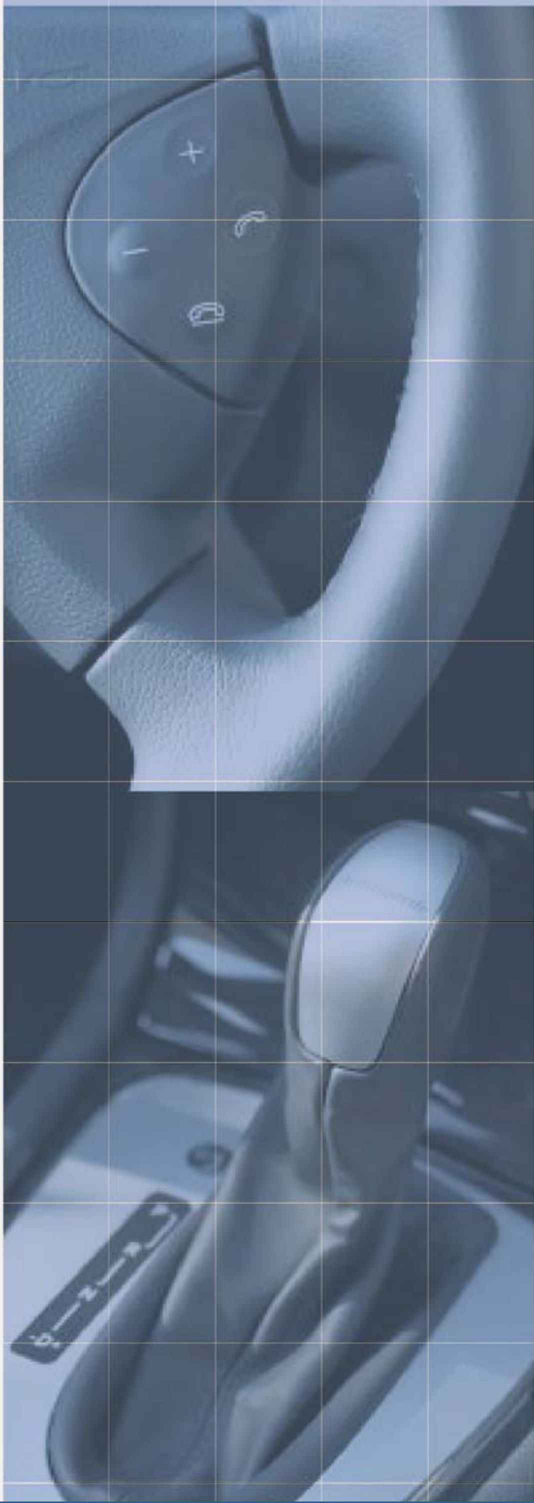
AS Norma

2008

ANNUAL REPORT



LETTER TO SHAREHOLDERS

Dear shareholders,

I would like to thank you for your trust and express my recognition in particular to all the employees for their dedicated and self-sacrificing work in 2008, when we achieved a really exceptional result.

2008 turned out to be a contradictory year for AS Norma. During the first nine months our production and deliveries to our customers were all times record high, but in the last quarter of the year the global automotive industry crisis also reached our company. Orders started to fall rapidly, and this declining trend is continuing in 2009.

In 2008, the net sales of the group increased by 9% to 88 million Euros. The sale to Russia went up by 39%. 82% of this increase was achieved on account of the sale of safety systems to the automobiles of the AvtoVAZ Kalina and Priora series. Thus the increase in sales was ensured by the increased deliveries of our traditional products – automobile safety belts – as well as wider use in the Russian automobile industry of our new product segment – automobile safety systems.

The decline in turnover started on the Eastern markets in August, and the reduction of the production began in November-December. The sale of our Western customers decreased already during the first half of the year, and in August the production started to slow down. The safety belt deliveries by AS Norma to the Volvo Belgium and Sweden plants of the Ford Group, Saab Automobile, and the Volvo Group decreased by 22% to 1.88 million pieces.

We managed to keep our production and sale of automobile safety belt components to Europe on the level of 2007 thanks to the introduction of new products, which compensated for the decline in automobile production on this market.

With 9% increase in sales, the operating profit of AS Norma was 19% and its net profit 30%. The keywords for the 9 months of the contradicting 2008 were the maximum use of capacity, increase of productivity, and constant improvement activities, which allow us to ensure quality and on-time delivery in order to achieve customer satisfaction. The most important task in the last quarter of the year was our rapid and adequate adaptation to the changed market situation. AS Norma had 1001 employees in August 2008. By the end of the year this figure fell to 918. Part-time working time was used, and reorganisation of the production started.

The beginning of 2009 has brought about the deepening of the global automotive industry crisis. Numerous major automobile producers have liquidity problems, and their sustainability depends on the financial aid granted by the states. The situation of the customers of AS Norma is also complicated, and their production volumes low, production jerky, and forecasts of orders to suppliers extremely short-dated. In these conditions the management board of AS Norma continues with the reorganisation of the activities with the aim of achieving as good flexibility and economy of the operations as possible.

The financial strategy well considered during numerous years allows the group to enter the automotive industry crisis without any debts and with a strong balance sheet. This provides AS Norma with a backbone to continue to develop the company and pursue its long-term strategic direction through this severe downturn in the industry regardless of the currently drastically falling turnover and negative cash flow. Demand reduction has brought about a situation for automotive subcontractors where numerous producers and their subcontracts have liquidity problems and are forced to reconsider their opportunities. In the changing market situation the management board of AS Norma has also started to review the development projects of automobile safety components, and reassess the risks and opportunities.

The position of the management board of AS Norma is that our strong financial standing opens rare opportunities for the group in the industry's crisis situation for improving our position and enhancing our competitiveness.

Peep Siimon
Chairman of the Management Board of AS Norma
Tallinn, 27 March 2009.

MANAGEMENT REPORT

Field of activity

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

Developments in the operating environment

Markets

2008 –the downturn in the automotive industry begins, 2009 – the downturn deepens

2008 turned out to be inconsistent for the automotive industry. The growth of cars' sales, that lasted for years, began to decline. In Europe and USA, the sales dropped already in the first half of the year, and by the end of the year, the sales declined altogether 8,4% and 18% respectively. This forced the vehicle manufacturers to reduce their production. The global automotive production declined by 4%. In Western-European countries, the production dropped by 9%, and although 6% more vehicles were produced, the production decreased altogether by 5%. In North-America, the decline reached 16%, thereby the output of the three largest (GM, Ford and Chrysler) was lower by 21% compared to a year-ago period. The crisis reached its peak in the fourth quarter, when the global production declined by 20% compared to 2007. The volumes' decrease in Europe is estimated to 30%, and in North-America 26%.

