AS Norma

Interim report for the period Q4 Y2007

Legal address:	Laki 14 10621 Tallinn Estonia
Business Register No	10043950
Phone:	+372 6 500 442
Fax:	+372 6 500 134
Beginning and end of the reporting period	01.01.2007 - 31.12.2007

Table of contents

MANAGEMENT REPORT

Field of activity

The main field of activity of AS Norma (the Parent) and its subsidiary (referred to together as the Group) is production and sale of car safety systems, including belts and their components. The Group also manufactures car components and 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

On one of AS Norma's biggest markets – Russia – changes that had begun already in previous years continued. According to preliminary data ("AVTOSTAT"), 2.782 million passenger cars were sold, of which 1.65 million were new foreign cars, 752 thousand were new Russian cars and 380 thousand were used cars. Sales of passenger vehicles increased 35.5%.

The market share of foreign vehicles increased from 57% in 2006 to 69% in 2007. A total of 450 (2006: 280) thousand cars were produced in Russia by foreign manufacturers. The biggest maker of foreign models is Avtotor in Kaliningrad with 104 thousand cars (Chevrolet, Chery, Kia, etc.), TagAZ assembled 81 thousand Hyundai models, Avtoframos assembled 73 thousand Dacia Logans, and 68 thousand Ford Focuses were assembled near St. Petersburg.

A total of 752 thousand of the domestic passenger vehicles produced in Russia were sold, approximately 6% less than a year ago (as was forecasted for that term). During the accounting period, AVTOVAZ sold 768 thousand vehicles (2006: 724), 660 thousand of them in Russia, an increase of 6%. About 110 thousand cars (2006: 99) were imported.

The production of passenger cars in Russia increased 10% in 2007; about 1.3 million vehicles were produced. AVTOVAZ, the biggest on the market, produced 736 thousand vehicles, which was 4% less than the previous year, and in addition 165 thousand car kits were produced, which were assembled in other factories in Russia, Ukraine, Kazakhstan and other countries.

GM-AvtoVAZ (a joint venture of AVTOVAZ and General Motors) produced 55 thousand Chevrolet Nivas and Chevrolet Vivas. A 15% increase occurred compared to the last year, when 48 thousand were produced. Fourteen per cent more cars were sold than a year ago (2007: 55; 2006: 48 thousand cars).

GAZ sold 40 thousand Volga passenger vehicles, which is 21% less than in 2006, but the sale of light vans and buses increased 9% to 181 thousand.

IZavto produced 79 thousand passenger vehicles (2006: 65 thousand); the growth was 21%. Twenty-two thousand of those were assembled Ladas, 49 thousand were KIA Spektra models and 8 thousand IZ vans.

In 2007, there was a 13% increase in the sales volumes of AS Norma's retractor seat belts to the Eastern market: the amount of retractor seat belts delivered to AVTOVAZ increased by 1% compared to 2006, the deliveries to GM-AvtoVAZ increased 9%, to GAZ over 300% (in 2006 deliveries were made there only in the second half of the year), sales to IZavto and ZAZ decreased by 28%.

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. In 2007, Volvo Car Corporation produced 476 thousand cars (2006: 439 thousand), 247 thousand of them in Belgium (2006: 248 thousand). The seat belts produced in AS Norma are delivered to Volvo's Belgian and Swedish factories, to a smaller extent also to China. The seatbelts are also delivered to Saab Automobile and Volvo Group (Volvo Trucks, Volvo Buses). In 2007 the amount of belts delivered through Autoliv decreased 1% to 2.41 (2006: 2.44) million units.

Raw material

Similarly to the previous two years, the economic activities of AS Norma were significantly affected by the steep rise in the price of non-ferrous metals in the first half of the year, the influence of which, nevertheless, weakened in the year's second half. The prices of steel and plastic showed a slight increase. Price increase of raw materials absorbed price reductions on some other outsourced articles.

Estonian economic environment

AS Norma exports 98% of its products. Our partners are automotive companies and their subcontractors. In this industry the price pressure is extremely high and the constant decline of sales prices is the norm. At the same time the price of most of the materials imported by Norma is very much dependent on the world market for raw material prices. Therefore, in terms of price pressure from clients and suppliers, the company has to cope with growing inflation in Estonia. Besides the rise in prices of electricity, water, gas, transport and purchased services, salary expectations have grown faster than expected over the last few years.

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 the 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 first phase of AVTOVAZ – Lada Priora car safety system was completed. The replacement of Lada 2110 model begun in the production. All Priora models were assembled with driver's airbag and airbag control units.

Metals research was conducted in collaboration with Tallinn Technical University. The results of research into materials essential for Norma's production were part of a doctor's degree defended at Tallinn University of Technology.

Production

In 2007, the volumes of safety belt production were stable without major fluctuations within the months. Implementation of the next generation of safety belts continued in accordance with the introduction of new Volvo and AVTOVAZ car models.

The production of safety belt components in 2007 could be defined as steady volume growth. Compared to 2006, production volumes increased by 12%. Forty new safety equipment components were introduced into production. The efficiency of direct labour increased 10%. Over 4 million kroons (0.3 million euros) was economized in 2007 as a result of implementing various austerity projects.

Quality management

The Q4 2007 indicators on quality were:
1) the number of products returned from clients per million products (PPM) – 5.0
2) delivery precision on average 98.5%

In 2007, the leader of the Russian car industry AVTOVAZ gave its "Excellent supplier" rating as a testimony to the quality of our products and implementation of a customer friendly policy.

Investments made in the financial year

In 2007, the Group invested 42 million kroons (2.7 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 2007 were distributed as follows:

Metal processing equipment	24.4 million kroons (1.6 million euros)
Assembly lines	8.4 million kroons (0.5 million euros)
Injection moulding machines	3.9 million kroons (0.2 million euros)
Tooling	1.9 million kroons (0.1 million euros)
Information technology	1.6 million kroons (0.1 million euros)
Reconstruction and facility repairs	1.0 million kroons (0.1 million euros)
Quality testing equipment	0.8 million kroons (0.1 million euros)

Financial highlights of the Group

Economic activities	**Q4 2007 mil. EEK**	Q4 2006 mil. EEK*	Q4 2005 mil. EEK*	**Q4 2007 mil. €***	Q4 2006 mil. €*	Q4 2005 milj. €*
Revenue	**369**	286.9	239	**23.6**	18.3	15.3
Change to previous year %	**28.6**	20.0				
Gross profit	**62.9**	47.0	40.9	**4.0**	3.0	2.6
Change to previous year %	**33.8**	14.9				
Gross profit margin[1]	**17.1**	16.4	17.1			
Operating profit	**32.4**	26.6	17.9	**2.1**	1.7	1.1
Change to previous year %	**21.6**	48.6				
Operating profit margin[2]	**8.8**	9.3	7.5			
EBITDA[3]	**48.3**	42.3	34.3	**3.1**	2.7	2.2
Change to previous year %	**14.2**	23.3				
Profit before taxes	**38.4**	30	20.2	**2.5**	1.9	1.3
Change to previous year %	**27.7**	48.5				
Pre-tax profit margin[4]	**10.4**	10.5	8.5			
Net profit	**38.4**	30.0	20.2	**2.5**	1.9	1.3
Change to previous year %	**27.6**	48.5				
Net profit margin[5]	**10.4**	10.5	8.5			
Working capital[6]	**578.6**	513.7	366	**37.0**	32.8	23.4
Change to previous year %	**12.6**	40.4				
Average number of employees	**972**	941	935			
Change to previous year %	**3.3**	0.6				
Share related figures						
Number of shares (millions)	**13.2**	13.2	13.2			
Earnings per share[7]	**2.9**	2.3	1.5	**0.19**	0.15	0.10
Change to previous year %	**27.6**	48.8				
Equity per share[7]	**68.7**	65.7	64.2	**4.4**	4.2	4.1
Change to previous year %	**4.6**	2.3				

