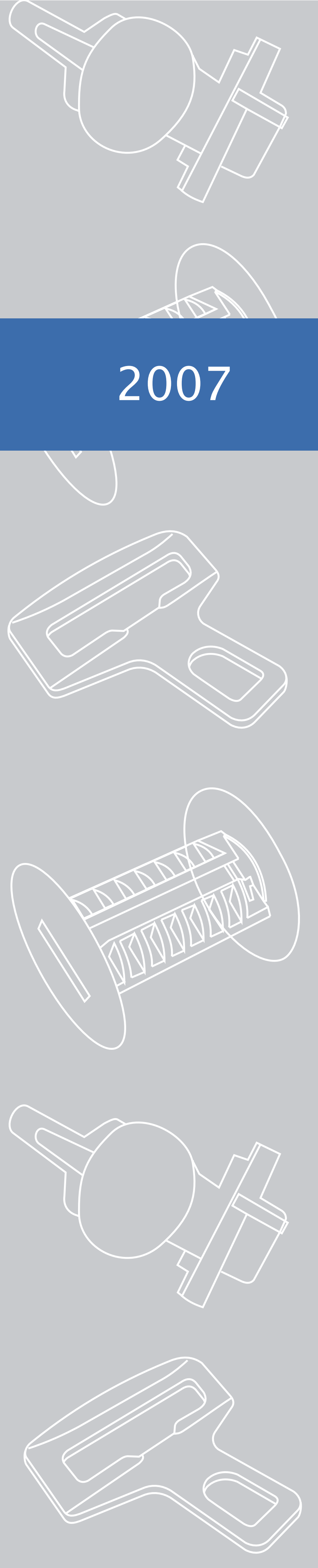
ANNUAL REPORT 2007



NORMA

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LETTER TO SHAREHOLDERS

Dear AS Norma shareholders,

2007 was a successful year for AS Norma. Our financial results improved, although we had to cope with the price pressure from customers and suppliers, as well as the growing domestic inflation and increased salary expectations.

Only three-four years ago we emphasised Norma's desire to maintain our market position and achieve a breakthrough of new car safety systems in the Russian car industry. Today, without a doubt, an ideological change has taken place – no-one questions the necessity of complicated car safety systems any more. In 2007, a new segment was added to our turnover – the sale of car safety systems.

The revenue of the Group amounted to 1,263.9 million kroons in 2007. This constitutes a 21% increase compared to 2006 (1,047.5 million kroons). Safety belts made up 75% (in 2006: 84%) of revenue. Increased sales of car safety systems to AVTOVAZ´s Kalina and Priora models contributed 143 million kroons to the increase in net turnover. Sales of safety belt components to other Autoliv companies made up 5% of turnover, and sales of sub-assemblies 6% (in 2006: 7%). The sales of dies and moulds as well as safety system development-related engineering services were the most significant among other products and services, making up 3% (in 2006: 3%) of net turnover.

The Group's gross profit for 2007 amounted to 191 (in 2006: 166) million kroons, having increased by 25 million kroons. The net profit amounted to 106 (in 2006: 86) million kroons – i.e. a 23.6% increase compared to 2006.

Safety belt and safety equipment component production in 2007 was defined by a steady growth in volumes, having increased by 12% compared to last year. 55 new products were launched into production, including the safety equipment components. Through the effective cost management the company succeeded in saving more than 4 million kroons of costs as a result of implementation of special projects and improvement activities.

In order to improve the competitiveness of component production and for better use of all resources, the subsidiary AS Tööriistavabrik (Toolshop) was integrated with AS Norma in 2007.

We believe our success is significantly dependent upon superior quality in all our business activities. The highest level of quality enables Norma to remain a reliable safety system and component supplier for the automotive industry.

AS Norma is very appreciative of our long-term partner AVTOVAZ, who recognised us with the "Excellent supplier" award for 2007.

For Norma high quality means paying attention and allocating resources to the surrounding environment. Our environmental activities focus on the prevention of environmental impact and constant improvement of the processes. We will continue to promote the environmental awareness and sustainable mindset of all our employees. In 2007, the waste sorting system was improved and the amount of waste for recycling was increased also.

AS Norma's goal for the upcoming years is to maintain its market position with key customers and achieve remarkable growth in sales of the safety equipment components and sub-assemblies. The company will focus on new additional business opportunities within the market segment of the suppliers of the international automotive industry.

In 2008, the company will continue developing the production of components for the seatbelts manufactured in Autoliv, as well as to new customers in automotive industry. The long-term objective is to take the safety equipment component production to a new qualitative and quantitative level in AS Norma. To enhance competitiveness we need to offer a wide product portfolio and new technology for the customers.

The future investments should, in addition to ensuring conventional production, support the Group's development plans with respect to expansion of the component production. In 2007, the Group invested a total of 42.0 million kroons into the implementation of new technologies, expansion of production capacities, enhancement of production efficiency and updating of the working environment.

The Management Board of AS Norma would like to thank our shareholders for their trust and all the employees and partners for their remarkable work in 2007.

Peep Siimon
Chairman of the Management Board

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

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

On one of AS Norma's biggest markets – Russia – changes that had begun already in previous years continued. 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%. A year ago the 2007 forecast for market increase was 20%. In monetary terms, market growth was 57.3%. Population' income growth and credit availability are the main reasons behind the market increase. The share of bank resources used for purchasing the vehicles was 36%.

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. A year ago, a 40% increase was forecasted for this segment, in fact growth of over 60% continued. The biggest maker of foreign models is Avtotor in Kaliningrad with 104 thousand cars (Chevrolet, Chery, Kia etc.), TagAZ assembled 81 thousand Hyundai models, Aftoframos 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 exported.

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: 54.6; 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.

IzhAvto 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 IZH vans.

In Ukraine, the car market increased 46% (542 thousand passenger vehicles were sold). In December 2007, 22% of the market share comprised AVTOVAZ Ladas. In the same period, 373 thousand cars were produced in Ukraine, which was 40% more than a year earlier. Sixty-three thousand cars were put together from AVTOVAZ kits in the Ukrainian factories, which was 14% less than in 2006. ZAZ produced almost 250 (2006: 193) thousand passenger vehicles: growth of more than 30%. Chevrolet Lanos led production with 114 thousand, while 46 thousand ZAZ models were assembled and 32 thousand AVTOVAZ cars. The number of Hyundais assembled in two plants was nearly 34 thousand.

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 IzhAvto 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

Steep rise in the prices of non-ferrous metals continued

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. The scarcity of qualified workforce and constraints on subcontracting possibilities for different production technologies in Estonia also slows down the development of the group's competitiveness.

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

Stability and growth

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. Although the year was intense and the production volumes rose, this growth was more evenly distributed than in 2006. This gave an opportunity for better production control and implementation of continuous improvement activities. The efficiency of direct labour increased 10%. Over 0.3 million euros was economized in 2007 as a result of implementing various austerity projects.

In order to improve the competitive ability of component production and for better use of all resources, the subsidiary AS Tööriistavabrik (Toolshop) was integrated with AS Norma's component division in 2007.

Quality management

The car seat belts and fastening systems produced by AS Norma have to save lives

The high quality standard is a must in order for us to remain a reliable supplier of safety systems and components. It is also an important precondition that enables us to win new clients and orders.

Among our goals, besides increasing stability and efficiency, is ensuring client satisfaction by being able to deliver the needed products on time.

The delivery of flawless production is ensured by using Norma's quality management/control system, which was certified according to the specific requirements of the car industry (ISO/TS 16949), and Autoliv production system (APS).