On one of AS Norma's biggest markets – Russia – the cars' sales growth continued during the first seven months of 2008. The first drawback on the market appeared in August and further on the decline only increased. Altogether in 2008, 15% more new passenger cars were sold in Russia compared to 2007. Thereby, the sales of domestic cars declined by 8% to 700,000 cars, the sales of foreign car models produced in Russia grew by 32% to 580,000 cars. The sales of imported cars grew by 24% to 1,500 000 vehicles. Thus, the market share of new imported cars increased from 50% to 54%, the markets share of car models developed in Russia dropped from 32% to 25%, and the market share of foreign cars assembled in Russia grew from 3% to 21%.

The sales of AvtoVAZ in Russia declined by 6% to 622,000 cars, but at the same time the volume of imports (106,000) was maintained at the same level as in 2007. The Ladas are sold in 30 countries. AvtoVAZ's new models' Lada Kalina (94,000) and Lada Priora (128,000) sales grew 19% and 40% respectively.

Based on data from the "ASM-Holding", 1, 457 000 passenger cars were produced in Russia in 2008, that is 14% more compared to a year-ago period. This was due to increase in assembling the foreign car models, the share of which reached 40%. The share of domestic cars grew only 5%. Once again, Kaliningrad's "Avtotor" (Chevrolet, BMW, and other models) became the leader in foreign cars' assembly with over 100,000 vehicles, 96,000 cars (prevailing Hyundai) were assembled in Taganrog, 73,000 (Dacia Logan) in "Avtoframos", 65,000 (Ford Focus) in Ford's factory, and 63,000 cars (Skoda and VW models) in Volkswagen's factory.

In 2008, for the first time AvtoVAZ surpassed the border of 800,000 cars. The growth of 8% did not reach the planned 11% due to cutting the production capacity in the terms of crisis in the end of 2008. The volumes of other Russian car manufacturers, such as GAZ, IžAvto, UAZ etc., decreased. GM-AvtoVAZ (a joint venture of AvtoVAZ and General Motors) produced 55,000 Chevrolet Nivas, as a year ago, 2.4% less cars were sold than a year ago (2008: 53,3; 2007: 54,6).

As the car sales in Russia began to decline from August, but the limits on production were set only just in November, according to experts inventories have increased over 100,000 cars. Majority of car manufacturers had to stop their production lines for a month in the year-end, instead of a usual 2-week New Year's and Christmas vacation. Unfortunately, a drastic sales decline followed in January 2009 – 33% compared to January of 2008, and 44.5% compared to December. Due to weakened exchange rate of the rouble, most car manufacturers raised the prices at the beginning of 2009, also the consumers' credit availability has not yet recovered.

In 2008, there was a 9% increase in the sales volumes of AS Norma's retractor seatbelts to the Eastern market, the amount of sold safety systems grew 124%.

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. 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 2008, the amount of belts delivered through Autoliv decreased 22% to 1.88 (2007: 2.41) million units.

Raw material

Prices for steel rose again

The prices for raw material used in AS Norma's production had different tendencies in 2008 compared to 2007. The price for steel increased 13%, for electrical components 7%, and for metal components 1%. The prices for non-ferrous metals and components produced from these metals dropped 6%, following the trend set in the second half of 2007.

Estonian economic environment

AS Norma exports 98-99% 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. The downfall which started in 2008, further toughens the competition. At the same time, AS Norma imports most of the materials, the prices of which are very much dependent on the world market for raw material prices. The company's production costs have increased significantly due to a last years' high inflation. In 2008, the unfavourable impact of the rise in prices of electricity, water, gas, transport, purchased services, and grown salary expectations had an adverse impact on company's competitiveness. The constraints on subcontracting possibilities for different production technologies in Estonia will slow down the group's development in the longer run.

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.

In the second half of 2008, due to overproduction, the automotive industry reached the situation where the temporary production halts begun; in Western Europe already in September, in Russia in November.

Highlights of the financial year

Development projects

Autoliv stopped providing the logistic services to Volvo Car and closed its logistic center in Belgium. Due to that Volvo Car Gent began insourcing these services by itself from May 1, 2008. For AS Norma this meant direct deliveries to the car maker's assembly lines from May 1, 2008. In Q2 and Q3 of 2008 several production, quality and logistic processes were restructured accordingly.

In 2008, development of the second phase of AvtoVAZ – Lada Priora car safety system (two airbags, seatbelts with pretensioners and load limiter, electronic control unit), was completed and launched into production. Norma is the developer and supplier of the safety system in collaboration with Autoliv.

Metals research continued in collaboration with Tallinn Technical University.

Production

Unstable production volumes

While in 2007, the volumes of safety belt production were stable without major fluctuations within the months, the situation in 2008 was quite different. In the second and third quarter the orders from clients grew and the company was short of production capacity. Temporary employment contracts were concluded, overwork was used, and due to full utilization of some machinery it was not possible to accept the orders for new components. Since October, the orders decreased and production-limiting measures were set. The temporary employment contracts were not prolonged, the number of employees decreased from 1001 in August to 918 by the end of the year. As from October 20, the part-time working time was applied at first in Autoliv seat belt division, and then for the whole group.

In 2008, production launch of new components and modern production processes continued. In addition to regular marketing activities, the following original products and processes were launched: new type of retractor frame, locking tongue production for new customer, highly efficient fully automatic production cell of locking tongues, production of braking system components to a new customer.

Quality management

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

The high quality standard is a must in order for AS Norma to remain a reliable supplier of safety systems and components. It is also an important precondition that enables to win new clients and orders. AS Norma's goal is to ensure customer satisfaction by being able to deliver on time products which meet customer requirements and to maintain customer-supplier profitable business relations.

In 2008 we improved the quality performance and achieved:
1) the number of products returned from clients per million products (PPM) – 6.5
2) delivery precision on average 99.2%
The company achieved a positive trend in improving the stability of production processes and efficiency, and in suppliers' quality performance.

The delivery of flawless production is ensured by using Norma's quality management system, which was certified according to the specific requirements of the car industry (ISO/TS 16949), and Autoliv production system (APS), the consistent adaptation of which has improved failure prevention and early detection in the production process, and the operative withdraw of causes. This has also improved the employees' quality awareness and own liability, strengthened standards' implementation, helped to raise the production efficiency and implement the Just-in-Time production managed in accordance with the customer needs.