[1] Gross profit margin –gross profit/revenue
[2] Operating profit margin – operating profit/revenue
[3] EBITDA- earnings before interest and taxes; depreciation and amortisation added
[4] Pre-tax profit margin – profit before tax/revenue
[5] Net profit margin – net profit/revenue
[6] Working capital – current assets except for cash and cash equivalents (deposits with maturity < 3 months; interest fund shares) less current liabilities
[7] Earnings per share – net profit per share in euros: the company has no contingently issuable common shares, therefore diluted EPS equals to basic EPS
[8] Equity per share – total equity/number of shares (in euros)

Sales

The revenue of the Group amounted to 369 million kroons (23.6 mil. euros) in Q4 Y2007. This constitutes a 28.6% increase, compared to Q4 Y2006 (287 mil. kroons; 18.3 mil. euros).

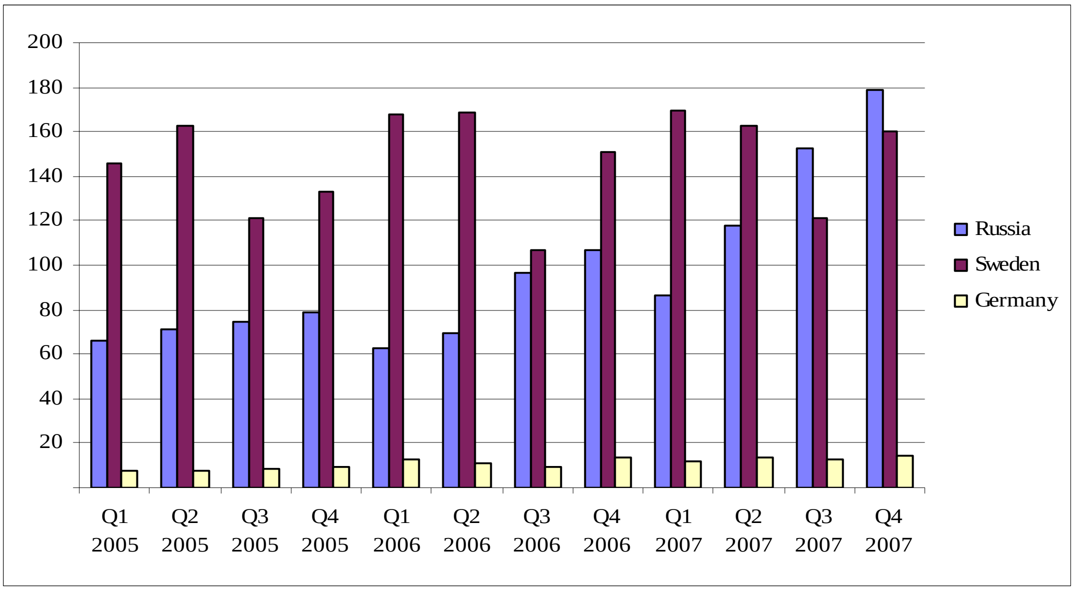
In Q4 Y2007, AS Norma exported 98.8% of its products - 44% (in Q4 Y2006: 53%) to Sweden, 49% (in Q4 Y2006: 38%) to Russia and 4% (in Q4 Y2006 5%) to Germany. Russian sales grew by 67%. AutoVAZ and GAZ increased orders ensured the growth of Russian sales.

During the last quarter, sales to various sub-units of the parent company Autoliv increased by 2% compared to same perios a year ago, amounting to 173 million kroons (11.1 million euros).

In whole year 2007, the revenue of the Group amounted to 1264 million kroons (80.8 million euros). This constitutes a 21% increase compared to 2006 (1048 millions kroons; 66.9 million euros). Seatbelts made up 75% (in 2006: 84%) of revenue. The turnover increased 143 million kroons (9.1 million euros) due to a gain in momentum in sales of safety systems to AVTOVAZ's Kalina and Priora models.

In 2007, AS Norma exported 98.9% (in 2006: 98.4%) of its products. The most important markets continue to be Sweden 49% (2006: 58%) of AS Norma export, Russia 43% (2006: 33%) and Germany 4.2% (2006: 4.5%).

Export 2004-2007 (millions of kroons)



Sales to various sub-units of the parent company Autoliv increased by 2% compared to 2006 amounting to 661 million kroons (42.3 million euros). The sale of seat belts made up 79% (2006: 79%) of net sales to Autoliv. The amount of belts delivered decreased by 1% to 2.41 million units.

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 8% compared to 2006.

Expenses

Expenses on raw material increased 28.7%, by 170 million kroons (10.9 million euros) to 762 million kroons (48.7 million euros), making up 60.3% (2006: 56.5%) of revenue. A total of 72% of material cost increase and 3.5% increase of this cost relative to revenue was due to increase in sales of safety systems. The increase in the price of steel, chrome, zinc and outsourced components dependent on the prices of those metals affected expenses on raw materials used in the conventional production.

Depreciation and amortisation costs increased by 1.4% i.e. 1 million kroons (0.1 million euros) in the financial year, compared to 2006, amounting to 62 million kroons (4.0 million euros), or 4.9 % (2006: 5.9%) of the turnover.

Personnel expenses amounted to 201 million kroons (12.9 million euros) in 2007, having grown by 20.4% (i.e. 34 million kroons; 2.2 million euros), compared to the previous period. Personnel expenses made up 15.9% of revenue in 2007 (2006: 15.9%). Personnel expenses rose 21.0% in production departments.

The company employed a monthly average of 972 people, which is 60 employees more than in the previous year. The average increase in personnel expenses was 13.0% compared to the previous year.

In 2007, the expenses on transport of goods increased by 27.6% (2006: 27.2%) amounting to 41 million kroons (2.6 million euros), making up 3.2% (2006: 3.1%) of revenue.

Product development costs decreased by 5 million kroons (0.3 million euros) in 2007, amounting to 30 million kroons (1.9 million euros) or 2.4% (2006: 3.4 %) of revenue. Similarly to 2006, the biggest expenses (13 million kroons; 0.8 million euros) were incurred in 2007 (12 million kroons; 0.8 million euros) on the sales to AVTOVAZ of engineering services in the field of safety system development.

Profit and profitability

The Group's gross profit for Q4 Y2007 was 63 (in Q4 Y2006: 47) million kroons or 4.0 (in Q4 Y2006: 3.0) million euros - i.e. 17.1% (in Q4 Y2006: 16.4%) of revenue, an increase 33.8%.

