering the amount of the investment.

Financial market credit risk

The company hedges the credit risks arising from its investing activities by making investments only in the financial instruments of reliable banks, and the deposits of the Autoliv AB Treasury. Autoliv's short-term credit rating is A2 according to Standard & Poor's and P2 according to Moody's.

Consolidation group structure

In 2006, AS Norma Group included AS Norma and two subsidiaries fully owned by AS Norma.

The Parent is involved in the manufacturing and sales of car safety seatbelts and their components, as well as provision of engineering services related to the development and adaptation of car safety systems and seatbelt components.

In 2006, the parent company´s turnover amounted to 65.9 (in 2005: 61.0), net profit to 5.5 (in 2005: 5.2), and owner´s equity to 54.9 (in 2005: 53.7) million euros.

The subsidiary AS Tööriistavabrik is involved in tool (i.e. dies and plastic molds) design, manufacturing and repair. AS Tööriistavabrik is the strategic link in AS Norma´s production chain. In 2006, the company´s revenue amounted to 2.2 (in 2005: 2.1), net profit to 0.04 (in 2005: 0.12) and owner´s equity to 1.4 (in 2005: 1.3) million euros. Sales to external customers amounted to 1.1 (in 2005: 1.1), sales to Parent 1.2 (in 2005: 1.0) and purchase of services from the Parent to 0.2 (in 2005: 0.2) million euros.

The Russian-based subsidiary Norma-Osvar ZAO is involved in the sale and storage of AS Norma´s products, organisation of the related customs procedures and, if necessary, representation of AS Norma in Russia. In 2006, the revenue of Norma-Osvar ZAO amounted to 1.5 (in 2005: 1.0), loss to 0.03 (in 2005: 0.02) and owner´s equity to 0.03 (in 2005: 0.06) million euros. Sales to external customers amounted to 1.5 (in 2005: 1.0) million euros in 2006. The goods to be sold by the subsidiary are supplied by the Parent.

Management structure

There were no changes in the Supervisory Board and the Management Board in 2006.

The highest management authority of AS Norma, as the legal person, is the general shareholders meeting, which appoints the members of the Supervisory Board. The Supervisory Board of AS Norma has 6 members, with 3 representatives of the majority shareholder Autoliv AB: Jögen Svensson, Vice President Legal Affairs (Chairman of the Supervisory Board), Rolf Henke, Senior Vice President SB Division, Europe, and Leif Berntsson, Senior Vice President AB Division, Europe. The three independent members of the Supervisory Board representing the public include Attorney-at-Law Aare Tark from Law Office Tark & Co, Toomas Tamsar, Chairman of the Management Board of Balti Juhtimiskonverentsi OÜ and Raivo Erik, Chairman of the Management Board of OÜ Someri Trade.

The Management Board appointed by the Supervisory Board of AS Norma has 6 members: Managing Director Peep Siimon (Chairman of the Management Board), Sales Director Ivar Aas, Director of SB Division Stig Carlson, Financial Director Ülle Jõgi, Quality Director Garri Krieger and Purchase Director Kaido Salurand.

In 2006, a total of 499 (2005: 534) thousand euros was paid in remuneration to the members of the Supervisory Board and Management Board of AS Norma. No stock options or other benefits were awarded to the members of the Supervisory Board and Management Board. Pursuant to the management board member contract, compensation in the amount of the remuneration for 0-12 months is payable for termination of the employment relation with a member of the Management Board, depending on the termination conditions. The maximum possible compensation payable under the management board member contracts is 275 thousand euros.

Staff policy

Involving employees in the development of the work process and environment as well as investing in education and training of the staff

The central principle of AS Norma's staff policy is involvement of the entire staff in the development of the work process and the work environment. Implementation of the Autoliv Production System enables to involve, via making proposals, conducting workshops and facilitating teamwork, not only specialists and managers but also line and machine operators. In total 2,786 proposals were made in 2006 (2005: 1,545). Twenty-five candidates were nominated for the prize for best proposal. Fourteen proposals that had most effectively improved the processes were acknowledged. And 48 workshops were started, in which 417 employees participated.

In addition to standard in-house and out-house training, staff development also included professional, quality, management and language training in other Autoliv companies, especially in Sweden, France, Germany and Turkey. 31 specialists spent a total of 1185 working days training abroad. Four leading specialists from Norma participated in the global training programs for Autoliv top management. One product development engineer was in Germany through rotation process participating in advanced learning in Autoliv products development centre.

Seventy per cent of management positions are recruited/filled internally by Autoliv group each year to replace departing and promoted key persons on global level. In relation to that, Autoliv has started a global young talent search program (High Potential Program). Four people participate in the program from Norma. By participating in the project we can control the risk related to Norma's key person replacement as an added value.

Involvement of new specialists (especially engineers) has become an increasingly difficult task at the Estonian tense labour market. In 2006, employment contracts were concluded with 21 specialists (2005: 17), 15 (2005: 11) of them being engineers.

Last year co-operation with Tallinn University of Technology continued. The cooperation was started in 2005. The student organisation BEST Estonia helped organise a career day where Norma had a chance to introduce itself as a promising employer. As a result of the career day, contact information was received for 43 potential engineer candidates. Norma also participated in the Võti Tulevikku (Key to the Future) career fair organised by BEST Estonia.

Occupational safety and health

An employee is of priceless value to the company.

The development of the company and the tasks needed to be done resulting in rapid changes can only be achieved with motivated and competent employees. The employees participate in the continuous process of improving the work environment. The needed competence of the employees is guaranteed by efficient and continuous training system, teamwork and provision of information.

Management of occupational risks - i.e. management of occupational safety and health - forms a part of the AS Norma quality and environmental management system. Long-term pursuit of occupational health-related activities has helped to prevent and reduce work-related illnesses, as well as to preserve and advance employees' health and capacity to work. The change in the work character, new danger factors, ergonomics of work places – these are the most important fields of improving the work environment in the company.

Investments in new processes and technologies include solutions for improving environmental protection and occupational health and safety. Assembly line and assembly point ergonomics is one of the areas continually improved by the company.

The Labour Inspectorate has given good grades to the AS Norma's occupational safety and environment-related activities as well as the company's safety culture, pointing out staff involvement and health promotion plans.

Environmental impact

In 2006, the use of hexavalent chromates in electroplating was ended.

In order to improve production-related environmental impact management, AS Norma certified its environmental management system to meet the ISO 14001 requirements already in 2002. In order to adhere to the Integrated Pollution Prevention and Control Act of the Republic of Estonia, AS Norma acquired the integrated environmental permit in 2003. The company uses the measures stipulated therein for managing hazardous chemicals, waste generation and treatment, and the quality of ambient air and water discharged into the sewerage network.

The activities pursued by the Group aim at enhancing the efficiency of the use of materials and natural resources, as well as reducing the environmental impact, and continually improving the products and processes.

In 2006, the use of hexavalent chromates in electroplating was ended and replaced by technologies complying with car industry requirements.

The main guidelines set forth in the company's environmental policies and environment-related objectives:

- upon pursuing business activities, to be considerate towards the environment, and the staff, customers and society;
- to adhere to the laws of the Republic of Estonia, and the customer's requirements applicable to AS Norma's activities;
- to manufacture products in such a way as to minimise the environmental impact upon their manufacturing, use and utilisation, while not making concessions with respect to quality and safety;
- to use natural resources and materials in a sustainable way;
- to minimise the discharge of waste and pollutants into to environment;
- to prevent accidental pollution of the environment;
- to develop the employee's environmental awareness and motivate them to implement the environmental policy on a daily basis.

Developments and major investments planned for the future

Developments

In 2007, the company will continue developing the production of components for the car safety seatbelts manufactured in Autoliv Group (by launching new technologies and equipment, and the production of new components). A long-term goal is to update the production of components (which so far has mostly produced parts for seat belts sold to the Russian market) and take it to a new qualitative and quantitative level. In 2007, AS Tööriistavabrik will be integrated to AS Norma Komponent division to increase the competitive advantage of production of components and better use of all resources.

The serial production of car safety systems to AutoVAZ Kalina (VAZ 1118) and Priora (VAZ 2170 phase 1) cars has also been planned for 2007. The system includes a retractor with pyrotechnical pretensioner for front seats and airbags and an electronic co-ordination unit.

Continuous usage of APS (production system in Autoliv – improved organisation of product) by including all employees to enhance efficiency, cutting costs and mostly ensuring the stable quality of products.

Major investments planned for the future

An important part of investments is directed to new assembly lines for car safety belts to ensure implementation of new products.

The usage of plastic and metal manufacturing equipment and technologies continues to broaden the production of components.

Major research and development projects

According to plan, the development project started in 2006 will continue – the safety system for Priora (VAZ 2170 phase 2), the car to be developed on the basis of the AutoVAZ VAZ 2110 platform, in co-operation with Autoliv engineers. The project will be financed by the customer.