The products are inspected and tested with modern equipment and by skilful personnel at the laboratories within the production units, as well as in the seatbelts' testing centre which has an ISO/IEC 17025 accreditation.

In 2008, the leader of the Russian car industry AvtoVAZ gave its "Excellent supplier" rating as a testimony to the quality of AS Norma's products and implementation of a customer friendly policy.

Investments made in the financial year

In 2008, the Group invested 3.3 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 2008 were distributed as follows:

Metal processing equipment	1.2 million euros
Assembly lines	0.6 million euros
Injection moulding machines	0.6 million euros
Tooling	0.1 million euros
Information technology	0.1 million euros
Reconstruction and facility repairs	0.3 million euros
Quality testing equipment	0.3 million euros

Financial highlights of the Group

Economic activities	2008	2007	2006	2005	2004
Revenue (MEUR)	**88.3**	80.8	66.9	62.4	63.0
Change with respect to previous year	**9%**	21%	7%	-1%	
Gross profit (MEUR)	**12.8**	12.2	10.6	10.7	11.4
Change with respect to previous year	**5%**	15%	0%	-7%	
Gross profit margin[1]	**14.5%**	15.1%	15.9%	17.1%	18.1%
Operating profit (MEUR)	**7.9**	6.7	5.8	6.0	7.3
Change with respect to previous year	**19%**	14%	-2%	-18%	
Operating profit margin[2]	**9.0%**	8.2%	8.7%	9.6%	11.5%
EBITDA (earnings before interest, taxes depreciation and amortisation) (MEUR)	**11.3**	10.6	9.8	10.0	11.0
Change with respect to previous year	**7%**	9%	-2%	-9%	
Profit before taxes (MEUR)	**9.9**	8.0	6.7	6.7	7.9
Change with respect to previous year	**24%**	18%	1%	-16%	
Pre-tax profit margin[3]	**11.2%**	9.9%	10.1%	10.7%	12.5%
Net profit (MEUR)	**8.8**	6.8	5.5	5.3	6.7
Change with respect to previous year	**30%**	24%	3%	-21%	
Net profit margin[4]	**9.9%**	8.4%	8.2%	8.5%	10.6%
Working capital[5] (MEUR)	**45,3**	37.0	32.8	23.4	28.1
Return on working capital[6]	**1.9**	2.2	2.0	2.7	2.2
Return on equity (ROE)[7]	**14.0%**	11.7%	9.9%	9.9%	12.9%
Return on assets (ROA)[8]	**12.7%**	10.0%	8.6%	8.8%	11.0%
Average number of employees per month	**969**	972	912	915	873
Change with respect to previous year	**0%**	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	2008	2007	2006	2005	2004
Number of shares	**13.2**	13.2	13.2	13.2	13.2
Earnings per share[9] (EUR)	**0.7**	0.5	0.4	0.4	0.5
Dividends per share (EUR)	**0.3**	0.3	0.3	0.3	0.3
Equity per share[10] (EUR)	**4.7**	4.4	4.2	4.1	4.0
Dividend/net profit	**0.5**	0.6	0.8	0.8	0.6
Price/earnings ratio (P/E)[11]	**3.9**	9.8	12.3	16.3	12.8

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

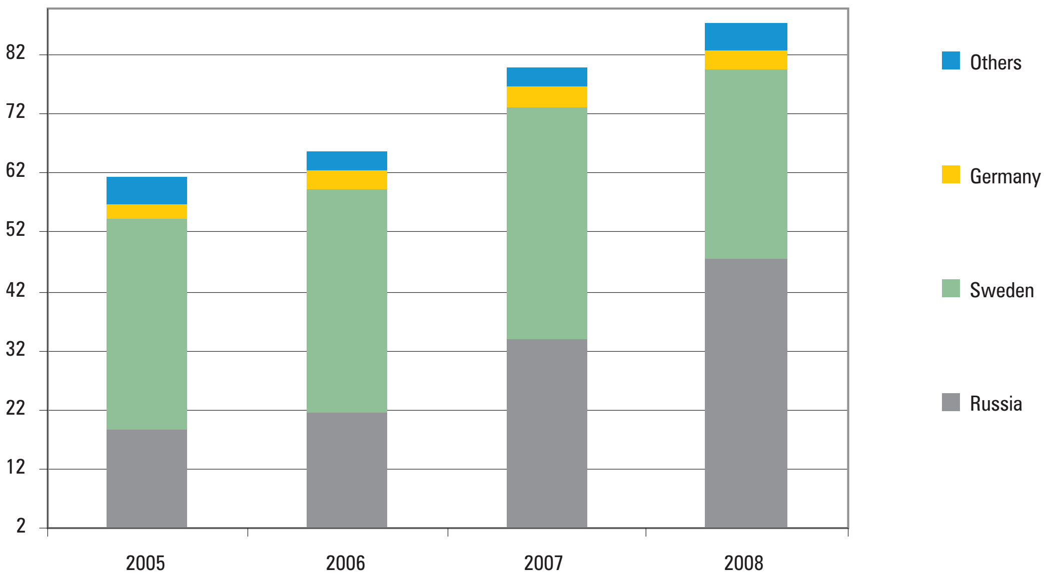
Sales

Group's sales grew due to the sales of safety systems

The revenue of the Group amounted to 88 million euros in 2008. This constitutes a 9% increase compared to 2007 (81 million euros). Seatbelts made up 64% (in 2007: 75%) of revenue. The turnover increased from 12% to 23% due to a gain in momentum in sales of safety systems to AvtoVAZ's Kalina and Priora models. Sales of seatbelt components to other Autoliv companies made up 6% of sales (2007: 5%), sales of units 4% (2007: 6%). The most important other products and services included sales of dies and moulds and provision of safety system-related engineering services amounting to 3% (2007: 3%) of net turnover.

In 2008, AS Norma exported 99.0% (in 2007: 98.9%) of its products. Once again, Russia became the most important export market amounting to 54% of turnover (2007: 43%), export to Sweden amounted to 37% (2007: 49%), and to Germany to 3% (2007: 4%).

Export 2004-2008 (millions of euros)



Sales to Russia increased by 39% (2007: 60%). Of this growth, 82% (2007: 71%) came from sales of safety systems. Export to Sweden declined 18% and to Germany 19%.