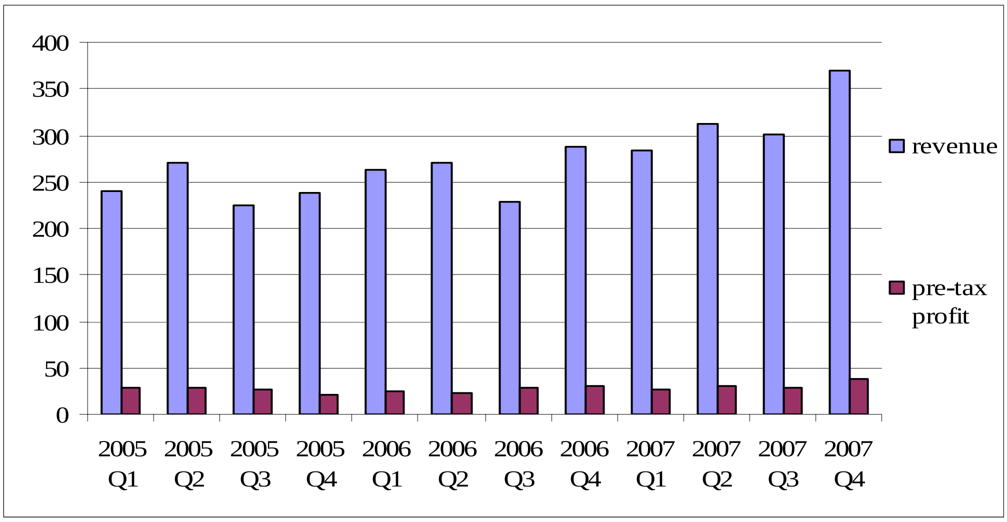
The Group's gross profit for 2007 was 191 (2006: 166) millions kroons -i.e. 12.2 (2006: 10.6) million euros, which was 15.1% (2006: 15.9%) of revenue. The 14.8% i.e. 25 million kroons (1.6 million euros) increase in gross profit was due to revenue increase.

The operating profit for Q4 Y2007 rose by 5.7 million kroons (0.4 million euros) reaching 32 million kroons (2.1 million euros), making up 8.8% (Q4 Y2006: 9.3%) of revenue.

For whole year 2007, operating profit increased by 13 million kroons (0.8 million euros) to 104 million kroons (6.7 million euros), making up 8.2% (2006: 8.7%) of revenue. Marketing expenses increased by 12 million kroons (0.8 million euros) and administrative expenses by 6 million kroons (0.4 million euros), at the same time the product development costs decreased by 5 million kroons (0.3 million euros). The relative importance of the marketing expenses from revenue was 2.3% (2006: 1.6%), product development costs – 2.4% (2006: 3.4%) and administrative costs – 2.5% (2006: 2.5%) from revenue. Other business expenses decreased by 2 million kroons (0.1 million euros) due to smaller currency rate loss.

The net profit for Q4 Y2007 amounted to 38 (in Q4 Y2006: 30) million kroons (2.5 and 1.9 million euros resp.). For 2007, the net profit amounted to 106 (2006:86) million kroons or 6.8 (2006: 5.5) million euros, an increase of 23.6%. Income tax payable on dividends decreased by 1 million kroons (0.1 million euros) compared to 2006.

The Group's revenue and profit dynamics by quarters: 2005 - 2007 (in millions of kroons)



Cash flows and capital appropriation

In 2007, the Group's cash flow from operating activities amounted to 136 (2006: 159) million kroons i.e. - 8.7 (2006: 10.2) million euros. The 23-million kroon (1.5-million-euro) drop compared to 2006 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 were 42 (2006:38) million kroons or 2.7 (2006: 2.5) million euros, the balance of financial investments increased by 34 (2006:142) million kroons or 2.2 (2006: 9.1) million euros, the total cash flow from investments during the period was -55 (2006: -166) million kroons or -3.5 (2006: -10.6) million euros, and cash flow from financing -85 (2006:-86) million kroons or -5.4 (2006: -5.5) million euros. In 2007, the net cash flow was negative: 4 (2006: 92) million kroons, i.e. - 0.3 (2006: 5.9) million euros.

As at the end of 2007, cash and liquid securities made up 50.7% (in 2006: 50.8%) of the total assets. As of 31 December 2007, the company's working capital (short-term investments, receivables, prepayments, inventories less current liabilities) amounted to 579 (2006: 514) million kroons or 37.0 (2006: 32.8) million euros, and the working capital used for main activities (receivables, prepayments, inventories less current liabilities) to 129 (2006: 98) million kroons or 8.3 (in 2006: 6.3) million euros.

AS Norma kept a traditionally conservative profile in managing liquidity and making financial investments in 2007. 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 it to make short-term deposits to earn an interest higher that that currently offered on the market (as of 31.12.2007 the interest gap 0.6-0.9% p.a.).

Non-current assets made up 22.9% (2006: 26.4%) of the assets, having dropped in a year by 21 million kroons (1.3 million euros) due to a decrease in the value of property, plant and equipment and intangible assets.

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

The Group's equity increased by 40 million kroons (2.6 million euros), amounting to 907 (2006: 868) million kroons or 58.0 (in 2006: 55.4) million euros by the end of the financial year. Equity made up 85.8% (in 2006: 87.0%) of the total assets. At the end of the year, available equity amounted to 762 (2006: 722) milliom kroons or 48.7 (in 2006: 46.2) million euros.

Stock market and dividends

AS Norma has issued 13.2 million common shares. The share has a nominal value of 10kroons, and grants its owner one vote at the general shareholders' meeting. The number of the shares and their nominal value have not changed since the shares were first listed in 1997.

Shareholders were paid 66.0 million kroons (4.2 million euros), i.e. 5 kroons (0.32 euros) per share in dividends in 2007, similarly to the previous four years.

Both diluted EPS and basic EPS were 8.0 (2006: 6.5) kroons or 0.5 (in 2006: 0.4) euros, and equity per share was 68.7 (2006: 65.7) kroons or 4.4 (in 2006: 4.2) euros. The P/E ratio decreased from 12.3 to 9.8 in 2007.

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

Stock price movement (in kroons) and transaction volume in the Tallinn Stock Exchange from January 1, 2007 onwards.

As of 31.12.2007, 1434 (31.12.2006: 1507) shareholders have been listed in AS Norma's share register. The following shareholders held over 5% of the shares:

Autoliv Ab	51.0%
ING Luxembourg S.A.	8.3%
Skandinaviska Enskilda Banken Ab clients	6.6%

The shareholders of AS Norma can be grouped as follows: 60.0% (2006: 59.7%) residents of Sweden. 20.7% (2006: 20.8%) residents of Estonia. 11.3% (2006: 10.4%) residents of Luxembourg and 8.0% (2006: 9.1%) residents of other countries. 7.2% (2006: 7.3%) of the shareholders are natural persons.

As of 31.12.2006, the members of the Supervisory Board of AS Norma and their family members 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 their family members 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 kronor 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 is pegged, 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. The short position in the Swedish krona 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 Q4 2007, AS Norma Group included AS Norma and one subsidiary in Russia fully owned by AS Norma.

The Parent is involved in the manufacturing and sales of car safety systems, including 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 2007, the parent company's turnover amounted to 1261 (2006: 1030) million kroons or 80.6 (in 2006: 65.9) million euros, net profit to 106 (2006: 86) million kroons or 6.8 (in 2006: 5.5) million euros and equity to 908 (2006:859) million kroons or 58.1 (in 2006: 54.9) 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 2007, the revenue of Norma-Osvar ZAO amounted to 24 (2006: 23) million krrons or 1.5 (2006: 1.5) million euros, loss to 0.2 (2006: 0.03) million kroons, i.e. 0.02 (in 2006: 0.03) million euros and equity to 0.1 (2006:0.4) milliom kroons or 0.01 (2006: 0.03) million euros. Sales to external customers amounted to 24 (2006: 23) million kroons, which is 1.5 (2006: 1.5) million euros in 2007. The goods to be sold by the subsidiary are supplied by the Parent.