The 2007 indicators on quality were:
1) the number of products returned from clients per million products (PPM) – 8.8
2) delivery precision on average 98.3%

The results were achieved by using the following more effectively:

- Potential Failure Mode and Effect Analysis (FMEA)
- Production Part Approval Process (PPAP)
- Capability study of manufacturing processes and statistical process control (SPC),
- Production process error proofing and means to detect the defects in early stages
- 3D measurement machines and modern measurement and testing equipment
- Teamwork and corresponding quality measures
- Employee involvement in constant improvement process, enhancing their quality awareness
- "Just-in-time" production according to customer's requirements
- Supplier development and reinforcing the quality of purchased goods

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 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	1.6 million euros
Assembly lines	0.5 million euros
Injection moulding machines	0.2 million euros
Tooling	0.1 million euros
Information technology	0.1 million euros
Reconstruction and facility repairs	0.1 million euros
Quality testing equipment	0.1 million euros

Financial highlights of the Group

Economic activities	2007	2006	2005	2004
Revenue (MEUR)	80.8	66.9	62.4	63.0
Change with respect to previous year	21%	7%	-1%	
Gross profit (MEUR)	12.2	10.6	10.7	11.4
Change with respect to previous year	15%	0%	-7%	
Gross profit margin[1] (%)	15.1%	15.9%	17.1%	18.1%
Operating profit (MEUR)	6.7	5.8	6.0	7.3
Change with respect to previous year	14%	-2%	-18%	
Operating profit margin[2]	8,2%	8,7%	9,6%	11,5%
EBITDA (earnings before interest, taxes depreciation and amortisation) (MEUR)	10.6	9.8	10.0	11.0
Change with respect to previous year	9%	-2%	-9%	
Profit before taxes (MEUR)	8.0	6.7	6.7	7.9
Change with respect to previous year	18%	1%	-16%	
Pre-tax profit margin[3]	9.9%	10.1%	10.7%	12.5%
Net profit (MEUR)	6.8	5.5	5.3	6.7
Change with respect to previous year	24%	3%	-21%	
Net profit margin[4]	8.4%	8.2%	8.5%	10.6%
Working capital[5] (MEUR)	37.0	32.8	23.4	28.1
Return on working capital[6]	2.2	2.0	2.7	2.2
Return on equity (ROE)[7]	11.7%	9.9%	9.9%	12.9%
Return on assets (ROA)[8]	10.0%	8.6%	8.8%	11.0%
Average number of employees per month	972	912	915	873
Change with respect to previous year	7%	0%	5%	

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

Share and dividend related figures	2007	2006	2005	2004
Number of shares (in millions)	13.2	13.2	13.2	13.2
Earnings per share[9] (EUR)	0.5	0.4	0.4	0.5
Dividends per share (EUR)	0.3	0.3	0.3	0.3
Equity per share[10] (EUR)	4.4	4.2	4.1	4.0
Dividend/net profit	0.6	0.8	0.8	0.6
Price/earnings ratio (P/E)[11]	9.8	12.3	16.3	12.8

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

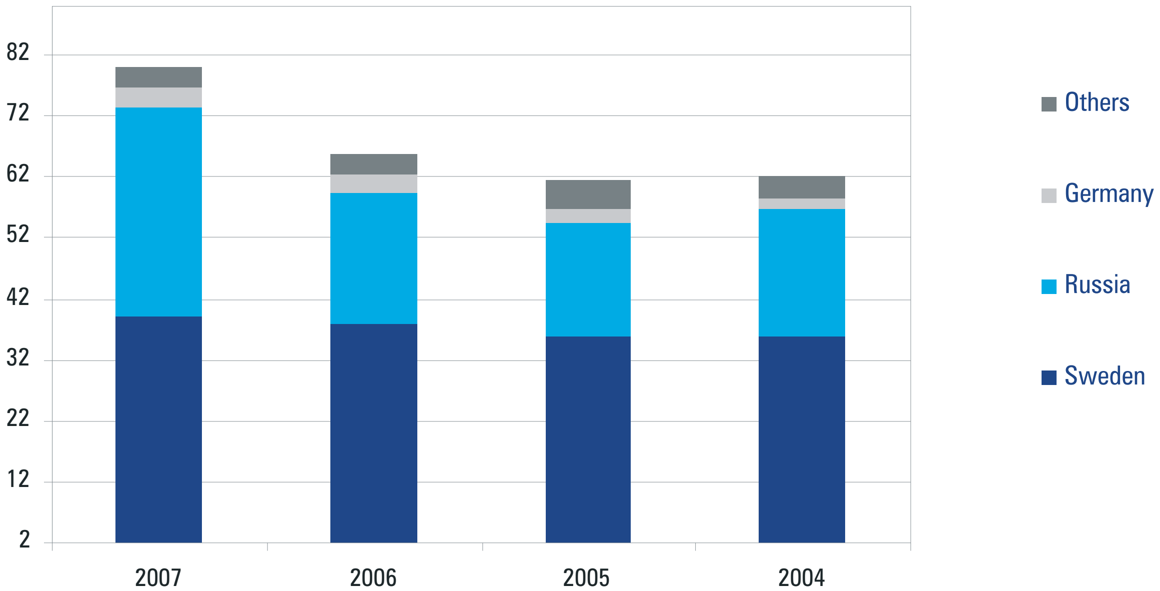
Sales

Group sales increased by 21%

The revenue of the Group amounted to 80.8 million euros in 2007. This constitutes a 21% increase compared to 2006 (66.9 million euros). Seatbelts made up 75% (in 2006: 84%) of revenue. The turnover increased 9.1 million euros due to a gain in momentum in sales of safety systems to AVTOVAZ's Kalina and Priora models. Sales of seat belt components to other Autoliv companies made up 5% of turnover, as it was also a year ago, sales of components 6% (2006: 7%). The most important other products and services included sales of dies and moulds and provision of safety system-related engineering services amounting to 3% (2006: 3%) of turnover.

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 euros)



Sales to Russia increased by 60%. Of this growth, 71% came from sales of safety systems. Export to Ukraine decreased 35% and export to Germany increased 12%, the latter due to Autoliv seat belt components and the tools needed for their production.

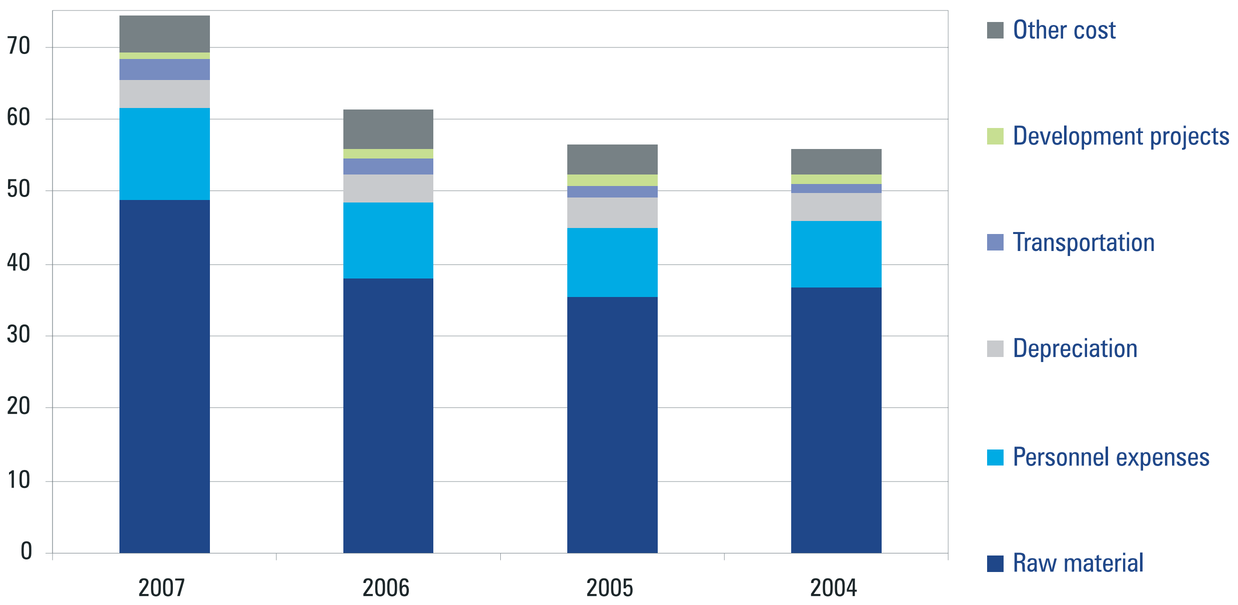
Sales to various sub-units of the parent company Autoliv increased by 2% compared to 2006 amounting to 42.3 million euros. The sale of seat belts made up 79% (2006: 79%) of net sales to Autoliv. The amount of belts delivered decreased by 1% to 2.41 million units, turnover rose by 2%, at the same time, the sale of seat belt components dropped by 4%.

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 materials, personnel and transport have increased in the last 3 years, both in absolute terms and in percentage of revenue

Operating expenses 2004-2007 (million euros)



Expenses on raw material increased 28.7%, by 10.9 million euros to 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. At the same time, more locally produced components (2007: 5.0; 2006: 4.7; 2005: 4.0; 2004: worth 1.5 million euros) were used in the seat belts delivered to Autoliv. In all, the expenses on material for conventional production increased by 0.5% of 2006 revenue.

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

Personnel expenses amounted to 12.9 million euros in 2007, having grown by 20.4% (i.e. 2.2 million euros), compared to the previous period. Total wages and salaries amounted to 9.9 (2006: 8.0) million euros, social tax amounted to 2.9 (2006: 2.6) million euros and unemployment insurance totalled 0.03 (2006: 0.02) million euros. 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 2.6 million euros, making up 3.2% (2006: 3.1%) of revenue.