According to the Management Board of AS Norma, there are no known events that have not been disclosed in the financial statements but may have a material effect on the company's financial results.

Peep Siimon

Chairman of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS

Management Representation to the Consolidated Financial Statements

The Management Board confirms the completeness and correctness of the consolidated financial statements 2006 of AS Norma and its subsidiaries as presented on the pages 18 to 43:

1) the accounting principles used in preparing the consolidated financial statements are in compliance with International Financial Reporting Standards as adopted by EU;
2) the consolidated financial statements give a true and fair view of the financial position of the Group and the results of its operations and cash flows;
3) the Parent and other companies of the Group are able to continue as a going concern.

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 Carlson

Member of the Management Board

Tallinn, February 19, 2007

Consolidated Balance Sheet

in thousands of euros

Assets	31.12.2006	31.12.2005	Note no
Current assets			
Cash in hand and deposits	**5 811**	11 698	1
Short-term financial investments	**26 559**	16 801	2
Receivables	**8 502**	7 146	3
Prepaid expenses	**79**	98	4
Inventories	**6 002**	5 738	5
Total current assets	**46 953**	41 480	
Non-current assets			
Long-term financial investments	**0**	700	6
Long-term receivables	**25**	29	7
Property, plant and equipment	**15 898**	17 334	8
Intangible assets	**883**	1 031	9
Total non-current assets	**16 806**	19 094	
Total assets	**63 759**	60 575	

Liabilities and equity			
Liabilities			
Current liabilities			
Payables	**8 239**	6 040	11
Deferred income	**73**	216	
Provisions	**0**	134	12
Total current liabilities	**8 312**	6 389	
Total liabilities	**8 312**	6 389	
Equity			
Share capital (par value)	**8 436**	8 436	13
Statutory reserve	**844**	844	
Retained earnings	**46 167**	44 906	
Total equity	**55 447**	54 186	
Total liabilities and equity	**63 759**	60 575	

The accounting principles presented on pages 23 to 29 and the notes to the consolidated financial statements presented on pages 30 to 43 form an integral part of the consolidated financial statements.

Consolidated Income Statement

in thousands of euros

	2006	2005	Note no
Revenue	**66 947**	62 351	14
Cost of sales	**-56 318**	-51 671	15
Gross profit	**10 629**	10 680	
Marketing and distribution costs	**-1 075**	-859	16
Research and development expenses	**-2 248**	-2 485	17
General administrative expenses	**-1 642**	-1 394	18
Other operating income	**396**	298	19
Other operating expenses	**-215**	-275	20
Operating profit	**5 845**	5 965	14
Financial items	**894**	691	21
Profit before taxes	**6 739**	6 656	
Income tax expense	**-1 260**	-1 332	22
Net profit	**5 479**	5 324	
Basic and diluted earnings per share (in euro)	**0,42**	0,40	13

The accounting principles presented on pages 23 to 29 and the notes to the consolidated financial statements presented on pages 30 to 43 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

in thousands of euros

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2004	**8 436**	**844**	**43 800**	**53 080**
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	5 324	5 324
31.12.2005	**8 436**	**844**	**44 906**	**54 186**
31.12.2005	**8 436**	**844**	**44 906**	**54 186**
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	5 479	5 479
31.12.2006	**8 436**	**844**	**46 167**	**55 447**

Pursuant to the Commercial Code the statutory reserve amounts to 10% of the share capital.
The statutory reserve can be used for covering the loss or increasing the share capital. The Statutory reserve cannot be paid out as dividends.

The accounting principles presented on pages 23 to 29 and the notes to the consolidated financial statements presented on pages 30 to 43 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

in thousands of euros

Cash flows from operating activities	2006	2005	Note no
Operating profit	**5 845**	5 965	
Adjustments of operating profit			
Gain from disposals of property, plant and equipment	**-44**	-5	19
Depreciation and amortisation	**3 923**	4 010	8,9
Impairment loss of property, plant and equipment	**0**	67	8
Changes in assets related to operating activities, incl.:			
Short-term receivables and prepaid expenses, except loans and interests	**-1 205**	4 554	3,4,7
Inventories	**-264**	-193	5
Long-term receivables, except loans	**0**	32	7
Changes in liabilities, incl.:			
Payables	**2 200**	-750	11
Deferred income	**-143**	-673	
Provision	**-134**	134	12
Total cash flows from operating activities	**10 178**	13 141	
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	**155**	71	
Acquisition of property, plant and equipment and intangible assets	**-2 451**	-5 878	8,9
Loans granted	**-5**	-6	7
Loan repayments received	**8**	19	7
Acquisition of short-term financial investments	**-39 842**	-12 650	
Proceeds from disposals of short-term financial investments	**30 785**	14 290	
Interest received	**769**	669	
Total cash flows from investing activities:	**-10 581**	-3 485	
Cash flows from financing activities			
Payment of income tax on dividends	**-1 260**	-1 332	22
Dividends paid	**-4 218**	-4 218	13
Total cash flows from financing activities:	**-5 478**	-5 550	
Net cash flows	**-5 881**	4 106	
Changes in cash and cash equivalents			
Balance at the beginning of the year	**11 698**	7 555	
Increase/decrease of cash and cash equivalents	**-5 881**	4 106	
Foreign exchange effect	**-6**	37	21
Cash and cash equivalents at the end of the year, incl.:	**5 811**	11 698	
Cash in hand and deposits with maturity up to 3 months	*1 861*	*6 976*	*1*
Shares of interest fund	*3 950*	*4 722*	*1*

The accounting principles presented on pages 23 to 29 and the notes to the consolidated financial statements presented on pages 30 to 43 form an integral part of the consolidated financial statements.

Corporate Information

The main operations of AS Norma (hereinafter referred also to as “Parent”) and its subsidiaries (hereinafter together referred also to as “Group”) are the production and sale of safety systems and details for automobiles and the development of projects relating to the main operations. The technologies used for the main operations are metalworking, moulding of plastic items, galvanic covering of details and assembling of products.

In 2006, the Norma Group consists of AS Norma and two wholly-owned subsidiaries.

Name of subsidiaries	Ownership	Location
AS Tööriistavabrik	100%	Estonia
Norma-Osvar ZAO	100%	Russia

AS Norma’s ownership in equity of its subsidiaries equals to ownership in voting shares.

At the end of 2006, the Group employed 947 people, including 875 employees at AS Norma (2005: 935 and 859, respectively).

AS Norma is a limited company incorporated and domiciled in Estonia, Tallinn, Laki str. 14. The shares of AS Norma are listed in the main list of Tallinn Stock Exchange; additionally the GDRs of AS Norma are quoted on the Frankfurt and Berlin Stock Exchanges. The parent company and the ultimate parent of AS Norma are Autoliv AB and Autoliv Inc., respectively.

Accounting Policies and Estimates

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and on a historical cost basis, except as disclosed in the accounting policies below (e.g., certain financial assets, which are measured at fair value). Unless otherwise noted, the financial statements have been prepered in thousands of Euros. The numbers in the current financial statements have been converted from Estonian kroons (EEK), which is the measurement currency of the Company, into Euros (EUR), which is in accordance with Tallinn Stock Exchange requirements. Because EEK is bound to EUR with a fixed exchange rate of 1 EUR = 15,6466 EEK, no currency translation differences arise from the conversion.

According to the Estonian Business Code, the annual report, including the consolidated financial statements, prepared by the Management Board and approved by the Supervisory Board is authorised by the Shareholders’ General meeting. The shareholders hold the power not to approve the annual report and the right to request a new annual report to be prepared.

In accordance with the revised and new standards the presentation, if applicable. has been changed as well (the presentation of comparative data has been also restated).

New IFRS standards passed during the financial year

During the financial year, new standards entered into force, which do not have any effect of the accounting principles applied by the Group. These standards include IAS 19 “Employee benefits: actuarial gains and losses, group plans and disclosures”, IFRIC 4 “Determining whether an arrangement contains a lease”, IFRS 6 “Exploration for and evaluation of mineral resources”, IFRIC 5 “Rights to interests arising from decommissioning, restoration and environmental funds”, IFRS 4 “Insurance contracts: financial guarantee contracts (revised)”, IAS 39 “Financial instruments: recognition and measurement (revised)” and IAS 1 “Presentation of financial statements (revised)”.

New IFRS standards and interpretations

New or revised standards and interpretations, which have been approved by the European Union by the balance sheet date, but which will enter into force after the balance sheet date have no effect on the accounting principles applied by the Group. These standards include IFRIC 7 “On applying the restatement approach under IAS 29 “Financial reporting in hyperinflationary economies””, IFRIC 8 “Scope of IFRS 2”, IFRIC 9 “Reassessment of Embedded Derivatives”.