Management structure

The highest management authority of AS Norma as a 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. Members of Management Board are Magnus Lindquist, Autoliv Vice President, Finance; Pär Malmhagen, Senior Vice President Autoliv Europe Seatbelt Division; Leif Berntsson, Senior Vice President AB Division, Europe, 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 Supervisory Board of AS Norma elected 15.05.2007 Magnus Lindquist as its Chairman.

The Management Board appointed by the Supervisory Board of AS Norma had 6 members in 2007: 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.

On February 22, 2008, the Supervisory Board of AS Norma elected two additional members to the Management Board. The term of appointment of Director of Component Division Peeter Tõniste and Development Director Sander Annus, started February 22, 2008.

Corporate Governance Report

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 2007 and their accordance with guidelines given in the Recommendations. In 2007, 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 2007, 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. Estonian Central Register of Securities is the administer of AS Norma share register. 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.

AS Norma has one type of shares – registered common shares of the nominal value of ten Estonian kroons (EEK 10.00). Each share entitles its owner to one (1) vote at the general meeting of shareholders. AS Norma share capital is divided into thirteen million two hundred thousand (13,200,000) registered common shares. The shareholder has no right to demand the issuance of a share certificate in respect of a registered common share. The shareholder has no right to demand that a registered common share be exchanged for a bearer share. AS Norma registered common shares are freely transferable. No restrictions and settlements of right to vote exist. AS Norma has no knowledge of agreements between the shareholders in order to restrict the transfer of shares. In case of death of a shareholder, the share is transferred to the shareholder´ s successor. The share is considered transferred in respect of AS Norma upon entry of the acquirer of the share in the share register.

There has not been done takeover bids to AS Norma shares according to Securities Market Act Chapter 19.

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.

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 2007, 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. Management Board members have no authority to issue new shares or repurchase its own shares.

The supervisory board will elect and remove the members of the management board and appoint the 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. Responsibilities of the management board members have been set out in the management agreement concluded with each management board member.

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 till compiling this report in 2008.

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.

The supervisory board presently has six members, elected by the general meeting of shareholders for a term of three years. 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.

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 till compiling this report in 2008.

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, supervisory board and auditors is not available on the website (subsection 5.3. of the Recommendations), however, information of all changes in membership of the management board, supervisory board and auditors has been published via the information system of the Tallinn Stock Exchange according to the rules and regulations of the Tallinn Stock Exchange. No press conferences took place in 2007. The meetings with investors took place on 30th of October 2007, on 16th of November 2007 and on 21st of November 2007 - the website of AS Norma contains such data.

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.

Preliminary financial calendar of 2008:

Preliminary report	Audited report	Final report	Preliminary report	Final report	Preliminary report	Final report	Preliminary report	Final report
Q4 07	annual 2007	Q4 07	Q1 08	Q1 08	Q2 08	Q2 08	Q3 08	Q3 08
Jan.30, 08	Feb.22, 08	Feb. 29, 08	Apr.21, 08	May30, 08	July 21, 08	Aug.29, 08	Oct.20, 08	Nov.28, 08

Audit

Number and names of auditors of AS Norma will be determined by a resolution of the general meeting of shareholders. Ernst & Young Baltic AS has been the auditor of AS Norma since 2005. The general meeting of shareholders on 15[th] of May 2007 decided to appoint auditing company Ernst&Young AS as an auditor of AS Norma for a time period of 1 (one) year. Supervisory Board will decide the remuneration of the auditor and will conclude the agreement with auditor.

Peep Siimon

Chairman of the Management Board

Management Board's Confirmation on the Interim Financial Statements

The Management Board confirms the completeness and correctness of AS Norma Q4 Y2007 interim statements:

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 interim financial statements give a true and fair view of the financial position and the results of operations of AS Norma parent company and the group;
3) AS Norma and its group companies are going concerns.

Peep Siimon

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

Sander Annus

Member of the Management Board

Peeter Tõniste

Member of the Management Board

Tallinn, February 29, 2008

Consolidated balance sheet

	Thousands of kroons		Thousands of euros		
A s s e t s					
	31.12.2007	31.12.2006	**31.12.2007**	31.12.2006	Lisa
Current assets					
Cash in hand and deposits	**86 588**	90 918	**5 534**	5 811	1
Financial assets	**453 643**	418 787	**28 993**	26 766	2
Receivables	**167 331**	129 794	**10 694**	8 295	
Prepaid expenses	**1 371**	1 242	**88**	79	
Inventories	**105 970**	93 919	**6 773**	6 002	3
Total current assets	**814 903**	734 660	**52 082**	46 953	
Non-current assets					
Long-term receivables	**307**	378	**20**	25	
Property, plant and equipment	**230 304**	248 757	**14 719**	15 898	4, 7
Intangible assets	**11 666**	13 818	**745**	883	5, 7
Total non-current assets	**242 277**	262 953	**15 484**	16 806	
Total assets	**1 057 180**	997 613	**67 566**	63 759	7
L i a b i l i t i e s and s h a r e h o l d e r s´ e q u i t y					
Liabilities					
Current liabilities					
Payables	**148 885**	128 923	**9 516**	8 239	
Deferred income	**815**	1 138	**52**	73	
Total current liabilities	**149 700**	130 061	**9 568**	8 312	
Total liabilities	**149 700**	130 061	**9 568**	8 312	
Owners` equity					
Share capital (par value)	**132 000**	132 000	**8 436**	8 436	6
Statutory reserves	**13 200**	13 200	**844**	844	
Retained earnings	**762 280**	722 352	**48 718**	46 167	
Total owners´ equity	**907 480**	867 552	**59 998**	55 447	
Total liabilities and owners´ equity	**1 057 180**	997 613	**67 566**	63 759	

Consolidated income statement

Thousands of kroons

	01.10.07-31.12.07	**01.01.07-31.12.07**	01.10.06-31.12.06	01.01.06-31.12.06	Lisa
Revenue	**369 010**	**1 263 942**	286 872	1 047 493	7
Cost of sales	**-306 083**	**-1 072 997**	-239 825	-881 179	8
Gross profit	**62 927**	**190 945**	47 047	166 314	
Marketing and distribution costs	**-7 441**	**-28 567**	-5 795	-16 820	
Research and development expenses	**-15 339**	**-30 461**	-8 618	-35 179	
General administrative expenses	**-9 427**	**-31 861**	-8 048	-25 684	
Other operating income	**1 692**	**5 447**	4 222	6 194	
Other operating expenses	**-37**	**-1 281**	-2 176	-3 365	
Operating profit	**32 375**	**104 222**	26 632	91 460	7
Financial income	**6 110**	**20 645**	3 505	14 249	
Financial expenses	**-130**	**-324**	-103	-262	
Profit before taxes	**38 355**	**124 543**	30 034	105 447	
Income tax expense	**0**	**-18 615**	16	-19 715	6
Net profit	**38 355**	**105 928**	30 050	85 732	
Basic and diluted earnings per share (in kroons)	**2,91**	**8,02**	2,28	6,49	**6**