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

Profit and profitability

An increase in gross, operating and net profit of 14-24%

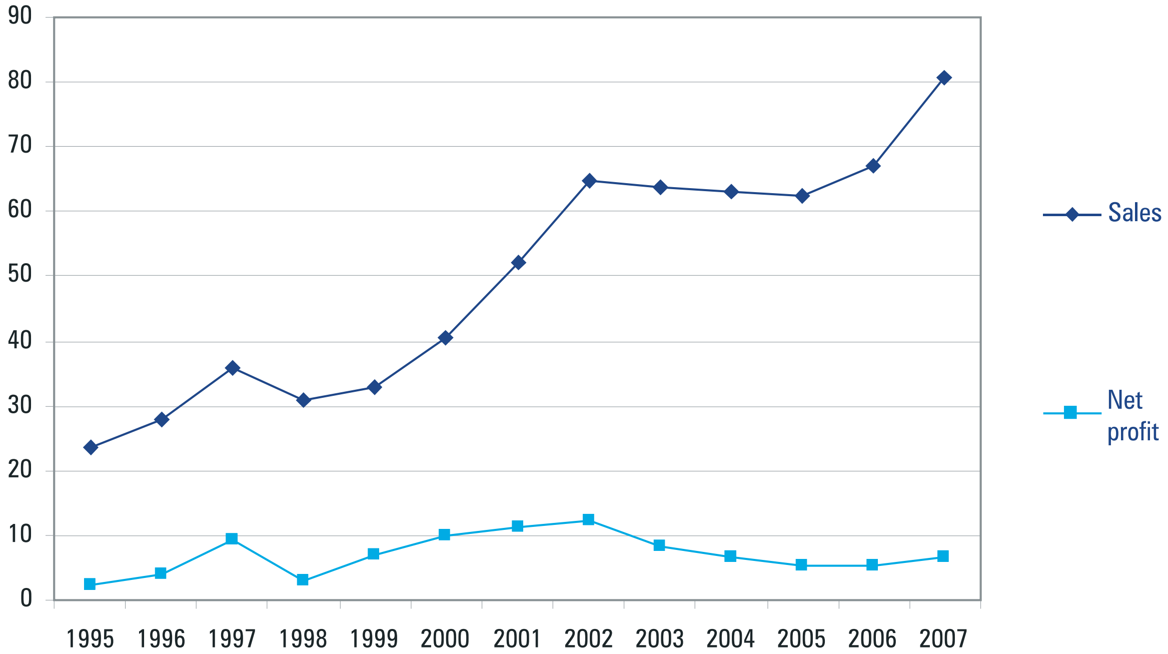
The Group's gross profit for 2007 was 12.2 (2006: 10.6) million euros – i.e. 15.1% (2006: 15.9%) of revenue. The 14.8% (i.e. 1.6 million euros) increase in gross profit was due to revenue increase.

Operating profit increased by 0.8 million euros to 6.7 million euros, making up 8.2% (2006: 8.7%) of revenue. Marketing expenses increased by 0.8 million euros and administrative expenses by 0.4 million euros, at the same time the product development costs decreased by 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 0.1 million euros due to smaller currency rate loss.

Profit before taxes increased by 18.1% (i.e. by 1.2 million euros) to 8.0 million euros or 9.9% (2006: 10.1%) of revenue. Financial income increased by 45.3% - i.e. by 0.4 million euros.

The net profit for 2007 amounted to 6.8 (2006: 5.5) million euros, an increase of 23.6%. Income tax payable on dividends decreased by 0.1 million euros compared to 2006.

The Group's revenue and profit dynamics: 1995-2007 (in millions of euros)



Cash flows and capital appropriation

Although the net cash flow was negative – 0.3 million euros – financial investments grew by 2.2 million euros

The Group's cash flow from operating activities amounted to 8.7 (2006: 10.2) million euros. The 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 2.7 (2006: 2.5) million euros, the balance of financial investments increased by 2.2 (2006: 9.1) million euros, the total cash flow from investments during the period was -3.5 (2006: -10.6) million euros, and cash flow from financing -5.4 (2006: -5.5) million euros. In 2007 the net cash flow was negative: 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 37.0 (2006: 32.8) million euros, and the working capital used for main activities (receivables, prepayments, inventories less current liabilities) to 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 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 2.6 million euros, amounting to 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 48.7 (in 2006: 46.2) million euros.

Stock market and dividends

Dividend 0.32 euros per share, P/E 9.8

AS Norma has issued 13.2 million common shares. The share has a nominal value of 0.64 euros, 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 4.2 million euros (i.e. 0.32 euros per share) in dividends in 2007, similarly to the previous four years. Considering the group's plan to further expand the production of components, a rather capital-intensive field, AS Norma management's position is to continue to pay dividends at the same level in 2008: 50% of the nominal value of the shares.

Both diluted EPS and basic EPS were 0.5 (in 2006: 0.4) euros, and equity per share was 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 statistics for 2002-2007 (in euros, unless otherwise noted)

	2002	2003	2004	2005	2006	2007
Open	3.38	4.04	6.50	6.55	6.56	5.11
High	4.69	7.19	7.16	7.78	6.65	6.25
Low	3.36	4.04	6.10	6.35	4.30	4.52
Last	4.04	6.50	6.55	6.56	5.11	5.00
Change %	19.5	60.9	0.8	0.2	-22.0	-2.2
Traded volume (in thousands)	4 559	8 854	4 765	4 718	4 257	4 546
Turnover, million euros	19.4	44.2	31.5	34.2	23.1	23.5
Capitalisation, million euros	53.3	85.8	86.5	86.6	67.4	66.0

Stock price movement (in euro) and transaction volume in the Tallinn Stock Exchange from January 1, 2000 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 2.5% of the shares:

Autoliv AB	51.0%
ING Luxembourg S.A.	8.3%
Skandinaviska Enskilda Banken Ab clients	6.6%
Hansa Ida-Euroopa Aktsiafond	3.0%
Clearstream Banking Luxembourg S.A. clients	2.8%
AS Gild Arbitrage	2.8%
Firebird Republics Fund Ltd	2.7%
Trigon Uus Euroopa Väikeettevõtete Fond	2.5%

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 31.12.2007, 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 krona 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 2007, AS Norma acquired the subsidiary AS Tööriistavabrik

In 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 80.6 (in 2006: 65.9), net profit to 6.8 (in 2006: 5.5), and equity to 58.1 (in 2006: 54.9) million euros.

Under a merger contract concluded on 21.02.2007 Norma decided to merge its subsidiary AS Tööriistavabrik with the Parent. The planned merger was expected to result in improved production efficiency and reduction of administrative costs in Norma Group. On 04.09.2007 an entry regarding the AS Tööriistavabrik merger was made into the Commercial Register effective from 01.01.2007. In this report, the financial data for AS Norma include AS Tööriistavabrik data.

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 1.5 (2006: 1.5), loss to 0.02 (in 2006: 0.03) and equity to 0.01 (2006: 0.03) million euros. Sales to external customers amounted to 1.5 (2006: 1.5) million euros in 2007. The goods to be sold by the subsidiary are supplied by the Parent.

Management structure

Changes in the Supervisory Board in 2007

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. Since the death of Jörgen Svensson, Autoliv Vice President Legal Affairs (Chairman of the Supervisory Board) on 01.03.07 until 15.05.07, the Supervisory Board had 5 members: Rolf Henke, Senior Vice President SB Division Europe, 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 Juhtimiskonverents OÜ and Raivo Erik, Chairman of the Management Board of OÜ Someri Trade.

The general meeting of the shareholders of AS Norma decided to recall the Council member Rolf Henke and elect, in connection with the sudden death of Supervisory Board Member Jörgen Svensson, the new Council members of AS Norma: Magnus Lindquist, Autoliv Vice President, Finance and Pär Malmhagen, Senior Vice President Autoliv Europe Seatbelt Division, for a term commencing 15.05.2007. 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 has 6 members: Managing Director Peep Siimon (Chairman of the Management Board), Sales Director Ivar Aas, Director of SB Division Stig Carlson, Financial Director Ülle Jõgi, Quality Director Garri Krieger and Purchase Director Kaido Salurand.

In 2007, a total of 548 (2006: 451; 2005: 534) thousand euros was paid in remuneration to the members of the Supervisory Board and Management Board of AS Norma. No stock options or other benefits were awarded to the members of the Supervisory Board and Management Board. Pursuant to the management board member contract, compensation in the amount of the remuneration for 0-12 months is payable for termination of the employment relationship with a member of the Management Board, depending on the termination conditions. The maximum possible compensation payable under the management board member contracts is 303 thousand euros.

CORPORATE GOVERNANCE REPORT

As from 1st 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 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 administrant 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.

In 2007, the general meeting of shareholders took place on 15th of May. The meeting decided to approve the annual report of AS Norma for 2006 along with the profit distribution proposal, decided to recall the Council member Rolf Henke and elect related to sudden death of Supervisory Board Member Jörgen Svensson, the new Council members of AS Norma Pär Malmhagen and Magnus Lindquist for a term commencing 15th of May 2007, appointed the auditor of AS Norma for the term of one year. Supervisory Board will decide the remuneration of the auditor and who will conclude the agreement with auditor. No extraordinary general meetings took place.