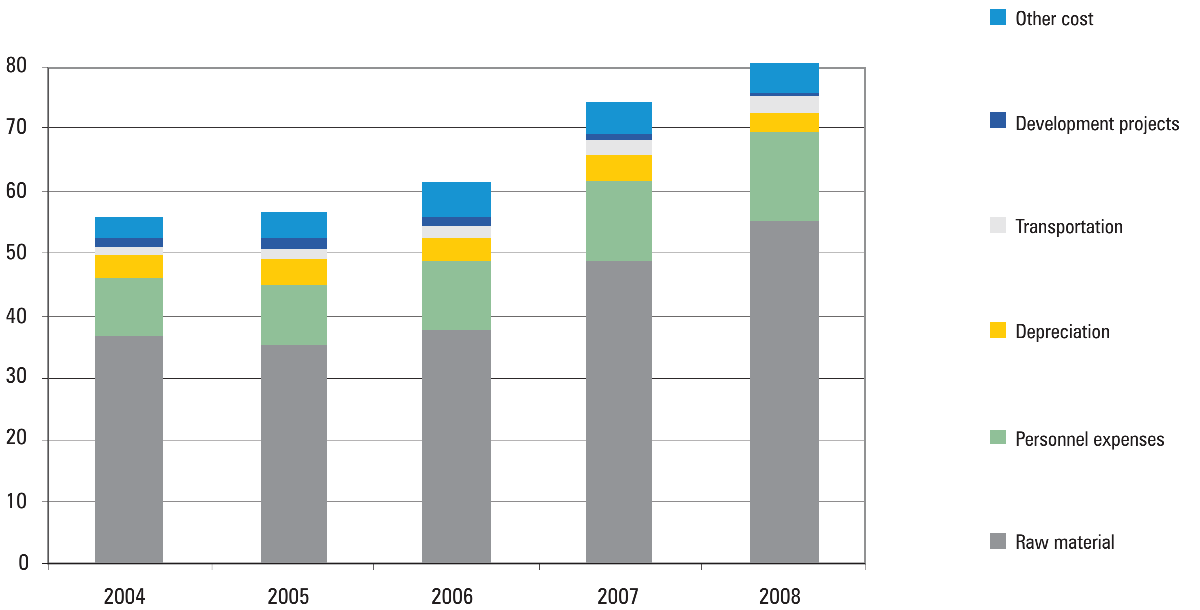
Sales to various sub-units of the parent company Autoliv decreased by 14% compared to 2007, amounting to 36.2 (2007: 42,2) million euros. The sale of seatbelts made up 74% (2007: 79%) of net sales to Autoliv. The amount of belts delivered decreased by 22% to 1.88 (2007: 2.41) million units.

Other major Western customers included Khimaira (Volvo buses), Karosa, Iris Bus-IVECO, Intersafe, and Van Hool, who mostly require seatbelts for buses and trucks. Sales in the sector decreased by 2% compared to 2007.

Expenses

Expenses on raw material, personnel and energy carriers continued to rise, both in absolute terms and in percentage of revenue.

Operating expenses 2004-2008 (million euros)

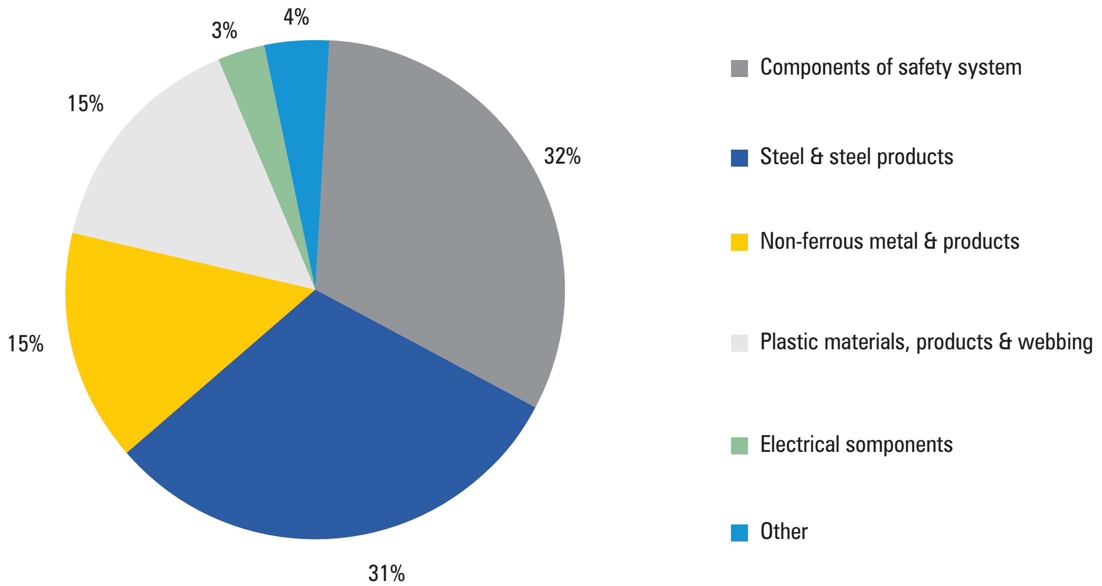


In 2008, expenses on raw material increased 13.5%, by 7 million euros to 55 million euros, making up 62.6% (2007: 60.3%) of revenue. A material cost relative to revenue increased 10% due to increase in sales of safety systems. The material cost decreased 9% due to decrease in the amount of safety belts delivered to Autoliv. At the same time, less locally produced components (2008: 4; 2007: 5; 2006: 5; 2005: 4; 2004: 2 million euros worth) were used in the seatbelts delivered to Autoliv.

The 13% price increase for steel and the 7% price increase for electrical components, as well as the 6% price drop for non-ferrous metals and components produced from these metals, had the utmost effect on cost increase of materials used in the conventional production.

In all, the cost of materials used in conventional production increased 0.5% of revenue, compared to 2007.

The share of raw material in 2008



In 2008, the expenses on gas, electricity, and the water grew 14% (2007: 13%) amounting to 1 million euros, making up 1.4% (2007: 1.3%) of sales revenue.

Personnel expenses amounted to 14 million euros in 2008, having grown by 9.6% (i.e. 1 million euros), compared to the previous period. Total wages and salaries amounted to 11 (2007: 10) million euros, social tax amounted to 3 (2007: 3) million kroons and unemployment insurance totalled 0.03 (2007: 0.03) million euros. Personnel expenses made up 15.9% of net revenue in 2008 (2007: 15.9%). Personnel expenses rose 10.4% in production departments.