Consolidated income statement

Thousands of euros

	01.10.07-31.12.07	**01.01.07-31.12.07**	01.10.06-31.12.06	01.01.06-31.12.06	Lisa
Revenue	**23 584**	**80 781**	18 334	66 947	7
Cost of sales	**-19 562**	**-68 577**	-15 328	-56 318	8
Gross profit	**4 022**	**12 204**	3 006	10 629	
Marketing and distribution costs	**-476**	**-1 826**	-370	-1 075	
Research and development expenses	**-980**	**-1 947**	-551	-2 248	
General administrative expenses	**-603**	**-2 036**	-514	-1 642	
Other operating income	**108**	**348**	270	396	
Other operating expenses	**-2**	**-82**	-139	-215	
Operating profit	**2 069**	**6 661**	1 702	5 845	7
Financial income	**390**	**1 320**	224	911	
Financial expenses	**-8**	**-21**	-7	-17	
Profit before taxes	**2 451**	**7 960**	1 919	6 739	
Income tax expense	**0**	**-1 190**	1	-1 260	
Net profit	**2 451**	**6 770**	1 920	5 479	6
Basic and diluted earnings per share (in euros)	**0,19**	**0,51**	0,15	0,42	6

Consolidated Statement of Changes in Equity

Thousands of kroons

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2005	132 000	13 200	**702 620**	**847 820**
Net profit			55 682	55 682
Dividends			-66 000	-66 000
30.09.2006	132 000	13 200	**692 302**	**837 502**
Net profit			30 050	30 050
31.12.2006	132 000	13 200	**722 352**	**867 552**
Net profit			67 571	67 571
Dividends			-66 000	-66 000
30.09.2007	132 000	13 200	**723 923**	**869 123**
Net profit			38 357	38 357
31.12.2007	**132 000**	**13 200**	**762 280**	**907 480**

Thousands of euros

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2005	8 436	844	**44 906**	**54 186**
Net profit			3 558	3 558
Dividends			-4 218	-4 218
30.09.2006	8 436	844	**44 246**	**53 526**
Net profit			**1 921**	**1 921**
31.12.2006	8 436	844	**46 167**	**55 447**
Net profit			4 318	4 318
Dividends			-4 218	-4 218
30.09.2007	8 436	844	**46 267**	**55 547**
Net profit			2 451	2 451
31.12.2007	**8 436**	**844**	**48 718**	**57 998**

Consolidated Cash Flow Statement

	Thousands of kroons		Thousads of euros		Note
	2007	2006	**2007**	2006	
Cash flows from operating activities					
Operating profit	**104 222**	91 460	**6 661**	5 845	
Adjustments of operating profit					
Gain from disposals of property, plant and equipment	**-455**	-682	**-29**	-44	
Depreciation and amortisation	**62 267**	61 380	**3 980**	3 923	4, 5
Impairment loss of property, plant and equipment	**66**	0	**4**	0	4
Changes in assets related to operating activities, incl.:					
Short-term receivables and prepaid expenses, except loans and interests	**-37 689**	-18 857	**-2 409**	-1 205	
Inventories	**-12 051**	-4 137	**-770**	-264	3
Changes in liabilities, incl.:					
Payables	**19 962**	34 424	**1 276**	2 200	
Deferred income	**-323**	-2 237	**-21**	-143	
Provision	**0**	-2 094	**0**	-134	
Total cash flows from operating activities	**135 999**	159 257	**8 692**	10 178	
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment	**1 214**	2 432	**78**	155	
Acquisition of property, plant and equipment and intangible assets	**-42 487**	-38 351	**-2 715**	-2 451	4, 5
Loans granted	**-90**	-80	**-6**	-5	
Loan repayments received	**184**	129	**12**	8	
Acquisition of short-term financial investments	**-724 370**	-623 406	**-46 296**	-39 842	
Proceeds from disposals of short-term financial investments	**690 501**	481 679	**44 131**	30 785	
Interest received	**19 626**	12 038	**1 254**	769	
Total cash flows from investing activities:	**-55 422**	-165 559	**-3 542**	-10 581	
Cash flows from financing activities					
Payment of income tax on dividends	**-18 615**	-19 715	**-1 190**	-1 260	
Dividends paid	**-66 000**	-66 000	**-4 218**	-4 218	6
Total cash flows from financing activities:	**-84 615**	-85 715	**-5 408**	-5 478	
Net cash flows	**-4 038**	-92 017	**-258**	-5 881	
Changes in cash and cash equivalents					
Balance at the beginning of the year	**90 918**	183 029	**5 811**	11 698	
Increase/decrease of cash and cash equivalents	**-4 038**	-92 017	**-258**	-5 881	
Foreign exchange effect	**-292**	-94	**-19**	-6	
Cash and cash equivalents at the end of the year, incl.:	**86 588**	90 918	**5 534**	5 811	1
Cash in hand and deposits with maturity up to 3 months	**38 990**	29 120	**2 492**	1 861	1
Shares of interest fund	**47 598**	61 798	**3 042**	3 950	1

Accounting Policies and Estimates

The consolidated financial statements 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). The current financial statements have been prepared in thousands of Estonian kroons (EEK).

In accordance with the revised and new standards additional disclosures were added to the financial statements.

Revised International Financial Reporting Standards (IFRS), new IFRS standards and interpretations of the International Financial Reporting Interpretations Committee

Since 1 January 2007, several amendments have been introduced in the valid IFRS standards. In addition, new IFRS standards and IFRIC interpretations have been issued – IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements – disclosures about capital, IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies", IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 10 Interim Financial Reporting and Impairment.

The group has implemented the abovementioned standards which entered into force during the financial year and has also restated the comparative data to bring it into line with the new presentation.

The implementation of new and revised standards has no effect on the group's owner's equity as of 31.12.2007.

New or revised standards and interpretations issued, but which are not yet effective

The Group has not opted for early adoption of the following standards and interpretations (already endorsed or in the process of being endorsed by the European Union):

- IFRS 8 "Operating Segments" applicable for financial years beginning after 1 January 2009,
- Revised IAS 23 "Borrowing costs" applicable for financial years beginning after 1 January 2009. This standard has not yet been endorsed by the European Union,
- Revised IAS 1 "Presentation of Financial Statements" applicable for financial years beginning after 1 January 2009. This standard has not yet been endorsed by the European Union,
- Revised IFRS 3 "Business Combinations" applicable for financial years beginning after 1 July 2009. This standard has not yet been endorsed by the European Union,
- Revised IAS 27 "Consolidated and Separate Financial Statements" applicable for financial years beginning after 1 July 2009. This standard has not yet been endorsed by the European Union.
- Amendments to IFRS 2 "Share Based Payments" "Vesting Conditions and Cancellations" applicable for financial years beginning after 1 January 2009. These amendments have not yet been endorsed by the European Union
- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – "Puttable Financial Instruments and Obligations Arising on Liquidation" applicable for financial years beginning after 1 January 2009. These amendments have not yet been endorsed by the European Union
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" applicable for financial years beginning after 1 March 2007.
- IFRIC 12 "Service Concession Arrangements" applicable for financial years beginning after 1 January 2008. This interpretation has not been endorsed by the European Union,
- IFRIC 13 "Customer Loyalty Programmes" applicable for financial years beginning after 1 July 2008. This interpretation has not been endorsed by the European Union,
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" applicable for financial years beginning after 1 January 2008. This interpretation has not been endorsed by the European Union,

The Group is currently analysing the practical consequences of these new standards and interpretations and the impact of their application on its financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of AS Norma and its subsidiary 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 subsidiary 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. Although many purchase and sales contracts are denominated in euros, as the Estonian kroon is pegged to the euro and no foreign exchange differences can arise, the Group considers the Estonian kroon as the functional and presentation currency.

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 the Estonian kroon is pegged to the euro with a 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 a known amount of cash and which are subject to an 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 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 with 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 the reporting and comparative period the Group did not have any such investments).