New or revised standards and interpretations, which have been approved but have not been adopted by the European Union by the balance sheet date, but which will enter into force after the balance sheet date have no effect on the accounting principles applied by the Group. These standards include IFRS 8 "Operating segments", IFRIC 10 "Interim financial reporting and impairment", IFRIC 11 "IFRS 2—Group and Treasury Share Transactions", IFRIC 12 "Service Concession Arrangements".

The following new or revised standards and interpretations, which have been approved by the European Union by the balance sheet date, but which will enter into force after the balance sheet date will have an effect on the accounting principles applied by the Group. The Group is still estimating the impact of adoption of these pronouncements on the disclosures of the consolidated financial statements. These standards include IFRS 7 "Financial instruments: disclosures" and IAS 1 "Presentation of financial statements (revised)". IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. IAS 1 amendment requires the Group to make new disclosures to enable users of the consolidated financial statements to evaluate the Group's objectives, policies and processes of managing capital.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of AS Norma and its subsidiaries consolidated line-by-line.

Subsidiaries are companies, in which the Group has an interest of more than 50% of the voting rights or otherwise has power to govern the financial and operating decisions of these companies. Subsidiaries are consolidated from the acquisition date (date on which control is transferred to the Group) and cease to be consolidated from the disposal date (date on which control is transferred out of the Group).

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent, using consistent accounting policies, in all material respects. All inter-group transactions, balances and unrealised profits and losses on transactions between Group's companies have been eliminated in the consolidated financial statements. Unrealised losses are not eliminated, if these losses represent impairment of assets sold.

Foreign Currency Translation

The functional currency of the Parent is Estonian kroon, which is also the presentation currency of the current consolidated financial statements; other currencies are considered as foreign currencies.

Foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences from assets and liabilities related to operating activities are recognised in the income statement as operating items and differences from assets and liabilities related to investing and financing activities are recognised as financial items.

The functional currency of the foreign subsidiary is euro. All transactions and balances of the foreign subsidiary are translated into Estonian kroons using foreign currency rates of the Bank of Estonia. As Estonian kroons is pegged with euro with fixed rate (1 euro = 15.6466 EEK), the foreign exchange differences, which should be recorded directly in equity, do not arise.

Cash and Cash Equivalents

Cash and cash equivalents in the cash flow statement are short-term (up to 3 months maturity) highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value, including cash in hand and at bank, short-term time deposits with maturity up to 3 months and other marketable highly liquid investments (e.g., interest fund shares).

Financial Assets

All financial assets are initially recognised at cost, being the fair value of the consideration given. The cost of financial assets includes also acquisition charges associated directly with the investment (e.g., fees paid to agents and advisers, non-refundable taxes and other similar expenditures), except in the case of investments at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset (e.g. conclude an agreement). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

For the subsequent recognition, financial assets are classified as follows:

- financial assets at fair value through profit or loss (incl. shares and other securities held for trading and other securities and derivatives with positive value),
- held-to-maturity investments (incl. bonds fixed maturity, which are being held to maturity),
- loans and receivables (incl. loans granted, trade receivables and other receivables),
- available-for-sale financial assets (incl. all those financial assets that are not classified in any of the three preceding categories; in reporting and comparative period the Group did not have any such investments).

Financial assets at fair value through profit and loss is measured in its fair value on each balance sheet date. Fair value of listed securities is based on listed market price (closing prices) and the official exchange rates of the Bank of Estonia. Unlisted securities are accounted for in their fair value on the basis of the available information on the value of the investment. Gains or losses from changes in fair value of investments held for trading are recognised under "Financial items" in income statement. Interests and dividends from investments held for trading are also recognised under "Financial items" in income statement.

Held-to-maturity investments, loans and receivables are carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account a discount or a premium on acquisition and transaction costs, over the period to maturity.

When the recoverable amount of investments carried at amortised cost is lower than its carrying amount, the asset is considered impaired and is written down to its recoverable amount (for doubtful accounts receivable the contra assets account is used for allowances and uncollectible receivables are written off from balance sheet). The recoverable amount of investments carried at amortised cost is measured as the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment of receivables is assessed on an individual basis, based on the current credit information available. The amount of the impairment loss from receivables related to operating activities is recognised under operating expenses ("General administrative expenses") and from investments related to investing activities under financial items in income statement.

Collection of receivables that have been previously expensed as impaired assets are recognised as an adjustment of allowance in balance sheet and reduction of expenses in income statement.

Interests from investments held to maturity, loans and receivables are recognised under "Financial items" in income statement.

The derecognition of a financial asset takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

Subsidiaries in the Non-consolidated Financial Statements of the Parent

In the Parent's non-consolidated financial statements investments in its subsidiaries are carried at cost. It means that investments in subsidiaries are initially recognised at cost, being the fair value of the consideration given. After initial recognition the cost is adjusted by any losses arising from impairment in value.

The Parent assesses at each reporting date whether there is an indication that an investment may be impaired and if any such indication exists, the Group makes an estimate of the asset's recoverable amount (higher of the value in use and fair value less costs to sell). Impairment losses are recognised under "Financial items" in the income statement. A previously recognised impairment loss is reversed, if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised. Such reversal is recognised as financial income in income statement when incurred.

Dividends receivable/received from subsidiaries are recognised as financial income, when the Parent's right to receive the payment is established, except a part of dividends paid out on account of the retained earnings created by the subsidiary before the acquisition of the subsidiary. Such dividends are recognised as a reduction of investments.

Inventories

Finished products and work-in-progress are recorded at production cost, consisting of the direct and indirect production costs on normal operating capacity. Raw materials and goods for resale located in warehouses or production field are recorded at acquisition cost, consisting of the purchase price, direct transportation costs related to the purchase, non-refundable taxes and other purchase related expenditures.

Inventories are valued at the lower of cost and net realisable value. Inventories are accounted for by using the weighed average acquisition cost method. The amount of write-down of inventories to their net realisable value is recorded as expenses of the reporting period, under "Cost of sales" of the income statement.

Property, Plant and Equipment

Assets with a useful life of over 1 year and an acquisition cost of over 2.6 thousand euros (except IT equipment, for which 1.0 thousand euros of limit is used) are considered to be property, plant and equipment. Initially, property, plant and equipment are recognised at cost, consisting of the purchase price and expenditures directly related to the acquisition.

Subsequent to initial recognition an item of property, plant and equipment is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses. When the recoverable amount of property, plant and equipment is lower than its carrying amount, the asset is considered impaired and is written down to its recoverable amount, which is the higher of the value in use and fair value less costs to sell. The Group assesses at each reporting date whether there is an indication that an asset may be impaired and if any such indication exists, the Group makes an estimate of the asset's recoverable amount. Impairment losses are recognised under "Other operating expenses" in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised as a reduction of expenses in income statement when incurred.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised (e.g. replacements of part of some items) are added to the carrying amount of the assets, if the recognition criteria are met, i.e. (a) it is probable that future economic benefits associated with the item will flow to the Group, and (b) the cost of the item can be measured reliably. The replaced items are derecognised. All other expenditures are recognised as an expense in the period in which it is incurred.

The calculation of depreciation is started, when the assets are ready for the expected usage determined by the management and finished upon the reclassification to non-current assets held for resale or disposal of the assets. If the item of property, plant and equipment is fully depreciated, the cost and accumulated depreciation of such item are recorded in balance sheet until the item is in use.

The depreciable amount of an asset (i.e., cost of an asset less its residual value) is expensed over the expected useful life of an asset. The cost of land is not depreciated. Depreciation is calculated on a straight-line basis (except for tooling) over the estimated useful life of the asset as follows:

•	Buildings	8 - 20 years
•	Machinery and equipment	4 - 11 years
•	IT equipment	3 - 7 years
•	Other items	5 - 7 years

The sum-of-the-unit method is used for deprecation of tooling.

If an asset consists of separable components with different useful lives, each such component are accounted for and depreciated separately in the book-keeping of the Group

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end. Changes in residual values, useful lives and methods are treated as a change in estimates.

Non-current assets held for sale are valued at the lower of net carrying amount and fair value less costs to sell. Non-current assets held for sale are not depreciated.

Intangible Assets

Initially, intangible assets are recognised at cost, consisting of the purchase price and expenditures directly related to the acquisition. Subsequent measurement depends on whether an intangible asset has a finite or indefinite life. Intangible assets with finite lives are stated at cost less accumulated amortisation and any accumulated impairment in losses. Such intangible assets are amortised over the useful economic life on a straight-line basis as follows:

Licences	3-10 years.