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.

In 2007, a notice for the annual general meeting was published in the newspaper "Eesti Päevaleht" on 20th of April and via the information system of the Tallinn Stock Exchange on 20th of February. On the 04th of April 2007 the supplemented notice of the annual general meeting was published via the information system of the Tallinn Stock Exchange.

Hence in 2007 the general meeting of shareholders of AS Norma was held in accordance with the Recommendations.

Procedure of general meeting of shareholders

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

Hence at the general meeting of 2007, 51.04% shares were represented, the meeting was competent to adopt resolutions.

In 2007, the general meeting of shareholders of AS Norma was held in accordance with the Recommendations, excl. the article 1.3.2. due to the absence of chairman of supervisory board during the general meeting of shareholders.

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.

Composition and compensation

The supervisory board will elect and remove the members of the management board and appoint the chairman of the board. In 2007, Peep Siimon was chairman of the board. The management board comprises five to eight members who are elected for a term of three years. At least one-half of the management board members must be residents of member states of the European Economic Area or Switzerland. Members of the management board may not simultaneously serve on the supervisory board. In 2007, the management board of AS Norma comprised Peep Siimon, Ivar Aas, Ülle Jõgi, Kaido Salurand, Garri Krieger and Stig Carlson. The term of appointment of the present members expires on 19th of February 2010. Responsibilities of the management board members have been set out in the management agreement concluded with each management board member.

The management board is remunerated according to management agreements concluded with each management board member. The basis for management board remuneration in 2007 is detailed in other parts of the management report. Payment of additional remuneration to management board members depends on whether financial and strategic goals set by the supervisory board have been met. The criterion for meeting the financial goal is growth of audited profits in comparison with the previous financial year. Longer-term strategic goals are set by the supervisory board and on their basis the supervisory board yearly sets specific goals and respective criteria. Once a year, the supervisory board assesses whether these goals have been met.

Conflicts of interest

A member of the management board is prohibited, without the consent of the supervisory board, to compete with AS Norma. No significant transactions concluded between AS Norma and a member of its management board or persons connected to a management board member nor situations related to a conflict of interest have been reported to the supervisory board till compiling this report in 2008.

Hence in 2007 the activities of the management board were in compliance with the Recommendations.

Supervisory Board

Duties

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

Composition and compensation

The supervisory board presently has six members, elected by the general meeting of shareholders for a term of three years: Magnus Lindquist, Pär Malmhagen, Toomas Tamsar, Raivo Erik, Aare Tark and Leif Berntsson. The following members of the supervisory board have ties with Autoliv AB, the controlling shareholder of AS Norma: Magnus Lindquist, Pär Malmhagen and Leif Berntsson. Aare Tark is engaged in business activities with AS Norma through a legal services provider in which he is the controlling shareholder, even though such activities are not substantial. Thus the requirement established in section 3.2.2. of the Recommendations might not have been fully complied with in 2007. AS Norma refers to Rules of Tallinn Stock Exchange which consider two fully independent members of the supervisory board as a minimum acceptable standard. In addition, AS Norma is controlled by Autoliv AB. For the above reasons, a majority independent supervisory board might not be justified. The term of appointment of the present members is as follows: Magnus Lindquist and Pär Malmhagen expire on 14th of May 2010; Toomas Tamsar, Raivo Erik, Aare Tark and Leif Berntsson expire on 18th of May 2008. According to the articles of association, the majority shareholder may, during the time between shareholders' general meetings, remove and appoint not more than three members of the supervisory board, should such need arise earlier than one month before the next shareholders' general meeting.

Members of the supervisory board elect a chairman from among themselves, who will organise the activities of the supervisory board. Since 15th of May 2007 the chairman of the supervisory board is Magnus Lindquist.

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

Conflicts of interest

A member of the supervisory board may not participate in voting in the supervisory board's meeting if approval of the conclusion of a transaction between such member and AS Norma is being decided, or if approval of the conclusion of any transaction through a person connected to such member or through a company where such member has significant holding is being decided. A member of the supervisory board is prohibited, without respective resolution of the general meeting of shareholders, to compete with AS Norma. No conflicts of interest have been reported to the management board by the supervisory board members till compiling this report in 2008.

Hence in 2007 the activities of the supervisory board were in compliance with the Recommendations.

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 2006. The meetings with investors took place on 30th of October 2007, on 16th November 2007 and on 21st of November 2007 - the website of AS Norma contains such data.

Nr	Date	Announcement title
1	24 October 2007	Unaudited Preliminary Financial Results Q3 and 9 months Y2007
2	25 July 2007	Financial Results Q2 and H1 Y2007
3	12 June 2007	Merger with a Subsidiary
4	01 June 2007	Information regarding the new council members of AS Norma
5	15 May 2007	Resolution of Supervisory Board meeting
6	15 May 2007	Resolutions of ordinary general meeting
7	25 April 2007	Unaudited Preliminary Financial Results Q1 Y2007
8	04 April 2007	Amended agenda of ordinary general meeting of AS Norma
9	07 March 2007	Jörgen Svensson, Chairman of Supervisory Board AS Norma has passed away
10	20 February 2007	CORRECTION: Agenda of ordinary general meeting of AS Norma
11	20 February 2007	Agenda of ordinary general meeting of AS Norma
12	20 February 2007	Merger with a Subsidiary
13	07 February 2007	Unaudited Preliminary Financial Results Q4 and full year 2006

Thus the activities of AS Norma regarding disclosure of information in 2007 were in accordance with the Recommendations, except for the requirement established in section 5.3. that was partially complied with.

Financial Reporting and Audit

Reporting

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

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

tentative	final	tentative	final	tentative	final	tentative	final
Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4
25th of April 2007	31st of May 2007	25th of July 2007	30th of August 2007	24th of October 2007	30th of November 2007	30th of January 2008	29th of February 2008

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 15th 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.

Personnel policy

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

The central principle of AS Norma's personnel policy is involvement of the entire personnel in the development of the work process and the work environment. Implementation of the Autoliv Production System enables us to involve employees in the continuous process of improvement at the company. About 25% of the company's employees took part in various workshops. A total of 3051 proposals were made in 2007 (2006: 2786). Due to more effective resource application, we have managed to implement 74% of approved proposals, which is 20% more than a year ago. Twelve employees were awarded the prize for best proposal and 8 workshops were presented at the special ceremony.
In addition to standard in-house and out-house training, personnel development also included professional, quality, management and language training in other Autoliv companies, especially in Sweden, France, Germany and Turkey. Thirty-one specialists

spent a total of 443 working days training abroad. Two leading specialists from Norma participated in the global training programs for Autoliv top management.

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

Finding new specialists (especially engineers) has become an increasingly difficult task in the intense Estonian labour market. In 2007, employment contracts were concluded with 14 specialists (2006: 21), 8 (2006: 11) of them being engineers.

Norma is continuing cooperation with the Tallinn University of Technology and BEST Estonia in order to recruit engineers.

Occupational safety and health

Employees are of priceless value to the company

The company's work environment, production technique, and the work itself all become employee friendlier every day, but at the same time more complex and stringent.

In order to prevent accidents and safeguard employee health, in 2007, the company established relevant additional requirements and supplemented training, review and monitoring procedures in the field of the work environment.

The KERGENDA KANDAMIT ('Lighten the Load') campaign 2007 organized by the European Agency for Safety and Health at Work directed the attention of all of working Europe as well as own our company the problem of musculoskeletal disorders, the most common work-related health problem in Europe. Dealing with workplace ergonomics, from workplace design and layout to the management of manual handling, has a significant impact on health and well-being of workers and is a direct benefit for the company.

Continuous health promotion at work and workers' participation in the search for solutions to improve working conditions was reflected in good statistical data (for example, incidence has decreased 13% in 2007 compared to the previous year).

Environmental impact

Our goal is to manufacture in such a way that would insure the minimum impact on environment during production, utilization and elimination from use of the products, while making no concessions in quality and safety

In order to improve production-related environmental impact, AS Norma applies the environmental management system ISO 14001, acts according to legislation and integrated environmental permit requirements.

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

In 2007, waste sorting was improved. The amount of waste for recycling – electroplating depositions, paper and carton, polyester tape wastes – was also increased.

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

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

Developments and major investments planned for the future

Developments

Focus on expanding the sales of safety belt components

In coming years, AS Norma aims to retain its market position among key clients and to bring about significant growth in sales of components and assemblies for safety products in the international automotive industry suppliers market segment.

In 2008, the company will continue developing the production of components for the car safety seatbelts manufactured in Autoliv Group as well as to other possible automotive industry customers. A long-term goal is to take the production of components to a new qualitative and quantitative level. In order to increase competitive advantage, there is a need for broader product and technology options to be available for customers.