Financial assets at fair value through profit and loss are measured in their fair value on each balance sheet date. Fair value of listed securities is based on a 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 the fair value of investments held for trading are recognised under "Financial income" or "Financial expenses" in the income statement. Interests and dividends from investments held for trading are also recognised under "Financial income" or "Financial expenses" in the 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 the 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 the income statement.

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

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

The de-recognition 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.

Accounting for investments in subsidiaries in the parent company's standalone main statements as required by the Estonian Accounting Act

The parent company's standalone main statements (presented in Notes 26-29) represent supplemental information in line with the Estonian Accounting Act and they are not deemed to present separate financial statements of the parent in accordance with IAS 27.

In the Parent's non-consolidated financial statements investments in its subsidiary is 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 expenses" 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 a reversal is recognised as financial income in the 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 40 000 kroons 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 of depreciation 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

<u>Estonian companies of the Group:</u>
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 21/79 (the rate of 22/78 was effective for dividends paid out in 2007; 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.

<u>Russian company of the Group:</u>
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 the Group's product lines the main product lines are car safety belts and safety systems. 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

		Thousands of kroons		Thousands euros	
1.	**Cash and cash equivalents**	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Cash in hand and current deposits in banks	**694**	3 000	**44**	192
	Short-term time deposits with maturity up to 3 months	**38 297**	26 120	**2 448**	1 669
	Interest fund shares of Hansapank	**47 597**	61 798	**3 042**	3 950
		86 588	90 918	**5 534**	5 811

		Thousands of kroons		Thousands euros	
2.	**Financial assets**	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Short-term time deposits with maturity more than 3 months	**449 422**	404 600	**28 723**	25 859
	Accrued interest income	**4 221**	3 234	**270**	207
	Bonds	**0**	10 953	**0**	700
		453 643	418 787	**28 993**	26 766

		Thousands of kroons		Thousands euros	
3.	**Inventories**	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
	Raw materials	**69 523**	63 296	**4 443**	4 045
	Work in progress	**17 476**	18 237	**1 117**	1 165
	Finished goods	**18 735**	12 249	**1 198**	783
	Prepayments for goods	**236**	137	**15**	9
		105 970	93 919	**6 773**	6 002

4. Property, plant and equipment (thousands of kroons)

	Land and buildings	Machinery and equipment	Other items	Unfinished projects and prepayments	TOTAL
Net book value as of 31.12.2005	**71 377**	**181 194**	**2 492**	**16 157**	**271 220**
Additions	820	14 960	1 327	5 431	22 538
Disposals	0	-1	0	-1 734	-1 735
Reclassifications		16 157		-16 157	0
Depreciation charge	-3 381	-39 487	-858	0	-43 726
Net book value as of 30.09.2006	**68 816**	**172 823**	**2 961**	**3 697**	**248 297**
Additions	948	5 968	0	8 548	15 464
Disposals	0	-15	0	0	-15
Depreciation charge	-1 133	-13 599	-257	0	-14 989
Net book value as of 31.12.2006	**68 631**	**165 177**	**2 704**	**12 245**	**248 757**
Additions	837	22 034	214	14 344	37 429
Disposals	0	-750	0	0	-750
Reclassifications		12 245		-12 245	0
Impairment loss		-66			-66
Depreciation charge	-3 438	-40 358	-660	0	-44 456
Net book value as of 30.09.2007	**66 030**	**158 282**	**2 258**	**14 344**	**240 914**
Additions	0	13 313	18	-8 606	4 725
Disposals	0	-9	0	0	-9
Depreciation charge	-1 141	-13 971	-214	0	-15 326
Net book value as of 31.12.2007	**64 889**	**157 615**	**2 062**	**5 738**	**230 304**

As of 31.12.2005					
Acquisition cost	96 469	455 557	6 715	16 157	**574 898**
Accumulated depreciation and impairment losses	-25 092	-274 363	-4 223	0	**-303 678**
As of 31.12.2006					
Acquisition cost	98 237	485 530	8 042	12 245	**604 054**
Accumulated depreciation and impairment losses	-29 606	-320 353	-5 338	0	**-355 297**
As of 31.12.2007					
Acquisition cost	98 931	517 523	8 239	5 738	**630 431**
Accumulated depreciation and impairment losses	-34 042	-359 908	-6 177	0	**-400 127**

As of 31.12.2007, acquisition cost of fully depreciated property, plant and equipment amounts to 192 347 (2006: 180 993) thousand kroons.

As of 31.12.2007 additional investments needed for the completing unfinished projects (incl. uninstalled equipment) amount to 488 thousand kroons.

Property, plant and equipment (thousands of euros)

	Land and buildings	Machinery and equipment	Other items	Unfinished projects and prepayments	TOTAL
Net book value as of 31.12.2005	**4 561**	**11 581**	**159**	**1 033**	**17 334**
Additions	52	956	85	347	1 440
Disposals	0	0	0	-111	-111
Reclassifications	0	1 033	0	-1 033	0
Depreciation charge	-216	-2 524	-55	0	-2 795
Net book value as of 30.09.2006	**4 397**	**11 046**	**189**	**236**	**15 868**
Additions	61	381	0	546	988
Disposals	0	-1	0	0	-1
Depreciation charge	-72	-869	-16	0	-957
Net book value as of 31.12.2006	**4 386**	**10 557**	**173**	**783**	**15 898**
Additions	53	1 408	14	917	2 392
Disposals	0	-48	0	0	-48
Reclassifications	0	783	0	-783	0
Impairment loss	0	-4	0	0	-4
Depreciation charge	-219	-2 580	-42	0	-2 841
Net book value as of 30.09.2007	**4 220**	**10 116**	**145**	**917**	**15 398**
Additions	0	851	1	-550	302
Disposals	0	-1	0	0	-1
Depreciation charge	-73	-893	-14	0	-980
Net book value as of 31.12.2007	**4 147**	**10 073**	**132**	**367**	**14 719**
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	783	**38 606**
Accumulated depreciation and impairment losses	-1 892	-20 474	-341	0	**-22 708**
As of 31.12.2007					
Acquisition cost	6 323	33 076	527	367	**40 292**
Accumulated depreciation and impairment losses	-2 176	-23 002	-395	0	**-25 573**

As of 31.12.2007, acquisition cost of fully depreciated property, plant and equipment amounts to 12 293 (2006: 11568) thousand euros.

As of 31.12.2007 additional investments needed for the completing unfinished projects (incl. uninstalled equipment) amount to 31 thousand euros.