The company employed a monthly average of 969 people, which was 3 employees less than in the previous year. The average increase in personnel expenses was 9.9% compared to the previous year.

Product development costs decreased by 1 million euros in 2008, amounted to 1.0 million euros or 1.2% (2007: 2.4 %) of revenue. The expenses decreased mainly due to termination of existing safety system development projects in 2008.

Profit and profitability

A 19% increase in operating profit

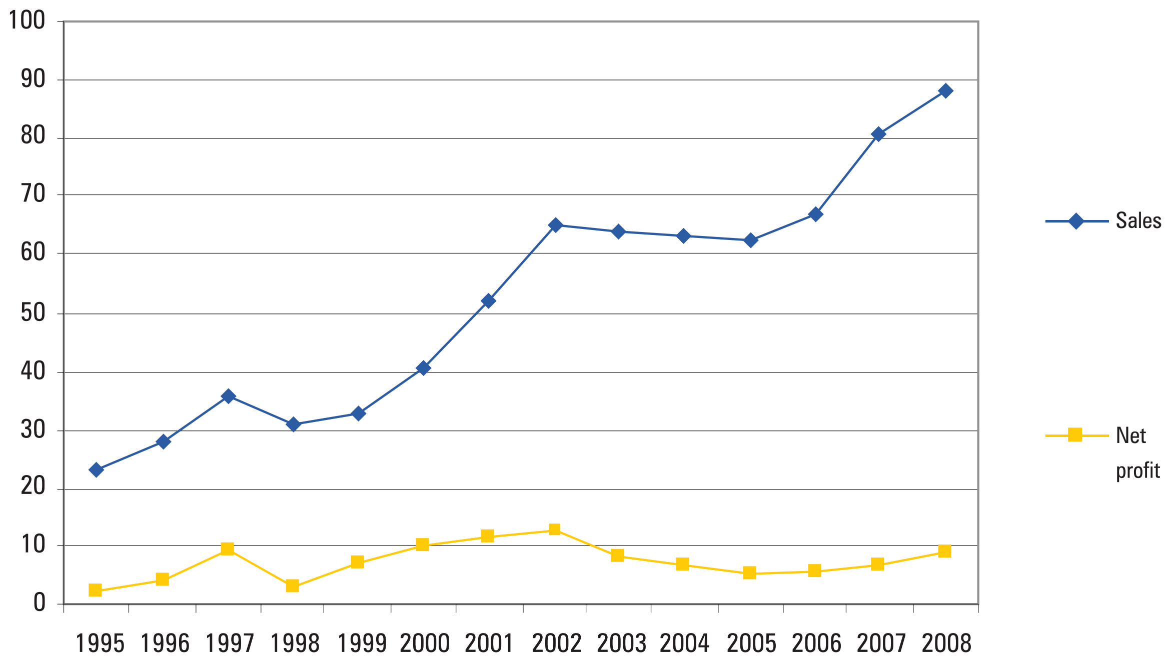
The Group's gross profit for 2008 was 13 (2007: 12.) million euros – i.e. 14.5% (2007: 15.1%) of revenue. The 4.7% (i.e. 1 million euros) increase in gross profit was due to increase in sales.

Operating profit increased by 1 million euros to 8 million euros, making up 9.0% (2007: 8.2%) of revenue. The marketing expenses dropped by 0.3 million euros and product development expenses dropped by 1 million euros, at the same time, the administrative costs increased by 0.4 million euros.
The relative importance of the marketing expenses from revenue was 1.7% (2007: 2.3%), product development costs – 1.2% (2007: 2.4%), and the administrative costs – 2.8% (2007: 2.5%) from revenue. Other earned income increased due to gain in currency rates' variations, other business expenses increased due to allotment related to collective termination of employment contracts.

Profit before taxes increased by 24.3% (i.e. by 2 million euros) to 10 million euros or 11.2% (2007: 9.9%) of revenue. Financial income increased by 50.2% - i.e. by 1 million euros.

The net profit for 2008 amounted to 9 (2007: 7) million euros, an increase of 29.5%. Income tax payable on dividends decreased by 0.06 million euros compared to 2007.

The Group's revenue and profit dynamics: 1995-2008 (in millions of euros)



Cash flows and capital appropriation

Although the net cash flow was negative – 3.6 million euros – financial investments grew by 6 million euros

In 2008, the Group's cash flow from operating activities amounted to 9.4 (2007: 8.7) million euros. The 0.7-million-euro growth was, above all, due to profit growth. The company's investments in property, plant and equipment and intangible assets were 3.3 (2007: 2.7) million euros, the balance of financial investments increased by 6 (2007: 2) million euros, the total cash flow from investments during the period was -7.6 (2007: -3.5) million euros, and cash flow from financing -5.3 (2007: -5.4) million euros. In 2008 the net cash flow was negative: 3.6 (2007: 0.3) million euros.

As at the end of 2008, cash and liquid securities made up 54% (2007: 51%) of the total assets. As of December 31, 2008, the company's working capital (short-term investments, receivables, prepayments, inventories less current liabilities) amounted to 45 (2007: 37) million euros, and the working capital used for main activities (receivables, prepayments, inventories less current liabilities) to 10 (2007: 8) million euros.

The current liabilities decreased in 2008 by 3 million euros, since the production volumes of car manufacturers, suppliers, and subcontractors dropped by the end of 2008.

AS Norma kept a traditionally conservative profile in managing liquidity and making financial investments in 2008. In addition to the EEK and EUR deposits, the money and interest fund shares of different terms of maturity in Estonian banks, 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 currently offered on the market.

As of 31/12/2008 the Group deposited at Autoliv AB euros in the amount of 9.9 MEUR (155 MEEK) for the term of maturity less than 3-month and 3-12-month with a 5.5%-5.7% interest rate, and kroons in the amount of 23.0 MEEK (1.5 MEUR) with a 7% interest rate.
Non-current assets made up 22% (2007: 23%) of the assets, having dropped in a year by 0.2 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 5 million euros, amounting to 63 (in 2007: 58) million euros by the end of the financial year. Equity made up 90.5% (in 2007: 85.8%) of the total assets. At the end of the year, available equity amounted to 53 (in 2007: 49) million euros.

Stock market and dividends

Dividend 0.32 euros per share, P/E 3.9

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 2008, similarly to the previous five 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 2009 : 50% of the nominal value of the shares.