When the recoverable amount of intangible assets with finite lives is lower than its carrying amount, the asset is considered impaired and is written down to its recoverable amount, which is the higher of the value in use and fair value less costs to sell. The Group assesses at each reporting date whether there is an indication that an asset may be impaired and if any such indication exists, the Group makes an estimate of the asset's recoverable amount. Impairment losses are recognised under "Other operating expenses" in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised as a reduction of expenses in income statement when incurred.

Intangible assets with indefinite useful lives (incl. goodwill) are tested for impairment annually. Such intangibles are not amortised. In the reporting period and comparative period the Group did not have any intangible assets with indefinite useful lives.

Development expenses are expenditures incurred as a result of the application of research findings to a plan or design for new products and services. Development expenditure is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset, its intention to complete the intangible asset and use or sell it, its ability to use or sell it, the availability of resources to complete the project, how the asset will generate future economic benefits and the ability to measure reliably the expenditure during the development.

Expenditures related to the establishing a new entity, research costs and training expenses are not capitalised.

Financial Liabilities

Borrowings are recognised initially at cost, being the fair value of proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective interest method. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability. Borrowing costs (incl. interest expenses) related to the financial liability are recognised as an expense when incurred.

Borrowings are derecognised when the obligation under the liability is discharged or cancelled or expired.

Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made, but the date of the settlement and the final amount of it are not certain. Value of provisions is based on the assessment and experiences of the Group's management, and opinion of independent experts, if necessary.

Promises, guarantees and other commitments that in certain circumstances may become liabilities, but in the opinion of the Group's management an outflow to settle these liabilities is not probable, are disclosed in the notes to the consolidated financial statements as contingent liabilities.

Income tax

Estonian companies of the Group:
According to the Estonian Income Tax Law the company's net profit is not subject to income tax; thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax. Instead of taxing net profit, all dividends paid by the company are subject to income tax with the rate of 22/78 (the rate of 23/77 was effective for dividends paid out in 2006; the tax rate will decrease also in future - every year by one point until 20/80 of net dividends paid out after 1 January 2009). Income tax from the payment of dividends is recorded as income tax expense at the moment of declaring the dividends, regardless of the actual payment date or the period for which the dividends are paid out.

The potential tax liability related to the distribution of the Group's retained earnings as dividends is not recorded in the balance sheet. The amount of potential tax liability related to the distribution of dividends is disclosed in Note 22.

Russian company of the Group:
In accordance with the local income tax acts, the company's net profit adjusted by temporary and permanent differences determined in income tax acts is subject to income tax in Russia (the tax rate is 24%).

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised only when it is probable that profit will be available against which the deferred tax assets can be utilised.

Tax to be paid is reported under current liabilities and deferred tax under non-current assets or liabilities.

Related Parties

Entities and individuals are considered to be related parties if one of the parties can exercise control over the other party or has significant influence over economic decisions made by the other party. The following entities and individuals are considered as related parties of the Group, which itself belongs to the Autoliv Group:
a) the parent and the ultimate parent of AS Norma;
b) other companies of the Autoliv Group;
c) key management personnel of the Group and the parent of the Group; and
d) the close relatives of and the entities controlled by the parties specified above.

Revenue Recognition

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the revenue and the cost of the transactions can reliably be measured. Revenue is recognised at the fair value of the received/ receivable income. If the credit terms are longer than usual terms in the business of the Group, the revenue is determined based on the present value of proceeds.

Revenue from the sales of services is recorded upon rendering of the service. Income from services mediated is recognised as net of related expenses in the income statement.

Interest revenue is recognised as interest accrues, using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Finance and Operating Leases

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are treated as finance leases. All other lease transactions are treated as operating leases.

Group as a lessee
Finance leases are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalised leased assets are depreciated similar to acquired assets over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as operating expenses on a straight-line basis over the lease term.

Group as a lessor
When assets are leased out under a finance lease, the amount equals 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 at the end of lease period). Lease payments are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable.

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

Segment Reporting

The primary segments of the Group are operational segments and the secondary segments are geographical segments.

Across Group's product lines main product line is car safety belts. Other product lines (car security system components, automobile details, metalwork, real estate activities) separately account for less than 10% from revenue and total assets of the Group and therefore are not disclosed as separate reportable segments.

Expenses are allocated in proportion to product line's share from revenue. Assets (excl. cash, securities and loans granted), liabilities and investments are allocated according to the share of the segment. Depreciation, amortisation and impairment losses are allocated according to the portion of non-current assets to the segment. All expenses, assets and liabilities, which are not directly related to any segments, but are more related to administrative, investing and financing activities of the Group as a whole, are presented as unallocated expenses, assets and liabilities in the segment reporting.

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, the management has made the decision that bonds acquired are going to be held up to maturity. According to this decision bonds acquired are carried at amortised cost, not at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In thousands of euros

1. Cash and cash equivalents	31.12.2006	31.12.2005
Cash in hand and current deposits in banks	**192**	80
Short-term time deposits with maturity up to 3 months	**1 669**	6 896
Interest fund shares of Hansapank	**3 950**	4 722
	5 811	11 698

As of the end of 2006 the Group has deposits with maturity up to 3 months in the following amounts:

a) short-term deposits in commercial banks with interest rates of 3.1% (2005: 1.9-4.0%) in the amount of 1 669 (2005: 1 012) thousand euros; and

b) there were no short-term deposits in the treasury of Autoliv as of the end of 2006. As of the end of 2005, there were short-term deposits in the treasury of Autoliv with interest rate 2.75-2.79% in the amount of 5 884 thousand euros.

The shares are valued at their fair value through profit and loss.

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

In thousands of euros

2. Short-term financial investments	31.12.2006	31.12.2005
Short-term time deposits with maturity more than 3 months	**25 859**	16 668
Bonds	**700**	133
	26 559	16 801

As of the end of 2006 the Group has deposits with maturity more than 3 months in the following amounts:

a) short-term deposits in commercial banks with interest rates of 3.81% (2005: 2.5-3.05%) in the amounts of 1 059 (2005: 4 627) thousand euros; and

b) short-term deposits in the treasury of Autoliv with interest rate 3.354-4.1% (2005: 2.5-3%) in the amount of 24 800 (2005:12 041) thousand euros.

For cash flow management purpose, the Group has acquired bonds of Sampo Bank in the total amount of 700 thousand euros and with interest rate of 3M EURIBOR+0.90%. The bonds were redeemed 29.01.2007.

The bonds issued by a Russian commercial bank in the amount of 133 thousand euros have been presented under bonds classified as investments held-to-maturity and amortised based on acquisition cost and effective interest rate. These bonds were redeemed on January 23, 2006.

In thousands of euros

3. Receivables	31.12.2006	31.12.2005
Trade receivable from non-related parties	**4 403**	3 957
Receivables from companies of Autoliv Group (see Note 24)	**3 661**	3 065
Allowance for doubtful receivables	**-34**	-169
Other short-term receivables	**90**	34
VAT refundable	**175**	183
Accrued interest income	**207**	76
	8 502	7 146

If at 31.12.2005 36.9% of doubtful receivables were related to Russian customers, then at 31.12.2006 77.5% of doubtful receivables are related to Swedish company Ortho Safe.

	2006	2005
Allowance as of January 1	**-169**	-316
Reversal of allowance (see Note 18)	**-1**	144
Write off of allowance from balance sheet	**136**	3
Allowance as of December 31	**-34**	-169

In thousands of euros

4. Prepaid expenses	31.12.2006	31.12.2005
Prepaid expenses of next year	**55**	82
Prepaid taxes	**24**	16
	79	98

As of 31.12.2006 as well as 31.12.2005 the amount of prepaid expenses includes also prepayments for software licences, prepaid insurance, media/press subscriptions and other similar expenses.

In thousands of euros

5. Inventories	31.12.2006	31.12.2005
Raw materials	**4 045**	3 128
Work in progress	**1 165**	1 471
Finished goods	**783**	1 134
Prepayments for goods	**9**	5
	6 002	5 738

In connection with the drop of net realisable value below acquisition cost, the following inventory allowances have been made:

	2006	2005
Raw materials	**361**	147
Work in progress	**6**	20
Finished goods	**147**	114
	514	281

The net carrying value of such items for which allowances have been made is 93 (2005: 151) thousand euros.

Materials, unfinished products and finished products unsuitable for production and resale have been written off in the amount of 16 (2005: 10) thousand euros.

Materials, for which allowances were made in 2005, were taken into use in 2006 in total value of 3 452 thousand kroons. Allowance reversal is reflected in cost of sales. No allowances previously recognised regarding inventories were reversed in 2005.

As of 31.12.2006, the Group has inventories held by third parties in the amount of 26 (31.12.2005: 26) thousand euros.