5. Intangible assets (thousands of kroons)

	Product and technology licences	Software licences	TOTAL
Net book value as of 31.12.2005	**15 682**	**452**	**16 134**
Additions		230	**230**
Amortisation charge	-1 680	-307	**-1 987**
Net book value as of 30.09.2006	**14 002**	**375**	**14 377**
Additions	0	119	**119**
Amortisation charge	-560	-118	**-678**
Net book value as of 31.12.2006	**13 442**	**376**	**13 818**
Additions		295	**295**
Amortisation charge	-1 681	-184	**-1 865**
Net book value as of 30.09.2007	**11 761**	**487**	**12 248**
Additions	0	38	**38**
Amortisation charge	-560	-60	**-620**
Net book value as of 31.12.2007	**11 201**	**465**	**11 666**
As of 31.12.2005			
Acquisition cost	22 402	7 900	**30 302**
Accumulated amortisation and impairment losses	-6 720	-7 448	**-14 168**
As of 31.12.2006			
Acquisition cost	22 402	6 551	**28 953**
Accumulated amortisation and impairment losses	-8 960	-6 175	**-15 135**
As of 31.12.2007			
Acquisition cost	22 402	6 665	**29 067**
Accumulated amortisation and impairment losses	-11 201	-6 200	**-17 401**

Intangible assets (thousands of euros)

	Product and technology licences	Software licences	TOTAL
Net book value as of 31.12.2005	**1 002**	**29**	**1 031**
Additions	0	15	**15**
Amortisation charge	-107	-20	**-127**
Net book value as of 30.09.2006	**895**	**24**	**919**
Additions	0	8	**8**
Amortisation charge	-36	-8	**-44**
Net book value as of 31.12.2006	**859**	**24**	**883**
Additions	0	19	**19**
Amortisation charge	-107	-12	**-119**
Net book value as of 30.09.2007	**752**	**31**	**783**
Additions	0	2	**2**
Amortisation charge	-36	-4	**-40**
Net book value as of 31.12.2007	**716**	**29**	**745**
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	**1 851**
Accumulated amortisation and impairment losses	-573	-395	**-968**
As of 31.12.2007			
Acquisition cost	1 432	426	**1 858**
Accumulated amortisation and impairment losses	-716	-397	**-1 113**

6. Share capital

	Thousands of kroons		Thousands of euros	
	31.12.2007	31.12.2006	**31.12.2007**	31.12.2006
Share capital par value	**132 000**	132 000	**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 2006 were 66.0 million kroons (4.2 million euros) or 5 (0.32 euro) kroons per share. The Management Board proposes also 66.0 million kroons (4.2 million euros) paid out for 2007.

The Parent can increase its share capital up to 528 000 thousand kroons (33 745 thousand euros) as maximum, without changing its Articles of Association.

Shareholders of AS Norma with participation over 5%, as of 31.12.2007:

Autoliv Ab	51,0%
ING LUXEMBOURG S.A.	8,3%
Skandinaviska Enskilda Banken Ab kliendid	6,6%

	Thousands of kroons		Thousands of euros	
Earnings per share	**2007**	2006	**2007**	2006
Net profit for the financial year	**105 928**	85 732	**6 770**	5 479
Average number of shares (in thousands)	**13 200**	13 200	**13 200**	13 200
Earnings per share in kroons	**8,02**	6,49	**0,51**	0,42

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

7. Segment information

Primary reporting format – by product lines

In thousands of Estonian kroons

	Safety belts 2007	**Safety systems 2007**	**Other products 2007**	**Unal-located**	**Total 2007**	Safety belts 2006	Safety systems 2006	Other products 2006	Unal-located	Total 2006
Segment revenue	948 481	147 491	167 970	0	1 263 942	878 645	4 373	182 679	0	1 065 697
Incl. revenue form other segments	0	0	0	0	0	0	0	-18 204	0	-18 204
Revenue from third parties	**948 481**	**147 491**	**167 970**	**0**	**1 263 942**	**878 645**	**4 373**	**164 475**	**0**	**1 047 493**
Segment expenses	**-781 731**	**-133 715**	**-139 023**	**-105 252**	**-1 159 720**	**-738 925**	**-3 966**	**-145 059**	**-68 083**	**-956 033**
Segment results	**166 750**	**13 776**	**28 947**	**-105 252**	**104 222**	**139 720**	**407**	**19 416**	**-68 083**	**91 460**
Total assets	**326 663**	**57 310**	**56 962**	**616 245**	**1 057 180**	**330 574**	**1 308**	**57 041**	**608 690**	**997 613**
Financial assets (excl. receivables)	0	0	0	540 231	540 231	0	0	0	509 705	509 705
Receivables and prepaid expenses	115 229	40 016	7 736	6 028	169 009	114 406	553	9 614	6 841	131 414
Inventories	79 521	6 093	20 356	0	105 970	77 434	755	15 730	0	93 919
Property, plant and equipment and intangible assets	127 692	11 201	28 870	74 207	241 970	135 500		31 697	95 378	262 575
Segment liabilities	**100 908**	**27 209**	**17 945**	**3 638**	**149 700**	**100 525**	**540**	**19 734**	**9 262**	**130 061**
Investments in non-current assets	**36 230**	**0**	**4 445**	**1 812**	**42 487**	**29 250**	**0**	**5 769**	**3 332**	**38 351**
Depreciation and amortisation	**36 043**	**2 240**	**7 258**	**16 726**	**62 267**	**41 589**	**0**	**9 479**	**10 312**	**61 380**
Impairment loss of non-current assets	**58**	**0**	**8**	**0**	**66**	**0**	**0**	**0**	**0**	**0**

Segment information

Primary reporting format – by product lines

In thousands of euros

	Safety belts 2007	**Safety systems 2007**	**Other products 2007**	**Unal-located**	**Total 2007**	Safety belts 2006	Safety systems 2006	Other products 2006	Unal-located	Total 2006
Segment revenue	60 619	9 427	10 735	0	80 781	56 156	279	11 675	0	68 110
Incl. revenue form other segments			0		0			-1 163		-1 163
Revenue from third parties	**60 619**	**9 427**	**10 735**	**0**	**80 781**	**56 156**	**279**	**10 512**	**0**	**66 947**
Segment expenses	**-49 962**	**-8 546**	**-8 885**	**-6 727**	**-74 120**	**-47 226**	**-254**	**-9 271**	**-4 351**	**-61 102**
Segment results	**10 657**	**881**	**1 850**	**-6 727**	**6 661**	**8 930**	**25**	**1 241**	**-4 351**	**5 845**
Total assets	**20 877**	**3 664**	**3 640**	**39 385**	**67 566**	**21 128**	**83**	**3 646**	**38 902**	**63 759**
Financial assets (excl. receivables)	0	0	0	34 527	34 527	0	0	0	32 576	32 576
Receivables and prepaid expenses	7 364	2 558	494	386	10 802	7 313	35	615	437	8 400
Inventories	5 082	390	1 301	0	6 773	4 949	48	1 005	0	6 002
Property, plant and equipment and intangible assets	8 161	716	1 845	4 742	15 464	8 660	0	2 026	6 095	16 781

Segment liabilities	**6 449**	**1 739**	**1 147**	**233**	**9 568**	**6 425**	**34**	**1 261**	**592**	**8 312**
Investments in non-current assets	**2 315**	**0**	**284**	**116**	**2 715**	**1 869**	**0**	**369**	**213**	**2 451**
Depreciation and amortisation	**2 304**	**143**	**464**	**1 069**	**3 980**	**2 658**	**0**	**606**	**659**	**3 923**
Impairment loss of non-current assets	**4**	**0**	**0**	**0**	**4**	**0**	**0**	**0**	**0**	**0**

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. By the end of 2007, share of safety systems rose above 10% of Group revenues and therefore it is presented as a separate segment. Other product lines (seat belt components, car parts, tooling, 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

	Thousands of kroons		Thousands of euros	
	2007	2006	**2007**	2006
Sweden	**613 889**	594 549	**39 235**	37 999
Russia	**536 310**	335 347	**34 276**	21 433
Germany	**52 271**	46 677	**3 341**	2 983
Estonia	**13 607**	16 945	**870**	1 083
Czech Republic	**11 785**	11 260	**753**	720
Ukraine	**9 285**	14 365	**593**	918
Belgium	**8 199**	3 854	**524**	246
Finland	**6 511**	6 227	**416**	398
France	**4 486**	5 545	**287**	354
Poland	**3 613**	4 427	**231**	283
Spain	**1 931**	1 506	**124**	96
Great Britain	**956**	5 194	**61**	332
Other countries	**1 099**	1 597	**70**	102
Total:	**1 263 942**	1 047 493	**80 781**	66 947

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 7 350 (2006: 10 361) thousand kroons or 470 (2006: 662) thousands euros are

located in Russian Federation, incl. property, plant and equipment in the amount of 686 (2006: 796) thousand kroons or 44 (2006: 51) thousands euros.
In the opinion of the management the pricing used in transactions between segments does not differ significantly market prices.