Both diluted EPS and basic EPS were 0.66 (in 2007: 0.51) euros, and equity per share was 4.7 (in 2007: 4.4) euros. The P/E ratio decreased from 9.8 to 3.9 in 2008.

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 2002-2008 (in euros, unless otherwise noted)

	2002	2003	2004	2005	2006	2007	2008
Open	3,4	4,0	6,5	6,5	6,6	5,1	**5,1**
High	4,7	7,2	7,2	7,8	6,7	6,3	**5,7**
Low	3,4	4,0	6,1	6,4	4,3	4,5	**2,6**
Last	4,0	6,5	6,6	6,6	5,1	5,0	**2,6**
Change %	19,5	60,9	0,8	0,2	-22,0	-2,2	**-48,0**
Traded volume, thousands	4 559	8 854	4 765	4 718	4 257	4 546	**5 462**
Turnover, million euros	19	44	32	34	23	23	**28**
Capitalisation, millions euros	53	86	87	87	67	66	**34**

Stock price movement (in euros) and transaction volume in the Tallinn Stock Exchange from 1st of January 2000 onwards

As of 31/12/2008, 1 458 (31/12/2007: 1 434) shareholders have been listed in AS Norma's share register. The following shareholders held over 3% of the shares:

Autoliv AB	51,0%
ING Luxembourg S.A.	10,0%
Skandinaviska Enskilda Banken AB clients	6,3%
Marfin Pank Eesti AS Repokonto	3,8%

The shareholders of AS Norma can be grouped as follows: 59.1% (2007: 60.0%) residents of Sweden, 20.0% (2007: 20.7%) residents of Estonia, 13.0% (2007: 11.3%) residents of Luxembourg, and 7.9% (2007: 8.0%) residents of other countries. 7.5% (2007: 7.2%) of the shareholders are natural persons.

As of 31/12/2008, 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

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. The Group's liabilities are limited to debts to contractors and other short-term liabilities; there are no loan commitments or any other financial instruments among the liabilities.

The Group is exposed to the market, credit and liquidity risks. The Management Board of AS Norma is accountable to managing these risks, following the decisions and declared principles set by the Supervisory Board of AS Norma.

Market risk

Market prices comprise three types of risk: interest rate risk, currency risk and equity price risk.

Interest rate risk

AS Norma does not use debt financing and therefore the Group has no interest bearing liabilities, whereof the fair value of future cash flows could be influenced because of changes in market interest rates. The Group lacks assets, the value of which would depend on floating interest rates. However, the Group has deposits with fixed interest rates, with the rate depending on actual interest rate on the market at the time of depositing.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiary.

In 2008, 99.0% (2007: 98.9%) of the Group's revenue was export sales, made mainly in euros. The Group's expenses were primarily in Estonian kroons, euros, Swedish krona and Russian roubles. Main sales and purchase contracts are denominated in euros in order to spread the currency risk. 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.

The net assets of the Russian subsidiary are low (2008: 10.1; 2007: 6.9 thousand euros) and the currency risk-spreading of these assets is not economical.

Short-term investments are diversified between Estonian kroons and euros. No hedge accounting instruments were used for covering currency risks.

Equity price risk

Investments into listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. AS Norma has no exposure of equity securities at the end of the accounting period.

Credit risk

The Group is exposed to credit risk primarily from its operating activities (for trade receivables) and from its financing activities (for deposits).

Trade receivables risk

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 from 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.

For many years, 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, 2008, amounts to 6 508 (31/12/2007: 5 880) thousand euros. In January 2009, 3 505 thousand euros accrued from this amount. As of the end of the accounting period, the overdue invoices of the Russian and Ukrainian customers amounted to 1 131 thousand euros, of that 175 thousand euros were invoices overdue more than over 90 days. In January 2009, 99 thousand euros accrued form this amount. Allowance for these receivables amounts to 87 (31/12/2007: 0) thousand euros at the end of the accounting period.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and Autoliv AB Treasury is managed in accordance with the financial principles approved by the Supervisory Board: investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty (each party's credit limit does not exceed the 1/3 of all deposited resources). The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

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, 2008, the Group had no liabilities (except for vacation reserve) maturing later than 2 months after the year-end. As the share of cash and other short-term financial assets exceeds 50% of the Group's total assets, the management of the Group does not assess the liquidity risk as significant.

Capital management

The objective of the Group's capital management is to ensure that it maintains a strong statement of balance in order to support its day-to-day businesses and the company's strategic development. Due to the automotive industry's cyclicity, only financially capable and independent subcontractor can succeed. The unique market position of AS Norma, the bulk of sales of which is related to Russian and Ukrainian market with fluctuating liquidity, needs extra attention in capital management. The components' production, the development of which is one of the Group's strategic goals, is a capital-intensive field. 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.
AS Norma annually pays its shareholders the dividends to dispense the earned capital, the share buyout has not been used due to its scarce trading.
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 macro-economic 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.

Consolidation group structure

In 2008, 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 2008, the parent company's turnover amounted to 88.1 (2007: 80.6), net profit to 8.7 (2007: 6.8), and equity to 62.6 (2007: 58.1) million euros.

The Russian-based subsidiary Norma-Osvar ZAO is involved in the sale and storage of AS Norma's products, organisation of the related customs procedures and, if necessary, representation of AS Norma in Russia. In 2008, the revenue of Norma-Osvar ZAO amounted to 1.2 (2007: 1.5), profit to 0.003 (in 2007: -0.02), and equity to 0.01 (2007: 0.01) million euros. Sales to external customers amounted to 1.1 (2007: 1.5) million euros in 2008. The goods to be sold by the subsidiary are supplied by the Parent

Management structure

Changes in the Supervisory Board

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. On June 19th, 2008, the following members were elected to the Supervisory Board (were previously the Supervisory Board members): Pär Malmhagen, Senior Vice President Autoliv Europe Seatbelt Division; Leif Berntsson, Senior Director Global Airbags Development of Autoliv; Aare Tark, Attorney-at-Law from Law Office Tark & Co; Toomas Tamsar, Chairman of the Management Board of Balti Juhtimiskonverents OÜ; Raivo Erik, Chairman of the Management Board of OÜ Someri Trade. A new member Halvar Jonzon, Group Vice President of Autoliv, was elected. The Supervisory Board of AS Norma elected Halvar Jonzon as its Chairman.