In 2008, no implementation plans for the new series of safety belts have been made. For that reason, it is possible to emphasise even more the productivity and efficiency.

Continuous usage of APS (production system in Autoliv – Toyota production system analogue) by including all employees to enhance efficiency, cutting costs and mostly ensuring the stable quality of products will be a priority also in the coming years.

Major investments planned for the future

In addition to insuring the conventional production, the investments should support the group's development plans to extend component production. Investments into measuring techniques, plastic and metal processing and technology can be specifically mentioned.

Major research and development projects

In 2008, the development of the safety system for the Priora (VAZ 2170 phase 2) in co-operation with Autoliv engineers will be concluded. In addition to the driver's airbag and airbag control unit (ACU), already used on the first phase models, the system includes the passenger's airbag and front safety seatbelts with pretensioner and load limiter.

The metals research work is being continued, as well as participation in the tool design workshop to standardize the components.

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

Peep Siimon

Chairman of the Management Board

MANAGEMENT REPRESENTATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby take responsibility for the preparation of consolidated financial statements of AS Norma set out on pages 22 to 49 and confirm that:

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

Peep Siimon

Chairman of the Management Board

Ivar Aas

Member of the Management Board

Ülle Jõgi

Member of the Management Board

Garri Krieger

Member of the Management Board

Kaido Salurand

Member of the Management Board

Stig Carlson

Member of the Management Board

Tallinn, February 20, 2008

Consolidated Balance Sheet

In thousands of euros

Assets	31.12.2007	31.12.2006	Note no
Current assets			
Cash in hand and deposits	5 534	5 811	1
Financial assets	28 993	26 766	2
Receivables	10 694	8 295	3
Prepaid expenses	88	79	4
Inventories	6 773	6 002	5
Total current assets	52 082	46 953	
Non-current assets			
Long-term receivables	20	25	7
Property, plant and equipment	14 719	15 898	8
Intangible assets	745	883	9
Total non-current assets	15 484	16 806	
Total assets	67 566	63 759	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables	9 516	8 239	11
Deferred income	52	73	12
Total current liabilities	9 568	8 312	
Total liabilities	9 568	8 312	
Equity			
Share capital (par value)	8 436	8 436	13
Statutory reserve	844	844	
Retained earnings	48 718	46 167	22
Total equity	57 998	55 447	
Total liabilities and equity	67 566	63 759	

The accounting principles presented on pages 27 to 33 and the notes to the consolidated financial statements presented on pages 34 to 39 form an integral part of the consolidated financial statements.

Consolidated Income Statement

In thousands of euros

	2007	2006	Note no
Revenue	80 781	66 947	14
Cost of sales	-68 577	-56 318	15
Gross profit	12 204	10 629	
Marketing and distribution costs	-1 826	-1 075	16
Research and development expenses	-1 947	-2 248	17
General administrative expenses	-2 036	-1 642	18
Other operating income	348	396	19
Other operating expenses	-82	-215	20
Operating profit	6 661	5 845	
Financial income	1 320	911	21
Financial expenses	-21	-17	21
Profit before taxes	7 960	6 739	
Income tax expense	-1 190	-1 260	22
Net profit	6 770	5 479	
Basic and diluted earnings per share (in euros)	0,51	0,42	13

The accounting principles presented on pages 27 to 33 and the notes to the consolidated financial statements presented on pages 34 to 49 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

In thousands of euros

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2005	8 436	844	44 906	54 186
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	5 479	5 479
31.12.2006	8 436	844	46 167	55 447
31.12.2006	8 436	844	46 167	55 447
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	6 770	6 770
31.12.2007	8 436	844	48 718	57 998

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

The accounting principles presented on pages 27 to 33 and the notes to the consolidated financial statements presented on pages 34 to 49 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

In thousands of euros

Cash flows from operating activities	2007	2006	Note no
Operating profit	6 661	5 845	
Adjustments of operating profit			
Gain from disposals of property, plant and equipment	-29	-44	19
Depreciation and amortisation	3 980	3 923	8,9
Impairment loss of property, plant and equipment	4	0	8
Changes in assets related to operating activities, incl.:			
Short-term receivables and prepaid expenses, except loans and interests	-2 409	-1 205	3,4
Inventories	-770	-264	5
Changes in liabilities, incl.:			
Payables	1 276	2 200	11
Deferred income	-21	-143	12
Provision	0	-134	
Total cash flows from operating activities	8 692	10 178	
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	78	155	
Acquisition of property, plant and equipment and intangible assets	-2 715	-2 451	8,9
Loans granted	-6	-5	7
Loan repayments received	12	8	7
Acquisition of financial assets	-46 296	-39 842	
Proceeds from disposals of financial assets	44 131	30 785	
Interest received	1 254	769	
Total cash flows from investing activities:	-3 542	-10 581	
Cash flows from financing activities			
Payment of income tax on dividends	-1 190	-1 260	22
Dividends paid	-4 218	-4 218	13
Total cash flows from financing activities:	-5 408	-5 478	
Net cash flows	-258	-5 881	
Changes in cash and cash equivalents			
Balance at the beginning of the year	5 811	11 698	
Increase/decrease of cash and cash equivalents	-258	-5 881	
Foreign exchange effect	-19	-6	21
Cash and cash equivalents at the end of the year, incl.:	5 534	5 811	
Cash in hand and deposits with maturity up to 3 months	2 492	1 861	1
Shares of interest fund	3 042	3 950	1

The accounting principles presented on pages 27 to 33 and the notes to the consolidated financial statements presented on pages 34 to 49 form an integral part of the consolidated financial statements.

Corporate Information

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

In 2007, the Norma Group consisted of AS Norma and one wholly-owned subsidiary:

Name of subsidiary	Ownership	Location
Norma-Osvar ZAO	100%	Russia

On February 20, 2007, the Supervisory Board of AS Norma decided on a resolution to merge the 100% owned subsidiary AS Tööriistavabrik with AS Norma. The goal of the merge is to increase the efficiency and to reduce the administration expenses within Norma Group. On September 4, 2007 the entry was made in the Central Commercial Register, according to which AS Tööriistavabrik was merged to AS Norma since January 1, 2007.

AS Norma's ownership in equity of its subsidiary equals to the ownership in voting shares.

At the end of 2007, the Group employed 972 people, including 968 employees at AS Norma (2006: 947 and 875, respectively).

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

Accounting Policies and Estimates

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the 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 consolidated financial statements have been prepared in thousands of euros (EUR).

At the date of authorisation of these consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union.

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

In accordance with the revised and new standards 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 are carried at cost. It means that investments in subsidiaries are initially recognised at cost, being the fair value of the consideration given. After initial recognition the cost is adjusted by any losses arising from impairment in value.

The Parent assesses at each reporting date whether there is an indication that an investment may be impaired and if any such indication exists, the Group makes an estimate of the asset's recoverable amount (higher of the value in use and fair value less costs to sell). Impairment losses are recognised under "Financial 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 is 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

Estonian companies of the Group:

According to the Estonian Income Tax Law the company's net profit is not subject to income tax; thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax. Instead of taxing net profit, all dividends paid by the company are subject to income tax with the rate of 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.

Russian company of the Group:

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

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

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

Related Parties

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

Revenue Recognition

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the revenue and the cost of the transactions can reliably be measured. Revenue is recognised at the fair value of the received/

receivable income. If the credit terms are longer than usual terms in the business of the Group, the revenue is determined based on the present value of proceeds.

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

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

Finance and Operating Leases

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

Group as a lessee

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

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

Group as a lessor

When assets are leased out under a finance lease, the amount equals to the net investment in the lease is recognised as a receivable (the aggregate of the present value of the lease payments receivable by the lessor under a finance lease and any unguaranteed residual value at the end of lease period). Lease payments are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable.

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

Segment Reporting

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

Across 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

In thousands of euros

1. Cash and cash equivalents	31.12.2007	31.12.2006
Cash in hand and current deposits in banks	44	192
Short-term deposits with maturity up to 3 months	2 448	1 669
Interest fund shares of Hansapank	3 042	3 950
	5 534	5 811

As of the end of 2007 the Group has deposits with maturity up to 3 months in the following amounts:

a) short-term deposits in commercial banks with interest rates of 3.0-5.45% (2006: 3.1%) in the amount of 548 (2006: 1 669) thousand euros; and
b) short-term deposits in the treasury of Autoliv with interest rates 4.754-5.175% in the amount of 1 900 (2006: 0) thousand euros.

The shares are valued at their fair value through profit and loss, which has been determined using the market value for interest fund shares.