8. Cost of sales	Thousands of kroons 2007	Thousands of kroons 2006	Thousands of euros 2007	Thousands of euros 2006
Raw materials	**-762 296**	-592 105	**-48 720**	-37 842
Personnel expenses	**-171 226**	-141 531	**-10 943**	-9 046
Depreciation and amortisation	**-58 290**	-56 877	**-3 725**	-3 635
Utilities	**-16 859**	-14 960	**-1 078**	-956
Repairs and maintenance	**-6 432**	-6 182	**-411**	-395
Transportation	**-26 241**	-22 858	**-1 677**	-1 461
Other services	**-9 175**	-7 666	**-586**	-490
Others	**-22 479**	-39 000	**-1 437**	-2 493
	-1 072 997	-881 179	**-68 577**	-56 318

9. Transactions with related parties	Thousands of kroons 2007	Thousands of kroons 2006	Thousands of euros 2007	Thousands of euros 2006
Purchases from companies of Autoliv Group	**287 677**	174 815	**18 386**	11 173
incl. purchases of goods	270 405	144 768	17 282	9 253
receiving of services	8 377	23 187	535	1 482
receiving of services from the parent company Autoliv AB	1 110	852	71	54
transfer of research and development	7 785	6 008	498	384
Sales to companies of Autoliv Group	**661 113**	646 281	**42 253**	41 305
incl. sales of goods	648 524	628 730	41 448	40 183
rendering of services	12 499	17 551	799	1 122
rendering of services to the parent company Autoliv AB	90	0	6	0
Sales to Norma by Law-office Tark & Co	**265**	140	**17**	9

	31.12.2007	31.12.2006	**31.12.2007**	31.12.2006
Receivables from companies of Autoliv Group	**48 547**	57 284	**3 103**	3 661
incl. Autoliv AB	**0**	0	**0**	0
Payables to companies of Autoliv Group	**36 298**	15 767	**2 320**	1 008
incl. Autoliv AB	**559**	16	**36**	1
Short-term deposits in treasury of Autoliv Group	**462 138**	388 036	**29 536**	24 800
Payables to Law-office Tark & Co	**136**	36	**9**	2

10. Balance sheet of AS Norma (the Parent)

	Thousands of kroons		Thousands of euros	
A s s e t s	**31.12.2007**	31.12.2006	**31.12.2007**	31.12.2006
Current assets				
Cash in hand and deposits	**86 244**	88 853	**5 512**	5 679
Financial assets	**453 643**	418 787	**28 993**	26 766
Receivables	**170 652**	135 757	**10 907**	8 676
Prepaid expenses	**1 087**	773	**70**	49
Inventories	**104 634**	85 604	**6 687**	5 471
Total current assets	**816 260**	729 774	**52 169**	46 641
Non-current assets				
Long-term investments	**24**	12 116	**2**	774
Long-term receivables	**307**	378	**20**	24
Property, plant and equipment	**229 618**	235 076	**14 675**	15 024
Intangible assets	**11 666**	13 589	**745**	869
Total non-current assets	**241 615**	261 159	**15 442**	16 691
Total assets	**1 057 875**	990 933	**67 611**	63 332
L i a b i l i t i e s a n d e q u i t y				
Liabilities				
Current liabilities				
Payables	**148 761**	131 019	**9 508**	8 374
Deferred income	**809**	546	**52**	35
Total current liabilities	**149 570**	131 565	**9 560**	8 409
Total liabilities	**149 570**	131 565	**9 560**	8 409
Equity				
Share capital (par value)	**132 000**	132 000	**8 436**	8 436
Statutory reserve	**13 200**	13 200	**844**	844
Retained earnings	**763 105**	714 168	**48 771**	45 643
Total equity	**908 305**	859 368	**58 051**	54 923
Total liabilities and equity	**1 057 875**	990 933	**67 611**	63 332

11. Income statement of AS Norma (the Parent)

	Thousands of kroons		Thousands of euros	
	2007	2006	**2007**	2006
Revenue	**1 261 155**	1 030 392	**80 603**	65 854
Cost of sales	**-1 071 784**	-869 962	**-68 500**	-55 601
Gross profit	**189 371**	160 430	**12 103**	10 253
Marketing and distribution costs	**-29 001**	-16 820	**-1 854**	-1 075
Research and development expenses	**-30 427**	-34 971	**-1 945**	-2 235
General administrative expenses	**-29 800**	-21 961	**-1 904**	-1 403
Other operating income	**5 071**	7 963	**324**	509
Other operating expenses	**-1 055**	-2 907	**-67**	-186
Operating profit	**104 159**	91 734	**6 657**	5 863
Financial income	**20 645**	14 152	**1 319**	904
Financial expenses	**-324**	-266	**-20**	-17
Profit before taxes	**124 480**	105 620	**7 956**	6 750
Income tax expense	**-18 615**	-19 715	**-1 190**	-1 260
Net profit	**105 865**	85 905	**6 766**	5 490

Sales classification in accordance with the Commercial Code (§ 4 section 6):

C Manufacturing industry (in thousands of euros)

Thousands kroons

NACE	Classification (EMTAK)	Sales 2007 (the Group)	Sales 2007 (the Parent)	Sales 2006 (the Group)	Sales 2006 (the Parent)
29.32	2932	1 263 942	1 261 155	1 047 493	1 030 392
	29321	1 263 942	1 261 155	1 047 493	1 030 392

Thousands euros

NACE	Classification (EMTAK)	Sales 2007 (the Group)	Sales 2007 (the Parent)	Sales 2006 (the Group)	Sales 2006 (the Parent)
29.32	2932	80 781	80 603	66 947	65 854
	29321	80 781	80 603	66 947	65 854

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

Thousands of kroons

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2005	**132 000**	**13 200**	**694 262**	**839 462**
Dividends	-	-	-66 000	-66 000
Net profit for the financial year	-	-	85 905	85 905
31.12.2006	**132 000**	**13 200**	**714 168**	**859 368**
31.12.2006	**132 000**	**13 200**	**714 168**	**859 368**
Association with the subsidiary	-	-	9 072	9 072
Dividends	-	-	-66 000	-66 000
Net profit for the financial year	-	-	105 865	105 865
31.12.2007	**132 000**	**13 200**	**763 105**	**908 305**

Thousands of euros

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
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**
31.12.2006	**8 436**	**844**	**45 643**	**54 923**
Association with the subsidiary	-	-	580	580
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	6 766	6 766
31.12.2007	**8 436**	**844**	**48 771**	**58 051**

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.

Signatures of the Management Board to the Q4 Y2007 Interim Report

The Management Board hereby states and confirms that to their best knowledge:

1) the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of AS Norma and its subsidiary as a whole;
2) the Management report gives a true and fair view of the business developments and results of AS Norma and of its subsidiary as a whole and includes a description of the main risks and uncertainties.

The Management Board also confirms the correctness of information presented in the Q4 2007 Interim Report of consolidated group of AS Norma:

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

Sander Annus
Member of the Management Board

Peeter Tõniste
Member of the Management Board