The Management Board appointed by the Supervisory Board of AS Norma had 6 members until February 21, 2008: 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. Additionally, two Management Board members were elected by the Supervisory Board of AS Norma on February 21, 2008. The term of appointment of Peeter Tõniste, Components' division Director, and Sander Annus, Marketing and Business Development Director, commenced on February 22, 2008. The Supervisory Board of AS Norma granted the resignation of the Management Board members Kaido Salurand and Stig Carlson on June 5, 2008. Pursuant to the decision of the Supervisory Board the last day of appointment of Kaido Salurand was June 6, 2008, and of Stig Carlson – September 27, 2008.

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 27% of the company's employees took part in various workshops.
Most important workshops involve a move of a material warehouse, which enabled reduction of stock of materials and optimizing of processes, and another workshop involving production process improvement through the principles of the Autoliv Production System element "Just in Time".

A total of 2 452 employee suggestions were made in 2008. Due to more effective resource application, we have managed to implement 77% of approved proposals (2007: 74%). Cost saving accomplished through the application of suggestions and workshops implementation amounted to 190 000 EUR.

In the forth quarter of 2008 an educational program „Academy of APS" was launched as a pilot project in the framework of Autoliv Production System implementation. The objective of the program was to engage employees more in the improvement process and to enhance their motivation, skills and autonomy. During the program trainings, exercises and practical works were conducted with the participant. A short description of the program:
The trainee will be given a thorough training about tools of APS, safety, exploitation of electrical and manual tools and computer skills. After the training the trainee will participate daily in workshops, carry out trainings and other improvement activities. At the end of period of „Academy" the employee will continue his/her work in his/her field of specialisation. The implementation of the program was successful, more than 100 improvement activities were carried out. The program is planned to be continued also in 2009.

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, Spain and UK. Eighteen specialists spent a total of 63 working days training abroad.

70% 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.

Very rapid changes in economy and sudden drop in production demand in 2008 set a challenge for personnel management to increase efficiency of HR management processes. Processes of recruitment, new employee integration and internal training were updated in order to enable higher flexibility in the changed environment. During the second and the third quarter of the year a rapid expansion of labour was required in order to meet higher demand. Fixed term workforce was used to fulfil the gap, which was also the buffer for reduction of labour in the forth quarter when demand had suddenly dropped.

Occupational safety and health

Safe work – necessary to an employee – good for company's business

In terms of intense competition in 2008, the in-house training system, constant employees' involvement, careful surveillance of the work environment, and prevention of work-related health issues, have contributed greatly to preventing the company's risks.

Rapid changes in technological processes and working order, as well as continuous improvement of the work environment, have resulted in safer, healthier work places for the employees. In 2008, the employees' days of sick leave decreased 6.7%. The company's statistical indicators on work safety keep showing the good level.

It is necessary to keep monitoring the European developments in the field of the work environment, in order for a company to stay well-positioned throughout the difficulties facing the world economy. In 2008, the EU strategists pointed to improving the management of risk in the work environment by the companies of EU member countries.
In order to safeguard employees' health and further reduce the expenses related to medical conditions, the company has intensified health-related preventive measures.

A healthy employee is motivated and productive, and the company is much more competitive.

Environmental impact

Our goal is to manufacture in 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

The environmental management system ISO 14001 supports the company's environmental-related activities, which are focused on observing the measures set by the environmental permit requirements, enhancing the efficiency of the use of materials and natural resources as well as reducing the environmental impact.

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 seatbelts' components

The strategy of AS Norma focuses on three main business areas:

1. To retain its market position among Russian car manufacturers
2. Invest in a development and manufacturing center for niche-type safety restraint system
3. Invest in becoming a preferred supplier of engineered automotive safety components

In 2007, Norma's management started to work on a strategy to develop the company into a preferred pan-European supplier of engineered automotive safety components to both tier-1 and OEM customers. The strategy builds on Norma's competitive edge in the industry - the vertical integration and knowledge of materials, manufacturing processes and components. Investments and growth in this vast, specialized market will reduce Norma's dependency on its risky position with 75% of the business with only two customers.

The international financial crisis and the downturn in the economy in the second half of 2008 resulted in a drastic demand decrease. Consequently, this led to a situation in the automotive industry where many manufacturers and their subcontractors encountered liquidity difficulties, and are now forced to reassess their potential. In this changed market situation, the management of AS Norma has begun to review the development projects of the automotive components, which had been already started, in order to reassess the risks and opportunities. The takeover projects have been stopped until the completion of systematic market evaluation. In AS Norma management's opinion, the Group has exceptional opportunities, due to a strong financial status, to strengthen its position and competitiveness in terms of automotive industry crisis.

It is especially important now, when the orders for safety belts in 2009 will drop consequently of declined car production, to continue with plans which aim to increase the productivity and efficiency, and save costs.

Major investments planned for the future

To support the strategic patterns and to reinforce AS Norma's competitiveness on the international automotive market, the Management Board has decided to invest in 2009 into production processes and technologies as well as into possible takeovers. To assure the organic growth and reprocessing, the preparations for building a new production hall at Laki str.14 real estate in Tallinn, have begun. According to an initial plan the draft volume of such investment in Tallinn in 2009 amounts to 7 million euros.

Major research and development projects

In 2009, the product development for seatbelts' supplies to niche markets (buses, trucks, and building machines) will continue.

New components are constantly introduced into production. Main emphasis is on innovative, knowledge based components. In co-operation with clients, the product design is being optimized, the tools are designed and manufactured, and production processes are planned. The metals structure, characteristics and treatment research work is being continued.

Major events after the end of the accounting period

Collective termination of employment contracts with 214 employees

The crisis in the automotive industry deepened in 2009, the stock reserves have grown and all car manufacturers have reduced their production volumes. The clients of AS Norma are not an exception in this situation. Pursuant to this, the Management Board of AS Norma decided to terminate the employment contracts with 162 employees in February and to file a request to terminate the employment contracts with additionally 52 employees in May.

Applying the part-time working time

As the production capacity of the Russian and Ukrainian manufacturers has not been recovered without any stoppages in the beginning of 2009 due to a liquidity problems and low sales orders, and AS Norma's Western clients have notified of the production halts in the first quarter of 2009, AS Norma has filed a request with Labour Inspectorate to apply a part-time working time from February 28 to March 31.