In thousands of euros

6. Long-term financial investments (over 1 year)	31.12.2006	31.12.2005
Bonds held-to-maturity – at amortised cost	**0**	700

For cash flow management purpose, the Group has acquired long-term bonds of Sampo Bank in the total amount of 700 thousand euros and with interest rate of 3M EURIBOR+0.90%. The maturity date of these bonds is 2012.
In connection with premature purchase of bonds on 29.01.2007, the mentioned bonds have been classified as short-term bonds as at the end of the year.

In thousands of euros

7. Long-term receivables (over 1 year)	**31.12.2006**	31.12.2005
Loans granted	**25**	29

Loans granted consist of loans granted to employees of AS Norma:

Purpose	Balance as of 31.12.05	Incl. short-term portion	Incl. long-term portion	Granted in 2006	Repaid in 2006	Balance as of 31.12.06	Incl. short-term portion	Incl. long-term portion	Interest rate (%)
Purchase and improvements of real estate	1	1	0	0	1	0	0	0	13
Student loans	34	7	27	4	7	32	10	22	0
Others	2	0	2	1	0	3	0	3	0
	37	**8**	**29**	**5**	**8**	**35**	**10**	**25**	

AS Norma has granted loans to employees of the Group according to the Group's lending policies. Loans are guaranteed with two surety agreements or real estate.
Student loans have not been discounted, as in the opinion of the management it has no significant effect of the results of the Group.

8. Property, plant and equipment

In thousands of euros

	Land and buildings	Machinery and equipment	Other items	Unfinished projects and prepayments	TOTAL
Net book value as of 31.12.2004	**4 520**	**10 087**	**167**	**647**	**15 421**
Additions	358	4 423	60	1 033	**5 874**
Disposals	-21	-42	-3	0	**-66**
Reclassifications	0	647	0	-647	**0**
Impairment loss	0	-67	0	0	**-67**
Depreciation charge	-296	-3 467	-65	0	**-3 828**
Net book value as of 31.12.2005	**4 561**	**11 581**	**159**	**1 033**	**17 334**
Additions	113	1 338	85	893	**2 429**
Disposals	0	-1	0	-111	**-112**
Reclassifications	0	1 032	0	-1 032	**0**
Depreciation charge	-288	-3 393	-71	0	**-3 753**
Net book value as of 31.12.2006	**4 386**	**10 557**	**173**	**783**	**15 898**
As of 31.12.2005					
Acquisition cost	6 165	29 116	429	1 033	**36 743**
Accumulated depreciation and impairment losses	-1 604	-17 535	-270	0	**-19 409**
As of 31.12.2006					
Acquisition cost	6 278	31 031	514	782	**38 605**
Accumulated depreciation and impairment losses	-1 892	-20 474	-341	0	**-22 707**

No fixed assets were impaired in 2006, while in 2005 the following impairments of fixed assets were made:

Items	Year	Amount of allowance	Reason for impairment	Method used for determined recoverable amount
Tooling	2005	67	Technological changes	Value in use

Unsuitable tooling for production and realisation been written off in the sum of 1 (2005: 3) thousand euros in 2006; their acquisition cost was 24 (2005: 44) thousand euros.

Depreciation charge has been recognised as follows: 3 622 (2005:3 698) thousand euros as cost of sales, 3 (2005: 4) thousand euros as marketing and distribution expenses, 26 (2005: 27) thousand euros as research and development expenses and 102 (2005: 99) thousand euros as general administrative expenses (see also Notes 15-18).

As of 31.12.2006, acquisition cost of fully depreciated property, plant and equipment amounts to 11 568 (2005: 8 408) thousand euros.

As of 31.12.2006 additional investments needed for the completing unfinished projects (incl. uninstalled equipment) amount to 315 thousand euros.

9. Intangible assets

In thousands of euros

	Product and technology licences	Software licences	TOTAL
Net book value as of 31.12.2004	**1 145**	**64**	**1 209**
Additions	0	4	**4**
Amortisation charge	-143	-39	**-182**
Net book value as of 31.12.2005	**1 002**	**29**	**1 031**
Additions	0	22	**22**
Amortisation charge	-143	-27	**-170**
Net book value as of 31.12.2006	**859**	**24**	**883**
As of 31.12.2005			
Acquisition cost	1 432	505	**1 937**
Accumulated amortisation and impairment losses	-430	-476	**-906**
As of 31.12.2006			
Acquisition cost	1 432	419	**1 850**
Accumulated amortisation and impairment losses	-573	-395	**-967**

In 2003 the Group entered into 10-years 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 an intangible asset in the amount of 1 432 thousand euros with useful life of 10 years and as of 31.12.2006 the remaining useful life of this licence is 6 years.

Amortisation charge has been recognised as follows: 151 (2005: 152) thousand euros as research and development expenses, 13 (2005: 20) thousand euros as cost of sales and 6 (2005: 10) thousand euros as general administrative expenses (see also Notes 15-18).

10. Operating leases

The Group has concluded the operating lease contracts to rent cars.

In thousands of euros

	2006	2005
Lease payments for the financial year	80	32
Future lease payments of non-cancellable operating leases as of the end of the year:	102	65
Incl. payable within 1 year	85	31
payable after 1 year, but not more than 5 years	16	34

The Group is also leasing land under operating lease terms (leasing period 2003 - 2005) with annual rental payments of 2 thousand euros, and buildings (leasing period 2003 - 2007) with annual rental payments of 43 thousand euros.

The Group has leased out production and office rooms under operating lease terms and earned income from these leases as follows:

	2006	2005
Production rooms	54	54
Office rooms	2	2

In thousands of euros

11. Payables and deferred income	31.12.2006	31.12.2005
Payables to suppliers	5 220	3 478
Payables to employees	1 339	1 269
Accrued expenses	29	3
Payables to the parent company of the Group (see Note 24)	1 008	787
Taxes payable, incl.	643	503
Social taxes	466	257
Personal income tax and income tax from fringe benefits	132	228
Other taxes	45	18
Total payables	8 239	6 040

12. Short-term provisions

Decrease in production output and increase in effectiveness of production resulted by new technology caused the situation, where AS Norma requested from Labour Inspectorate a permission to terminate employment agreements with 53 employees during the period of 01.02.2006 -28.02.2006.
To cover the expenses arising from this redundancy, a restructuring provision in the amount of 134 thousand euros was recognised as at 31.12.2005.

In 2006 a total of 1 909 thousand kroons of redundancy remuneration was paid to 51 employees from the previously mentioned reserve and has been recognised as follows: 115 thousand euros as cost of sales, 5 thousand euros as research and development expenses and 2 thousand euros as general administrative expenses.

The reversal of the remaining provision in the amount of 12 thousand euros is included in cost of sales.

In thousands of euros

13. Share capital	31.12.2006	31.12.2005
Share capital par value (10 kroons per share)	8 436	8 436

AS Norma has issued 13.2 million common shares with one vote per share. All shares are fully paid. Dividends paid out for 2005 were 4.2 million euros or 0.32 euro per share. The Management Board proposes also 4.2 million kroons paid out for 2006.

The Parent can increase its share capital up to 33 745 thousand euros as maximum, without changing its Articles of Association.

Shareholders of AS Norma with participation over 5%, as of 31.12.2006:

Autoliv Ab	51.0%
Skandinaviska Enskilda Banken Ab clients	7.5%
ING LUXEMBOURG S.A.	7.4%
Hansa Ida-Euroopa Aktsiafond	5.6%

Earnings per share	2006	2005
Net profit for the financial year	5 479	5 324
Average number of shares (in thousands)	13 200	13 200
Earnings per share in euro	0,42	0,40

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

14. Segment information

Primary reporting format – by product lines

In thousands of euros

	Safety belts 2006	Other products 2006	Unallocated 2006	Total 2006	Safety belts 2005	Other products 2005	Unallocated 2005	Total 2005
Segment revenue	56 156	11 954		68 110	55 828	7 551		63 379
Incl. revenue form other segments		-1 163		-1 163		-1 028		-1 028
Revenue from third parties	**56 156**	**10 791**		**66 947**	55 828	6 523		62 351
Segment expenses	**-47 226**	**-9 271**	**-4 605**	**-61 102**	-47 818	-5 700	-2 868	-56 386
Segment results	**8 930**	**1 520**	**-4 605**	**5 845**	8 010	823	-2 868	5 965
Total assets	**20 932**	**3 694**	**39 133**	**63 759**	20 737	3 550	36 288	60 575
Financial assets (excl. receivables)			32 370	32 370			29 198	29 198
Receivables and prepaid expenses	7 554	614	437	8 606	6 386	467	421	7 274
Inventories	4 948	1 054		6 002	5 054	684		5 738
Property, plant and equipment and intangible assets	8 660	2 026	6 095	16 781	9 297	2 399	6 669	18 365
Segment liabilities	**6 425**	**1 261**	**626**	**8 312**	5 418	646	325	6 389
Investments in non-current assets	**1 869**	**369**	**213**	**2 451**	3 651	1 652	575	5 878
Depreciation and amortisation	**2 658**	**606**	**659**	**3 923**	2 862	641	507	4 010
Impairment loss of non-current assets	**0**	**0**	**0**	**0**	50	17	0	67

The primary segments of the Group are operational segments and the secondary segments are geographical segments.