In thousands of euros

2. Financial assets	31.12.2007	31.12.2006
Short-term time deposits with maturity more than 3 months	28 723	25 859
Accrued interest income	270	207
Bonds	0	700
	28 993	26 766

As of the end of 2007 the Group has deposits with maturity more than 3 months in the following amounts:

a) short-term deposits in commercial banks with interest rates of 4.4% (2006: 3.81%) in the amount of 1 087 (2006: 1 059) thousand EEK; and
b) short-term deposits in the treasury of Autoliv with interest rates 5.018-5.327% (2006: 3.354-4.1%) in the amount of 27 636 (2006: 24 800) thousand euros.

The short-term deposits with maturity more than 3 months are designated as fair value through profit and loss as they are used for earning short-term profits from favourable interest rate changes. Such a designation is in line with the entity's investment strategy of earning competitive yields on liquid assets; thus, a variable product mix is used, combining different deposits and interest fund shares. These products are treated as one group and are designated as fair value through profit and loss. The maximum exposure to credit risk at the reporting date is the total amount of the deposits and accrued interest (see table Categories of financial assets and financial liabilities).

For cash flow management purposes, the Group acquired bonds of Sampo Bank in the total amount of 700 thousand euros and with an interest rate of 3M EURIBOR+0.90%. The bonds were redeemed on January 29, 2007.

Categories of financial assets and financial liabilities		Note	31.12.2007	31.12.2006
Interest fund shares	Fair value through profit & loss	1	3 042	3 950
Short-term deposits with maturity more than 3 months	Fair value through profit & loss	2	28 723	25 859
Accrued interest income	Fair value through profit & loss	2	270	207
Bonds	Held to maturity	2	0	700
Trade receivables and allowances	Loans and receivables	3	10 375	8 030
Other short-term receivables	Loans and receivables	3	27	90
Long-term loans	Loans and receivables	7	20	25
Financial liabilities	Amortised cost	11	8 869	7 596

In thousands of euros

3. Receivables	31.12.2007	31.12.2006
Trade receivable from non-related parties	7 272	4 403
Receivables from companies of Autoliv Group (see Note 24)	3 103	3 661
Allowance for doubtful receivables	0	-34
Other short-term receivables	27	90
VAT refundable	292	175
	10 694	8 295

As at December 31, 2006, 77.5% of doubtful receivables were related to the Swedish company Ortho Safe.

	31.12.2007	31.12.2006
Not due	10 112	7 676
Overdue 30 days	242	221
Overdue 60 days	5	129
Overdue 90 days	4	1
Overdue over 90 days	12	3
	10 375	8 030

	31.12.2007	31.12.2006
Allowance as of January 1	-34	-169
Reversal of allowance (see Note 18)	8	-1
Write off of allowance from balance sheet	26	136
Allowance as of December 31	0	-34

In thousands of euros

4. Prepaid expenses	31.12.2007	31.12.2006
Prepaid expenses of next year	88	55
Prepaid taxes	0	24
	88	79

As of December 31, 2007 as well as December 31, 2006 the amount of prepaid expenses includes prepayments for software licences, prepaid insurance, media/press subscriptions and other similar expenses.

In thousands of euros

5. Inventories	31.12.2007	31.12.2006
Raw materials	4 443	4 045
Work in progress	1 117	1 165
Finished goods	1 198	783
Prepayments for goods	15	9
	6 773	6 002

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

	2007	2006
Raw materials	273	361
Work in progress	23	6
Finished goods	176	147
	472	514

The net carrying value of such items for which allowances have been made is 154 (2006: 93) thousand euros.

Materials, unfinished products and finished products unsuitable for production and resale have been written off in the amount of 195 (2006:16) thousand euros.

Materials, for which allowances were made in 2006, were taken into use in 2007 in the total value of 117 (2006: 221) thousand euros. The allowance reversal is reflected in the cost of sales.

As of December 31, 2007, the Group has inventories held by third parties in the amount of 26 (31.12.2006: 26) thousand euros.

6. Long-term financial investments

In 2007, AS Norma Group included AS Norma and its subsidiary in Russia, fully owned by AS Norma.

On February 20, 2007, the Supervisory Board of AS Norma decided on a resolution to merge the 100% owned subsidiary AS Tööriistavabrik with AS Norma. The goal of the merge was to increase efficiency and to reduce administration expenses within the Norma Group. On September 4, 2007 the entry was made in the Central Commercial Register, according to which AS Tööriistavabrik was merged to AS Norma since January 1, 2007.

In thousands of euros

7. Long-term receivables	31.12.2007	31.12.2006
Loans granted	20	25

Loans granted consists of loans granted to the employees of AS Norma:

Purpose	Balance as of 31.12.06	Incl. short-term portion	Incl. long-term portion	Granted in 2007	Repaid in 2007	Balance as of 31.12.07	Incl. short-term portion	Incl. long-term portion	Interest rate (%)
Student loans	32	10	22	6	11	27	9	18	0
Others	3	0	3	0	1	2	0	2	0
	35	10	25	6	12	29	9	20	

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

8. Property, plant and equipment

In thousands of euros

	Land and buildings	Machinery and equipment	Other items	Unfinished projects and prepayments	TOTAL
Net book value as of 31.12.2005	4 561	11 581	159	1 033	17 334
Additions	113	1 338	85	893	2 429
Disposals	0	-1	0	-111	-112
Reclassifications	0	1 032	0	-1 032	0
Depreciation charge	-288	-3 393	-71	0	-3 753
Net book value as of 31.12.2006	4 386	10 557	173	783	15 898
Additions	53	2 259	15	367	2 694
Disposals	0	-49	0	0	-49
Reclassifications	0	783	0	-783	0
Impairment loss	0	-4	0	0	-4
Depreciation charge	-292	-3 473	-56	0	-3 820
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

During the accounting period, a thermoplastic press, the acquisition cost of which was 67 thousand euros, was written off in the amount of 4 thousand euros. In 2006, no discounts were made in property, plant and equipment.

In 2006, unsuitable tooling for production and realisation was written off in the amount of 1 thousand euros; their acquisition cost was 24 thousand euros. There was no tooling written-off during the 2007 accounting period.

Depreciation charge has been recognised as follows: 3 719 (2006: 3 622) thousand euros as cost of sales, 2 (2006: 3) thousand euros as marketing and distribution expenses, 23 (2006:26) thousand euros as research and development expenses and 77 (2006: 102) thousand euros as general administrative expenses (see also Notes 15-18).

As of December 31, 2007, acquisition cost of fully depreciated property, plant and equipment amounts to 12 293 (2006: 11 568) thousand euros.

As of December 31, 2007, additional investments needed for the completion of unfinished projects (incl. uninstalled equipment) amount to 31 thousand euros.

In thousands of euros

9. Intangible assets	Product and technology licences	Software licences	TOTAL
Additions	0	22	22
Amortisation charge	-143	-27	-170
Net book value as of 31.12.2006	859	24	883
Additions	0	21	21
Amortisation charge	-143	-16	-159
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	-1113

In 2003, the Group entered into a 10-year licensing agreement with Autoliv Development AB in order to acquire rights to sell products developed and/or in possession of Autoliv, and rights to use Autoliv's technology in manufacturing. The licence was recorded as an intangible asset in the amount of 1 432 thousand euros with a useful life of 10 years and as of 31.12.2007 the remaining useful life of this licence is 5 years.

Amortisation charge has been recognised as follows: 152 (2006: 151) thousand euros as research and development expenses, 7 (2006: 13) thousand euros as cost of sales and 0 (2006: 6) thousand euros as general administrative expenses (see also Notes 15-18).

10. Operating leases

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

In thousands of euros

	2007	2006
Lease payments for the financial year	86	80
Future lease payments of non-cancellable operating leases as of the end of the year:	155	102
Incl. payable within 1 year	89	85
payable after 1 year, but not more than 5 years	66	16

The Group is also leasing buildings (leasing period 2003 - 2008) with annual rental payments of 50 thousand euros.
The Group has leased out production and office rooms under operating lease terms and earned income from these leases as follows:

	2007	2006
Production rooms	54	54
Office rooms	1	2

In thousands of euros

11. Payables and deferred income	31.12.2007	31.12.2006
Payables to suppliers	4 547	5 220
Payables to employees	2 002	1 339
Accrued expenses	0	29
Payables to Group companies (see Note 24)	2 320	1 008
Taxes payable, incl.	647	643
Social taxes	508	466
Personal income tax and income tax from fringe benefits	122	132
Other taxes	17	45
Total payables	9 516	8 239

In thousands of euros

12. Deferred income	31.12.2007	31.12.2006
Customer advances	52	42
Other unearned income	0	31
	52	73

In thousands of euros

13. Share capital	31.12.2007	31.12.2006
Share capital par value (10 kroons per share)	8 436	8 436

AS Norma has issued 13.2 million common shares with one vote per share. All shares are fully paid. Dividends paid out for 2006 were 66.0 million kroons or 5 kroons per share. The Management Board proposes to pay out 66.0 million kroons as dividends also for 2007.