Across Group's product lines main product line is car safety belts. Other product lines (car security system components, automobile details, metalwork, real estate activities) separately account for less than 10% from revenue and total assets of the Group and therefore are not disclosed as separate reportable segments.

Segment revenue is revenue reported in the Group's income statement that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated on reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the Group.

Segment expenses is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to sales to external customers and expenses relating to transactions with other segments of the same entity.

Segment expense does not include general administrative expenses and other expenses that arise at the Group level and related to the Group as a whole. Expenses incurred at the Group level are allocated on a reasonable basis to the segment, if these expenses relate to the segment's operating activities and they can be directly attributed or allocated to the segment.

Segment result is segment revenue less segment expenses.

Segment assets are those operating assets that are employed by a segment in the its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets include current assets, property, plant and equipment and intangible assets related to the operating activities. If a particular item of deprecation or amortisation is included in segment expense, the related asset is also included in segment assets. Segment assets do not include assets used for general Group or head-office purposes or which cannot be allocated directly to the segment. Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.

Secondary reporting format – Revenue by geographical markets

In thousands of euros

	2006	2005
Sweden	**37 999**	35 957
Russia	**21 433**	18 577
Germany	**2 983**	2 119
Estonia	**1 083**	954
Ukraine	**918**	854
Czech Republic	**720**	508
France	**354**	1 626
Finland	**398**	538
Great Britain	**332**	60
Poland	**283**	266
Belgium	**246**	240
Spain	**96**	82
Italy	**0**	390
Other countries	**102**	180
Total:	**66 947**	62 351

The Group's (except Norma-Osvar ZAO's) inventories and property, plant and equipments are located in Estonia. Norma-Osvar ZAO's assets in the total amount of 662 (2005: 578) thousand euros are located in Russian Federation, incl. property, plant and equipment in the amount of 51 (2005: 26) thousand euros.

Investments in non-current assets by secondary reporting format are as follows: Estonia 2 413 (2005: 5 876) thousand euros and Russia 31 (2005: 2) thousand euros.

In the opinion of the management the pricing used in transactions between segments does not differ significantly from market prices.

In thousands of euros

15. Cost of sales	2006	2005
Raw materials	**-37 842**	-35 337
Personnel expenses (see Note 23)	**-9 046**	-8 191
Depreciation and amortisation (see Notes 8, 9)	**-3 635**	-3 718
Utilities	**-956**	-921
Repairs and maintenance	**-395**	-399
Transportation	**-1 461**	-1 162
Others	**-2 983**	-1 943
	-56 318	-35 337

In thousands of euros

16. Marketing and distribution expenses	2006	2005
Personnel expenses (see Note 23)	**-209**	-175
Depreciation (see Notes 8)	**-3**	-4
Transportation	**-581**	-443
Agent fees	**-105**	-70
Advertising	**-38**	-13
Business travelling	**-44**	-34
Other purchased services	**-6**	-6
Others	**-89**	-114
	-1 075	-859

In thousands of euros

17. Research and development expenses	2006	2005
Personnel expenses (see Note 23)	**-495**	-462
Expenses related to VAZ projects	**-844**	-992
Expenses related to testing and research	**-486**	-606
Depreciation and amortisation (see Notes 8, 9)	**-177**	-179
Business travelling	**-99**	-72
Other purchased services	**-15**	-23
Others	**-132**	-151
	-2 248	-2 485

In thousands of euros

18. General administrative expenses	2006	2005
Personnel expenses (see Note 23)	**-926**	-910
Depreciation and amortisation (see Notes 8, 9)	**-108**	-109
Repairs and maintenance	**-14**	-28
Advertising, promotions	**-85**	-115
Business travelling	**-48**	-51
Telephone and office supplies	**-53**	-63
Other purchased services	**-68**	-68
Training	**-25**	-30
Bad debt related expenses 1	**-1**	144
Others	**-314**	-164
	-1 642	-1 394

1 in 2006, the amount of bad debt related expenses consists of the reversal of allowance for doubtful receivables in the amount of 1.3 (2005: 144) thousand euros (see Note 3) and the uncollectible receivable directly written off from balance sheet in the amount of 0.1 (2005:0.4) thousand euros.

In thousands of euros

19. Other operating income	2006	2005
Revenue not related to main production activities	**350**	177
Gain from disposals of property, plant and equipment	**43**	5
Foreign exchange gain	**0**	114
Others	**3**	2
	396	298

In thousands of euros

20. Other operating expenses	2006	2005
Membership fees of unions, other associations	**-8**	-8
Sponsorship	**-27**	-19
Expenses not related to main production activities	**-28**	-47
Foreign exchange loss	**-152**	0
Restructuring provision (see Note 12)	**0**	-134
Impairment loss of non-current assets (see Note 8)	**0**	-67
	-215	-275

In thousands of euros

21. Financial items	2006	2005
Change in fair value of interest fund shares of Hansapank	**41**	105
Interest income from deposits	**835**	503
Interest income from bonds	**26**	35
Interest income from loans	**8**	0
Foreign exchange gain / loss	**-6**	37
Other items	**-10**	11
	894	691

In thousands of euros

22. Income tax expense	2006	2005
Income tax on dividends	**-1 260**	-1 332
Total expense	**-1 260**	-1 332

The subsidiary ZAO Norma-Osvar is located and registered In Russian Federation, where net profit is a subject of income tax. As of 31.12.2006 the Russian subsidiary has tax losses carried forward in the amount of 28 (2005:22) thousand euros, from which deferred tax asset arises. Considering the business situation, the management does not believe that it is probable that future taxable profit will be available in near future (during 3 years) against which the unused tax losses can be utilised, therefore no deferred tax assets have been recorded.

Maximum potential income tax on net dividends

The Group's retained earnings as of 31.12.2006 were 46 167 (31.12.2005: 44 906) thousand euros. The maximum possible income tax liability, which would become payable if retained earnings were fully distributed is 10 157 (31.12.2005: 10 328) thousand euros, thus retained earnings in the amount of 36 010 (31.12.2005: 34 578) thousand euros can be distributed as net dividends.

The maximum income tax liability has been calculated using the income tax rate applicable for dividends paid out in 2007 and on the assumption that distributable dividends and the related income tax together cannot exceed the amount of retained earnings as of 31.12.2006 and 31.12.2005, respectively.

If the Group pays out dividends in the amount of 4.2 million euros, as the management Board proposes for 2006 (see Note 13), the income tax liability in the amount of 1.2 million euros will be arise.

In thousands of euros

23. Personnel expenses	**2006**	2005
Wages and salaries	**-8 022**	-7 313
Social tax expenses	**-2 632**	-2 387
Unemployment insurance expenses	**-22**	-38
	-10 676	-9 738

In thousands of euros

24. Transactions with related parties

	2006	2005
Purchases from companies of Autoliv Group	**11 173**	17 348
incl. Autoliv AB	**54**	38
Sales to companies of Autoliv Group	**41 305**	37 925
incl. Autoliv AB	**0**	0

	31.12.2006	31.12.2005
Receivables from companies of Autoliv Group (see Note 3)	**3 661**	3 065
incl. Autoliv AB	**0**	0
Payables to companies of Autoliv Group (see Note 11)	**1 008**	787
incl. Autoliv AB	**1**	17
Short-term deposits in treasury of Autoliv Group (see Notes 1, 2)	**24 800**	17 925

In 2006, the Group deposited its money in the treasury of Autoliv AB in the amounts of 37 159 (2005: 14 200) thousand euros and 42 000 (2004: 156 540) thousand kroons. Interest income received from these deposits (2006: 732 thousand euros; 2005: 400 thousand euros) has been recognised as interest income from deposits in Note 21.

Receivables and payables from /to companies of Autoliv Group are not secured and earn no interests, except deposits, as credit terms of these receivables and payables are normal credit terms.

The executive members of the Management Board received a remuneration totalling 451 (2005: 486) thousand euros and the Supervisory Board totalling 48 (2005: 48) thousand euros. The executive members of the Management Board and Supervisory Board do not have any share options or other benefits. The members of Management Board have a right to termination benefits (as 0-12 months salary). The maximum amount of such termination benefits is 275 thousand euros.

Loans granted to employees of the Group have been disclosed in Note 7.

25. Main risks for 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 the Group's major customers to pay for goods supplied. Credit is primarily extended only to long-term partners. In order to ensure the payments from its long-term clients, the Group is constantly monitoring and analysing their financial position and liquidity. If necessary, the Group requests bank guarantees to ensure payments. Prepayment or a letter of credit is required for single transactions or new clients.

An allowance has been recorded to cover doubtful receivables. This allowance encompasses all accounts receivables, which are the object of dispute with the other party, and receivables, which the Management Board has reason to believe are not collectible.

The largest concentration of credit risk is related to our Russian and Ukrainian customers. The accounts receivables balances from the Russian and Ukrainian clients as of 31.12.2006 amounts to 3 751 (2005:3 670) thousand euros. Allowance for these receivables amounts to 0 (31.12.2005: 62) thousand euros at the end of the year, thus the net balance of receivables is 3 751 (2005: 3 608) thousand euros.

The balances of receivables and deposits reflect the total credit risk exposure.

Currency risk

In 2006, 98.4% (2005: 98.5%) of the Group's revenue was export sales, made mainly in euros. 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.
Short-term investments are diversified between Estonian kroons and euros.

No hedge accounting instruments were used for covering currency risks.

Currency position of the Group

In thousands of euros

	31.12.2006						
Financial assets	**EEK**	**SEK**	**USD**	**EUR**	**RUR**	**Others**	**Total**
Cash	4 154	5	69	1 451	132	-	5 811
Short- and long-term investments	-	-	-	26 559	-	-	26 559
Short- and long-term receivables	330	19	99	7 836	243		8 527
	4 484	**24**	**168**	**35 846**	**375**	**0**	**40 897**
Financial liabilities	**3 460**	**1 238**	**5**	**3 512**	**19**	**5**	**8 239**

	31.12.2005						
Financial assets	**EEK**	**SEK**	**USD**	**EUR**	**RUR**	**Others**	**Total**
Cash	5 324	-	96	6 231	47	-	11 698
Short- and long-term investments	4 723	-	-	12 646	132	-	17 501
Short- and long-term receivables	180	14	87	6 288	534	72	7 175
	10 227	**14**	**183**	**25 165**	**713**	**72**	**36 374**
Financial liabilities	**2 554**	**1 008**	**25**	**2 433**	**3**	**17**	**6 040**

Fair value

In the opinion of the Group's management there are no significant differences between the carrying value and the fair value of financial assets and liabilities of the Group, which has been determine using market value for interest fund shares and discounted cash flow method for cash (incl. deposits), bonds, other receivables and payables.

26. Balance sheet of AS Norma (the Parent)

In thousands of euros

Assets	**31.12.2006**	31.12.2005
Current assets		
Cash in hand and deposits	**5 679**	11 650
Short-term investments	**26 559**	16 668
Receivables	**8 883**	7 446
Prepaid expenses	**49**	56
Inventories	**5 471**	5 129
Total current assets	**46 641**	40 949
Non-current assets		
Long-term investments	**774**	1 474
Long-term receivables	**24**	29
Property, plant and equipment	**15 024**	16 381
Intangible assets	**869**	1 018
Total non-current assets	**16 691**	18 902
Total assets	**63 332**	59 851
Liabilities and equity		
Liabilities		
Current liabilities		
Payables	**8 374**	6 005
Deferred income	**35**	61
Provisions	**0**	134
Total current liabilities	**8 409**	6 200
Total liabilities	**8 409**	6 200
Equity		
Share capital (par value)	**8 436**	8 436
Statutory reserve	**844**	844
Retained earnings	**45 643**	44 371
Total equity	**54 923**	53 651
Total liabilities and equity	**63 332**	59 851

27. Income statement of AS Norma (the Parent)

In thousands of euros

	2006	2005
Revenue	**65 854**	61 035
Cost of sales	**-55 601**	-50 908
Gross profit	**10 253**	10 127
Marketing and distribution costs	**-1 075**	-859
Research and development expenses	**-2 235**	-2 485
General administrative expenses	**-1 403**	-1 166
Other operating income	**509**	521
Other operating expenses	**-186**	-324
Operating profit	**5 863**	5 814
Financial items	**887**	682
Profit before taxes	**6 750**	6 496
Income tax expense	**-1 260**	-1 332
Net profit	**5 490**	5 164

28. Statement of changes in equity of AS Norma (the Parent)

In thousands of euros

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2004	**8 436**	**844**	**43 425**	**52 705**
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	5 164	5 164
31.12.2005	**8 436**	**844**	**44 371**	**53 651**
31.12.2005	**8 436**	**844**	**44 371**	**53 651**
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	5 490	5 490
31.12.2006	**8 436**	**844**	**45 643**	**54 923**

Pursuant to the Commercial Code the statutory reserve amounts to 10% of the share capital.
The statutory reserve can be used for covering the loss or increasing the share capital. The Statutory reserve cannot be paid out as dividends.

29. Cash flow statement of AS Norma (the Parent)

In thousands of euros

Cash flows from operating activities	2006	2005
Operating profit	5 863	5 814
Adjustments of operating profit		
Gain from disposals of property, plant and equipment	-9	-4
Depreciation and amortisation	3 678	3 759
Impairment loss of property, plant and equipment	0	67
Decrease in assets related to operating activities	-1 641	4 648
Decrease in liabilities	2 209	-1 399
Total cash flows from operating activities	10 100	12 885
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	121	66
Acquisition of property, plant and equipment	-2 283	-5 605
Loans granted	-5	-6
Loan repayments received	8	19
Acquisition of financial investments	-39 843	-11 513
Proceeds from disposals of financial investments	30 652	13 126
Interest received	763	665
Total cash flows from investing activities:	-10 587	-3 248
Cash flows from financing activities		
Payment of income tax on dividends	-1 260	-1 332
Dividends paid	-4 218	-4 218
Total cash flows from financing activities:	-5 478	-5 550
Net cash flows	-5 965	4 087
Changes in cash and cash equivalents		
Balance at the beginning of the year	11 650	7 531
Increase/decrease of cash and cash equivalents	-5 965	4 087
Foreign exchange effect	-6	32
Cash and cash equivalents at the end of the year, incl.:	5 679	11 650
Cash in hand and deposits,	*27 588*	*23 596*
excl. time deposits with maturity more than 3 months	*-25 859*	*-16 668*
Shares of interest fund	*3 950*	*4 722*

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Norma AS

We have audited financial statements of Norma AS and its subsidiaries (hereafter "the Group"), which comprise the balance sheet as of 31 December 2006, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements, which we have identified on the accompanying pages, are enclosed to the current report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by European Union.

Tallinn, February 19, 2007

Hanno Lindpere
Ernst & Young Baltic AS

PROFIT ALLOCATION REPORT

Net consolidated profit of AS Norma for 2006 amounts to 85 732 164 EEK (5 479 284 EUR).

The Management proposal, which is agreed with the Supervisory Board, is do transfer 2006 profit to retained earnings.

The Management proposes to pay annual dividends to shareholders in the amount of 50% of the par value of 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).

The General Meeting of the Shareholders will set a fixed date for 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 28.05.2007 at 11.59 PM.

SIGNATURE OF MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD ON ANNUAL REPORT 2006

The Management Board and Supervisory Board confirm the completeness and correctness of the Annual Report 2006 of AS Norma and its subsidiaries:

Peep Siimon
Chairman of Management Board

Jörgen I. Svensson
Chairman of Supervisory Board

Ivar Aas
Member of Management Board

Leif Berntsson
Member of Supervisory Board

Ülle Jõgi
Member of Management Board

Toomas Tamsar
Member of Supervisory Board

Garri Krieger
Member of Management Board

Raivo Erik
Member of Supervisory Board

Kaido Salurand
Member of Management Board

Aare Tark
Member of Supervisory Board

Stig Carlson
Member of Management Board

Rolf Henke
Member of Supervisory Board

February 20, 2007

LIST OF SHAREHOLDERS WITH OWNERSHIP OF 10% OR MORE

No of account	Name	Reg. no	Address	City	Country	Index	Balance	%
99011551452	AUTOLIV AB	556036-1981	BOX 70381	STOCKHOLM	Sweden	SE-10724	6732000	51%

CORPORATE GOVERNANCE

Estonian Corporate Governance Recommendations

As from 1th of January 2006, AS Norma follows the rules of Estonian Corporate Governance Recommendations (the "Recommendations"). This Corporate Governance Report (the "Report") describes the management practices of AS Norma in the financial year 2006 and their accordance with guidelines given in the Recommendations. In 2006, AS Norma to its knowledge complied with the Recommendations, except as otherwise stated in the Report.

AS Norma is a public limited company registered in Estonia under commercial register code 10043950, having its office located at Laki tn. 14, 10621 Tallinn, Estonia. In 2006, AS Norma had a share capital of EEK 132,000,000, divided into same class registered shares with the par value EEK 10 each. AS Norma's shares are listed on the main list of the Tallinn Stock Exchange under the code NRM1T. AS Norma has about 1,500 shareholders. In addition, AS Norma's shares are also traded at the Frankfurt, Berlin and Munich stock exchanges. AS Norma is controlled by Autoliv AB, a Swedish car safety products manufacturer. Autoliv AB is also the single largest shareholder in AS Norma.