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

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

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

Earnings per share	2007	2006
Net profit for the financial year	6 770	5 479
Average number of shares (in thousands)	13 200	13 200
Earnings per share in euros	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.

14. 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 from other segments			0		0			-1 163		-1 163
Total revenue from segments	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 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 depreciation or amortisation is included in segment expense, the related asset is also included in segment assets. Segment assets do not include assets used for general Group or head-office purposes or which cannot be allocated directly to the segment. Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.

Secondary reporting format – Revenue by geographical markets

In thousands of euros

	2007	2006
Sweden	39 235	37 999
Russia	34 276	21 433
Germany	3 341	2 983
Estonia	870	1 083
Czech Republic	753	720
Ukraine	593	918
Belgium	524	246
Finland	416	398
France	287	354
Poland	231	283
Spain	124	96
Great Britain	61	332
Other countries	70	102
Total:	80 781	66 947

The Group's (except Norma-Osvar ZAO's) inventories and property, plant and equipment are located in Estonia. Norma-Osvar ZAO's assets in the total amount of 470 (2006: 662) thousand euros are located in the Russian Federation, incl. property, plant and equipment in the amount of 44 (2006: 51) thousand euros.

Investments in non-current assets by secondary reporting format are as follows: Estonia 2 714 (2006: 2 413) thousand euros and Russia 1 (2006: 31) thousand euros.

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

In thousands of euros

15.	Cost of sales	2007	2006
	Raw materials	-48 720	-37 842
	Personnel expenses (see Note 23)	-10 943	-9 046
	Depreciation and amortisation (see Notes 8, 9)	-3 725	-3 635
	Utilities	-1 078	-956
	Repairs and maintenance	-411	-395
	Transportation	-1 677	-1 461
	Other services	-586	-490
	Others	-1 437	-2 493
		-68 577	-56 318

In thousands of euros

16. Marketing and distribution expenses	2007	2006
Personnel expenses (see Note 23)	-206	-209
Depreciation (see Note 8)	-2	-3
Transportation	-929	-581
Agent fees	-262	-105
Advertising	-18	-38
Business travelling	-32	-44
Other services	-5	-6
Others	-372	-89
	-1 826	-1 075

In thousands of euros

17. Research and development expenses	2007	2006
Personnel expenses (see Note 23)	-528	-495
Expenses related to VAZ projects	-784	-844
Expenses related to testing and research	-258	-486
Depreciation and amortisation (see Notes 8, 9)	-175	-177
Business travelling	-73	-99
Other services	-16	-15
Others	-113	-132
	-1 947	-2 248

In thousands of euros

18. General administrative expenses	2007	2006
Personnel expenses (see Note 23)	-1 174	-926
Depreciation and amortisation (see Notes 8, 9)	-77	-108
Repairs and maintenance	-14	-14
Advertising, promotions	-117	-85
Business travelling	-37	-48
Telephone and office supplies	-38	-53
Other purchased services	-269	-68
Bad debt related expenses [1]	7	-1
Others	-317	-339
	-2 036	-1 642

[1] in 2007, the amount of bad debt related expenses consists of the reversal of allowance for doubtful receivables in the amount of 7.6 (2006: -1.31) thousand euros and the uncollectible receivable directly written off from the balance sheet is 0.4 (2006: 0.1) thousand euros.

In thousands of euros

19. Other operating income	2007	2006
Revenue not related to main production activities	317	350
Gain from disposals of property, plant and equipment	29	43
Others	2	3
	348	396

In thousands of euros

20. Other operating expenses	2007	2006
Membership fees of unions, other associations	-8	-8
Sponsorship	-11	-27
Expenses not related to main production activities	0	-28
Foreign exchange loss	-59	-152
Impairment loss of non-current assets (see Note 8)	-4	0
	-82	-215

In thousands of euros

21. Financial items

Financial income	2007	2006
Change in fair value of interest fund shares of Hansapank	80	41
Interest income from deposits	1 236	835
Interest income from bonds	4	26
Interest income from loans	0	8
	1 320	911

Financial expenses	2007	2006
Foreign exchange gain / loss	-19	-6
Other items	-2	-11
	-21	-17

In thousands of euros

22. Income tax expense	2007	2006
Income tax on dividends	-1 190	-1 260
Total expense	-1 190	-1 260

The subsidiary ZAO Norma-Osvar is located and registered in Russian Federation, where net profit is a subject of income tax. As of December 31, 2007 the Russian subsidiary has tax losses carried forward in the amount of 97 (2006:28) thousand euros, from which a deferred tax asset arises. Considering the business situation, the management does not believe that it is probable that future taxable profit will be available in the near future (during 3 years) against which the unused tax losses can be utilised, therefore no deferred tax assets have been recorded.

Maximum potential income tax on net dividends

The Group's retained earnings as of December 31, 2007 were 48 719 (31.12.2006: 46 167) thousand euros. The maximum possible income tax liability, which would become payable if retained earnings were fully distributed is 10 231 (31.12.2006: 10 157) thousand euros, thus retained earnings in the amount of 38 488 (31.12.2006: 36 010) thousand euros can be distributed as net dividends.

The maximum income tax liability has been calculated using the income tax rate applicable for dividends paid out in 2008 and on the assumption that distributable dividends and the related income tax together cannot exceed the amount of retained earnings as of 31.12.2007 and 31.12.2006, respectively.

If the Group pays out dividends in the amount of 4.2 million euros, as the management Board proposes for 2007 (see Note 13), the income tax liability in the amount of 1.1 million euros will arise.

In thousands of euros

23. Personnel expenses	2007	2006
Wages and salaries	-9 905	-8 022
Social tax expenses	-2 921	-2 632
Unemployment insurance expenses	-25	-22
	-12 851	-10 676

In thousands of euros

24. Transactions with related parties	2007	2006
Purchases from companies of Autoliv Group	18 386	11 173
incl. purchases of goods	17 282	9 253
receiving of services	535	1 482
receiving of services from the parent company Autoliv AB	71	54
transfer of research and development	498	384
Sales to companies of Autoliv Group	42 253	41 305
incl. sales of goods	41 448	40 183
rendering of services	799	1 122
rendering of services to the parent company Autoliv AB	6	0
Sales to Norma by Law-office Tark & Co	17	9

	31.12.2007	31.12.2006
Receivables from companies of Autoliv Group (see Note 3)	3 103	3 661
incl. Autoliv AB	0	0
Payables to companies of Autoliv Group (see Note 11)	2 320	1 008
incl. Autoliv AB	36	1
Short-term deposits in treasury of Autoliv Group (see Notes 1, 2)	29 536	24 800
Payables to Law-office Tark & Co	9	2

In 2007, the Group deposited its money in the treasury of Autoliv AB in the amounts of 46 296 (2006: 37 159) thousand euros and 0 (2006: 42 000) thousand kroons. Interest income received from these deposits in 2007 was 1 152 (2006: 732) thousand euros, which has been recognised as interest income from deposits in Note 21.

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

The executive members of the Management Board received remuneration totalling 548 (2006: 451) thousand euros and the Supervisory Board totalling 48 (2006: 48) thousand euros. The executive members of the Management Board and Supervisory Board do not have any share options or other benefits. The members of Management Board have a right to termination benefits (as 0-12 months' salary). The maximum amount of such termination benefits is 303 thousand euros.

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

25. Main risks for AS Norma Group

The Group's principal financial instruments are cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Credit risk

Credit risk reflects the potential loss, which may be caused by a business partner's inability to meet the assumed obligations. This is particularly important regarding the ability of the Group's major customers to pay for goods supplied. Credit is primarily extended only to long-term partners. In order to ensure the payments from its long-term clients, the Group is constantly monitoring and analysing their financial position and liquidity. If necessary, the Group requests bank guarantees to ensure payments. Prepayment or a letter of credit is required for single transactions or new clients.

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

The largest concentration of credit risk is related to our Russian and Ukrainian customers. The accounts receivable balances from the Russian and Ukrainian clients as of December 31, 2007 amounts to 5 880 (2006: 3 751) thousand euros. In the management's opinion there was no need to create an allowance for bad debts at the end of the year.

The balances of receivables and deposits reflect the total credit risk exposure, see Notes 2 and 3 for quantitative data.

Currency risk

In 2007, 98.9% (2006: 98.4%) of the Group's revenue was export sales, made mainly in euros. The Group's expenses were primarily in Estonian kroons, euros, Swedish crowns and Russian roubles. Main sales and purchase contracts are denominated in euros. The risks related to other currencies than euro were monitored either by matching the incoming and outgoing cash flows of the same currency, or fixing contractual payments at euro exchange rate.

Short-term investments are diversified between Estonian kroons and euros.

No hedge accounting instruments were used for covering currency risks.

Currency position of the Group

Original currency in thousands

31.12.2007						
Financial assets	EEK	EUR	SEK	USD	RUB	Total
Cash	52 446	2 160	1	-	792	-
Short- and long-term investments	-	28 723	-	-	-	-
Short- and long-term receivables	39 662	8 190	153		8 716	-
	92 108	39 073	154	0	9 508	-
Financial liabilities	29 600	7 009	5 279	60	285	-
Net positions, in original currency	62 508	32 064	-5 125	-60	9 223	-
Net positions, in thousands of euros	3 995	32 064	-548	-41	256	35 726
Reasonably possible change in exchange rates (+),%*	-	-	-5%	-15%	5%	-
Reasonably possible change in exchange rates (–),%*	-	-	5%	15%	-5%	-
Effect on P&L, thousands of euros	-	-	27	6	13	46
Effect on P&L, thousands of euros	-	-	-27	-6	-13	-46

* - the actual fluctuation of the exchange rates in 2007 is considered the best estimate for possible fluctuations in 2008

Original currency in thousands

31.12.2006						
Financial assets	EEK	EUR	SEK	USD	RUB	Total
Cash	64 992	1 451	44	91	4 561	-
Short- and long-term investments	-	26 559	-	-	-	-
Short- and long-term receivables	5 164	7 836	171	131	8 404	-
	70 156	35 846	215	222	12 965	-
Financial liabilities	54 211	3 513	11 205	7	647	-
Net positions, in original currency	15 945	32 333	-10 990	214	12 317	-
Net positions, in thousands of euros	1 019	32 333	-1 214	163	355	32 656
Reasonably possible change in exchange rates (+),%	-	-	-5%	+12%	+5%	-
Reasonably possible change in exchange rates (–),%	-	-	+5%	-12%	-5%	-
Effect on P&L, thousands of euros	-	-	61	19	18	98
Effect on P&L, thousands of euros	-	-	-61	-19	-18	-98

Interest-rate risk

AS Norma does not use debt financing and therefore has no interest bearing liabilities.

Liquidity risk

The maturity of financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flow from operations are taken into consideration in the process of monitoring liquidity. As of December 31, 2007, the Group had no liabilities (except for vacation reserve) maturing later than 2 months after the year-end. In the opinion of the Group's management there is no significant liquidity risk, as the share of cash and other short-term financial assets exceeds 50% of the Group's total assets. See Notes 11 and 12 for quantitative data.

Capital management

The Group does not use external financing in its operations. Investments into production and research and development are done from the Group's own funds. The decision regarding dividend payments is taken by the management based on the Group's financial results, plans for development and also considering the general macroeconomic developments in Estonia and in the markets for the Group's products.

Fair value

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

26. Balance sheet of AS Norma (the Parent) as required by the Estonian Accounting Act

In thousands of euros

Assets	31.12.2007	31.12.2006
Current assets		
Cash in hand and deposits	5 512	5 679
Financial assets	28 993	26 766
Receivables	10 907	8 676
Prepaid expenses	70	49
Inventories	6 687	5 471
Total current assets	52 169	46 641
Non-current assets		
Long-term investments	2	774
Long-term receivables	20	24
Property, plant and equipment	14 675	15 024
Intangible assets	745	869
Total non-current assets	15 442	16 691
Total assets	67 611	63 332

Liabilities and equity		
Liabilities		
Current liabilities		
Payables	9 508	8 374
Deferred income	52	35
Total current liabilities	9 560	8 409
Total liabilities	9 560	8 409
Equity		
Share capital (par value)	8 436	8 436
Statutory reserve	844	844
Retained earnings	48 771	45 643
Total equity	58 051	54 923
Total liabilities and equity	67 611	63 332

27. Income statement of AS Norma (the Parent) as required by the Estonian Accounting Act

In thousands of euros

	2007	2006
Revenue	80 603	65 854
Cost of sales	-68 500	-55 601
Gross profit	12 103	10 253
Marketing and distribution costs	-1 854	-1 075
Research and development expenses	-1 945	-2 235
General administrative expenses	-1 904	-1 403
Other operating income	324	509
Other operating expenses	-67	-186
Operating profit	6 657	5 863
Financial income	1 319	904
Financial expenses	-20	-17
Profit before taxes	7 956	6 750
Income tax expense	-1 190	-1 260
Net profit	6 766	5 490

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

C	Manufacturing industry (in thousands of 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

28. Statement of changes in equity of AS Norma (the Parent) as required by the Estonian Accounting Act

In 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.

On February 20, 2007, the Supervisory Board of AS Norma decided on a resolution to merge the 100% owned subsidiary AS Tööriistavabrik with AS Norma. Therefore in the current report the financial data of AS Tööriistavabrik is presented among parent company figures (see Note 6).

29. Cash flow statement of AS Norma (the Parent) as required by the Estonian Accounting Act

In thousands of euros

Cash flows from operating activities	2007	2006
Operating profit	6 657	5 863
Adjustments of operating profit:		
Gain from disposals of property, plant and equipment	-29	-9
Depreciation and amortisation	3 971	3 678
Impairment loss of property, plant and equipment	4	0
Decrease in assets related to operating activities	-2 953	-1 641
Decrease in liabilities	1 151	2 209
Total cash flows from operating activities	8 801	10 100
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	78	121
Acquisition of property, plant and equipment	-2 714	-2 283
Loans granted	-6	-5
Loan repayments received	12	8
Acquisition of financial assets	-46 296	-39 843
Proceeds from disposals of financial assets	44 131	30 652
Interest received	1 254	763
Total cash flows from investing activities:	-3 541	-10 587
Cash flows from financing activities		
Payment of income tax on dividends	-1 190	-1 260
Dividends paid	-4 218	-4 218
Total cash flows from financing activities:	-5 408	-5 478
Net cash flows	-148	-5 965
Changes in cash and cash equivalents		
Balance at the beginning of the year	5 679	11 650
Increase/decrease of cash and cash equivalents	-148	-5 965
Foreign exchange effect	-19	-6
Cash and cash equivalents at the end of the year, incl.:	5 512	5 679
Cash in hand and deposits with maturity up to 3 months	2 470	1 729
Shares of interest fund	3 042	3 950

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Norma

We have audited the consolidated financial statements of AS Norma, which comprise the balance sheet as of December 31, 2007, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements, which we have identified on the accompanying pages, are enclosed with the current report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Norma as of December 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

ERNST & YOUNG

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial information of AS Norma as a parent company in Notes 26-29 is presented because it is required by the Estonian Accounting Act and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards as adopted by the European Union. Such financial information has been subject to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is prepared in all material respects in accordance with the requirements of the Estonian generally accepted accounting principles and in relation to the consolidated financial statements taken as whole.

Tallinn, February 20, 2008

Hanno Lindpere
Ernst & Young Baltic AS

Märt-Martin Arengu
Authorised Auditor

Profit Allocation Report

Net consolidated profit of AS Norma for 2007 amounts to 105 927 904 EEK (6 770 027 EUR).

The Management proposal, which is agreed with the Supervisory Board, is to transfer 2007 profit to retained earnings.

The Management proposes to pay annual dividends to shareholders in the amount of 50% of the par value of share in the total amount of 66 000 000 kroons or 5 kroons per share or 4 218 169 EUR (0.32 EUR per share).

The General Meeting of the Shareholders will set a fixed date for list of shareholders with dividend rights.

According to the Management Board's proposal, the list of shareholders with dividend rights will be fixed as at 29.05.2008 at 23:59 PM.

In relation to a proposals made by the shareholders of AS Norma whose shares represent at least one-tenth of Norma's share capital, the annual general meeting of shareholders was postponed. Consequently the Management Board proposes to the general meeting of the shareholders to fix the list of the shareholders entitled to dividends on 8 July 2008 at 23:59.

SIGNATURES OF MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD ON ANNUAL REPORT 2007

We hereby confirm the correctness of information presented in the Annual Report 2007 of consolidated group of AS Norma:

Magnus Lindquist
Chairman of Supervisory Board

Leif Berntsson
Member of Supervisory Board

Pär Malmhagen
Member of Supervisory Board

Toomas Tamsar
Member of Supervisory Board

Raivo Erik
Member of Supervisory Board

21.02.2008

Aare Tark
Member of Supervisory Board

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 Annual Report 2007 of consolidated group of AS Norma:

Peep Siimon
Chairman of Management Board

Garri Krieger
Member of Management Board

Ivar Aas
Member of Management Board

Kaido Salurand
Member of Management Board

Ülle Jõgi
Member of Management Board

Stig Carlson
Member of Management Board

February 21, 2008

List of shareholders with ownership of 10% or more

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

AS Norma Annual Report 2007

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Beginning and end of the reporting year:	01.01.2007-31.12.2007

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