General Meeting

Exercise of shareholders' rights

The general meeting of shareholders is the highest governing body of AS Norma. Annual and extraordinary general meetings are held. Competence of the general meeting has been determined in the Estonian Commercial Code and the articles of association of AS Norma (the articles of association have been made available on AS Norma's website www.norma.ee). The general meeting is competent to consider, among other things, the annual report, distribution of profits, amendments to the articles of association and composition of the supervisory board. A shareholder may attend and vote at a general meeting of shareholders in person or by proxy. Each share entitles the shareholder to one vote.

In 2006, the general meeting of shareholders took place on 17th of May. The meeting decided to approve the annual report of AS Norma for 2005 along with the profit distribution proposal, decided to amend the articles of association of AS Norma in connection with amendments to the Commercial Code, appointed the auditor of AS Norma for the financial year 2006 and determined the procedure for remuneration of the auditor.

Calling of general meeting of shareholders and information to be published

The management board will publish a notice to convene a general meeting of shareholders. The notice will be published in a national daily newspaper at least three weeks or one week prior to the meeting, depending on whether an annual or extraordinary general meeting will be held, respectively. The notice will specify the place where shareholders may examine the annual report, which will be made available at least two weeks prior to the meeting. In 2006, a notice for the annual general meeting was published in the newspaper "Eesti Päevaleht" on 24th of April and via the information system of the Tallinn Stock Exchange on 17th of February.

Hence in 2006 the general meeting of shareholders of AS Norma was held in accordance with the Recommendations.

Procedure of general meeting of shareholders

As a rule, the general meeting is competent to adopt resolutions if the represented votes represent over one-half of the shares. At the general meeting of shareholders, resolutions will be passed by the approval of a majority of the votes represented at the meeting, except certain resolutions, such as amending the articles of association, increasing or decreasing the share capital, merger, division, reorganisation or liquidation of AS Norma and removal of the supervisory board's member before the expiry of the term of office, which require the approval of a majority of at least 2/3 of the votes represented at the meeting.

Management Board

Duties

The management board is the executive body of AS Norma, competent to represent AS Norma and manage its activities. Chairman of the management board may alone represent AS Norma and other members jointly with another member. To achieve the purposes of AS Norma, the management board analyses the risks connected to the purpose of the activities and financial objectives of AS Norma, oversees the system of control and reporting. The management board of AS Norma has by its resolution established the rules of maintaining inside information of AS Norma group. The management board must adhere to the lawful orders of the supervisory board. In 2006, there was constant information exchange between the management board and supervisory board of AS Norma wherein the management board regularly provided the supervisory board with an overview of economic activities and financial situation of AS Norma.

Composition and compensation

The supervisory board will elect and remove the members of the management board and appoint the chairman of the board. In 2006, Peep Siimon was chairman of the board. The management board comprises five to eight members who are elected for a term of three years. At least one-half of the management board members must be residents of member states of the European Economic Area or Switzerland. Members of the management board may not simultaneously serve on the supervisory board. In 2006, the management board of AS Norma comprised Peep Siimon, Ivar Aas, Ülle Jõgi, Kaido Salurand, Garri Krieger and Stig Nils Olof Carlsson. The term of appointment of the present members expires on 17 th of February 2007. Responsibilities of the management board members have been set out in the management agreement concluded with each management board member.

The management board is remunerated according to management agreements concluded with each management board member. The basis for management board remuneration in 2006 is thoroughly detailed in other parts of the management report. Payment of additional remuneration to management board members depends on whether financial and strategic goals set by the supervisory board have been met. The criterion for meeting the financial goal is growth of audited profits in comparison with the previous financial year. Longer-term strategic goals are set by the supervisory board and on their basis the supervisory board yearly sets specific goals and respective criteria. Once a year, the supervisory board assesses whether these goals have been met.

Conflicts of interest

A member of the management board is prohibited, without the consent of the supervisory board, to compete with AS Norma. No significant transactions concluded between AS Norma and a member of its management board or persons connected to a management board member nor situations related to a conflict of interest have been reported to the supervisory board in 2006.

Hence in 2006 the activities of the management board were in compliance with the Recommendations.

Supervisory Board

Duties

The supervisory board engages in oversight and longer-term management activities of AS Norma, such as supervising the management board, devising business plans, approving annual budgets and budget of investments. The supervisory board reports to the general meeting of shareholders. Transactions beyond the scope of everyday economic activities of AS Norma, such as acquisition and disposal of holdings in other companies, establishment and liquidation of subsidiaries, transactions with immovables, investments above set limits etc., require the consent of the supervisory board. The supervisory board has formed no committees.

Composition and compensation

The supervisory board presently has six members, elected by the general meeting of shareholders for a term of three years: Jörgen I. Svensson, Toomas Tamsar, Raivo Erik, Aare Tark, Leif Berntsson and Rolf Henke. The following members of the supervisory board have ties with Autoliv AB, the controlling shareholder of AS Norma: Jörgen I. Svensson, Leif Berntsson and Rolf Henke. Aare Tark has engaged in business activities with AS Norma through a legal services provider in which he is the controlling shareholder, even though such activities are not substantial. Thus the requirement established in section 3.2.2. of the Recommendations might not have been fully complied with in 2006. AS Norma refers to Rules of Tallinn Stock Exchange which consider two fully independent members of the supervisory board as a minimum acceptable standard. In addition, AS Norma is controlled by Autoliv AB. For the above reasons, a majority independent supervisory board might not be justified. The term of appointment of the present members expires on 18th of May 2008. According to the articles of association, the majority shareholder may, during the time between shareholders' general meetings, remove and appoint not more than three members of the supervisory board, should such need arise earlier than one month before the next shareholders' general meeting. Members of the supervisory board elect a chairman from among themselves, who will organise the activities of the supervisory board. In 2006, Jörgen I. Svensson was chairman of the board.

According to the decision of the annual general meeting dated on 25th of April 2000, compensation of the supervisory board was decided. Monthly remuneration is EEK 10,000 for supervisory board member and EEK 12,000 for chairman of the board. No compensation is paid to any supervisory board member upon termination of their appointment.

Conflicts of interest

A member of the supervisory board may not participate in voting in the supervisory board's meeting if approval of the conclusion of a transaction between such member and AS Norma is being decided, or if approval of the conclusion of any transaction through a person connected to such member or through a company where such member has significant holding is being decided. A member of the supervisory board is prohibited, without respective resolution of the general meeting of shareholders, to compete with AS Norma. No conflicts of interest have been reported to the management board by the supervisory board members in 2006.

Hence in 2006 the activities of the supervisory board were in compliance with the Recommendations, except for the requirement established in section 3.2.2.

Disclosure of Information

AS Norma has opened its website at www.norma.ee and discloses on its website directly or using links to the website of the Tallinn Stock Exchange the following data: articles of association (in Estonian), annual and interim reports, and financial calendar. Data on current membership of the management board and supervisory board is not available on the website (subsection 5.3. of the Recommendations), however, all changes in membership of the management board and supervisory board have been publicised via the information system of the Tallinn Stock Exchange according to the rules and regulations of the Tallinn Stock Exchange. As no press conferences or meetings with analysts took place in 2006, the website of AS Norma contains no such data.

Thus the activities of AS Norma regarding disclosure of information in 2006 were in accordance with the Recommendations, except for the requirement established in section 5.3. that was partially complied with.

Financial Reporting and Audit

Reporting

The consolidated financial statements of AS Norma have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU and on a historical cost basis, except as disclosed in the chapter of accounting policies and estimates in consolidated financial statements.

AS Norma is required to make public the quarterly interim tentative and final quarterly financial reports and the audited annual report immediately after its approval by the supervisory board.

tentative	final	tentative	final	tentative	final	tentative	final
Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4
26th of April 2006	31st of May 2006	25 th of July 2006	30th of August 2006	25th of October 2006	29th of November 2006	07th of February 2007	28th of Febryary 2007

Audit

Number and names of auditors of AS Norma will be determined by a resolution of the general meeting of shareholders. Based on the resolution, the chairman of the supervisory board will conclude the contract for auditing services with one of the auditors determined. Ernst & Young Baltic AS has been the auditor of AS Norma since 2005 and the supervisory board proposes to the general meeting of shareholders to approve Ernst & Young Baltic AS also as the auditor in 2007.

In Tallinn, on 20th of February 2007

Jörgen I.Svensson
Chairman of the Supervisory Board

Peep Siimon
Chairman of the Management Board

AS NORMA

ANNUAL REPORT 2006

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Beginning and end of the reporting year:	01.01.2006-31.12.2006