CORPORATE GOVERNANCE REPORT

As from January 1, 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 2008 and their accordance with guidelines given in the Recommendations. In 2008, 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 str. 14, 10621 Tallinn, Estonia. In 2008, AS Norma had a share capital of EUR 8,436,338, divided into same class registered shares with the par value EUR 0.64 each. AS Norma's shares are listed on the main list of the Tallinn Stock Exchange under the code NRM1T. Estonian Central Register of Securities is the administer of AS Norma share register. AS Norma has about 1,500 shareholders. In addition, AS Norma's shares are also traded at the Frankfurt, Berlin and Munich stock exchanges. AS Norma is controlled by Autoliv AB, a Swedish car safety products manufacturer. Autoliv AB is also the single largest shareholder in AS Norma.

General Meeting

Exercise of shareholders' rights

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

AS Norma has one type of shares – registered common shares of the nominal value of ten Estonian kroons (EUR 0.64). 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 have not been 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 respectively on whether an annual or extraordinary general meeting will be held. 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.

The management board of AS Norma published the notice of calling an annual general meeting of shareholders on the 18th of April 2008. The general meeting was called according to notified agenda on the 14th of May at 09:00. Agenda contained four articles: approval of the annual report of AS Norma for 2007; distribution of profits; recalling and electing the Council member; appointing an auditor and determining the procedure for remuneration.

On the 21st of April 2008 the proposal to amend the agenda of the general meeting was made by the shareholders of AS Norma whose shares represent at least 1/10 of Norma's share capital. Consequently the shareholders general meeting of AS Norma was postponed and the agenda was amended pursuant to minority shareholders proposals. On the 8th of May 2008 the management board of AS Norma published the notice of postponement in the daily Eesti Päevaleht and supplemented agenda of the general meeting of AS Norma. Ordinary general meeting was held on the 19th of June 2008 at 9:00. The new article was included to agenda in accordance with minority shareholders proposal - acquisition of own shares, which was not seconded by the Council of AS Norma. The mentioned resolution was not approved by the shareholders' general meeting.

The regular meeting of shareholders of AS Norma decided to approve the Annual Report of AS Norma for 2007 and the proposal of distribution of profits, pursuant to which the (regular) dividends in the amount of 50% of the nominal value of the share, i.e. EEK 5 per share (0.32 EUR/share), in the total amount of EEK 66,000,000 (EUR 4,218,169), were paid out to the shareholders, and the remaining net profit was kept as retained earnings. The list of shareholders entitled to dividends was fixed on 8th of July, 2008 at 23:59 and the dividends were paid out on 8th of August, 2008.

The proposal of minority shareholders to pay the shareholders dividend of EUR 1.25 per share (EEK 19.56 per share) was not approved by the general meeting.

In addition, the general meeting resolved resolutions regarding recalling and electing the Council members and appointing an auditor and determining the procedure for remuneration.

Hence, in 2008 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.

All the members of the supervisory board and management board; Hanno Lindpere, an auditor from Ernst & Young Baltic AS, the firm of auditors of AS Norma; notary Annika Kuimet attended the general meeting. Toomas Taube, a lawyer from the Law Office Tark&Co, was elected as the chairman of the meeting, and Risto Hübner, a lawyer from the Law Office Tark&Co, was elected as the minutes' secretary. Due to absence of technical means it was impossible to watch the general meeting of AS Norma by means of communication, including Internet.

18 shareholders attended the annual general meeting held on 19th of June 2008, whereas the shares held by them represent in total 8 628 716 votes, which comprises in total 65.37% of all the votes. Thus the meeting was competent to adopt resolutions in the issues included in the agenda.

In 2008, the general meeting of shareholders of AS Norma was held in accordance with the Recommendations, excl. the article 1.3.3. due to absence of technical means it was impossible to watch the general meeting of AS Norma by means of communication.

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 2008, 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 2008, Peep Siimon was the chairman of the board. The management board comprises five to eight members who are elected for a term of three years. At the moment of compiling this report the management board composed of 6 members: chairman - Peep Siimon; members – Ülle Jõgi (Director Finance), Ivar Aas (Director Sales), Garri Krieger (Director Quality) and since 22nd of February 2008 - Peeter Tõniste (Director Production) and Sander Annus (Director Research and Development). The Council of AS Norma granted the resignation petition of the Management Board members Kaido Salurand and Stig Carlson. Kaido Salurand left the company on 6th of June, 2008 and Stig Carlson on the 27th of September, 2008.

The chairman and members of the management board of AS Norma are residents of the member states of the European Economic Area. The members of the management board are at the same time not members of the supervisory board of AS Norma. Responsibilities of the management board members have been set out in the management agreement concluded with each management board member.

The remuneration, severance pay paid to the members of the management board and the bonus system has been agreed in the contract of services entered into by and between the management board and the supervisory board. The remuneration of the members of the management board for 2008 amounts to 0.72 million euros. 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.

No stock options and other executive incentives have been issued to the members of the Management Board of the company. 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 0.3 million euros.

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.

The chairman and the members of the management board are not at the same time in the management board or supervisory board of any other issuer. Peep Siimon, chairman of the management board of AS Norma, and Ülle Jõgi and Ivar Aas, members of the management board, are members of the supervisory board of ZAO Norma Osvar, a 100% subsidiary in the AS Norma Group.

Hence in 2008 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 on 19th of June, 2008 for a term of three years. In accordance with the resolution of general meeting the Council of AS Norma was recalled in its entirety: Magnus Lindquist, Pär Malmhagen, Toomas Tamsar, Raivo Erik, Aare Tark and Leif Berntsson. The following persons were re-elected to Council: Pär Malmhagen, Toomas Tamsar, Raivo Erik, Aare Tark and Leif Berntsson and Halvar Jonzon as a new member.

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. The Council elected Halvar Jonzon as a chairman of the Council.

In 2008 in total 6 meetings of the supervisory board were held – on the 21st of February 2008, 28th of April 2008, June 19th 2008, September 16th 2008, October 1st 2008, and 13th of November 2008. Two meetings of the supervisory board were not attended by all the members of the supervisory board – on 21st of February Mr. Aare Tark did not attend, and on 19th of June 2008 Toomas Tamsar.

On 21st of February 2008 the supervisory board approved at the meeting of the supervisory board the annual report of AS Norma for 2007. The auditor from the firm of auditors Ernst & Young Baltic AS was not invited to participate as the cooperation between the supervisory board and the auditor is frequent and any issues arisen in the course of the audit find quick solutions and the supervisory board in convinced that the audit is independent of the executive management.

With electing the current composition of the Council, AS Norma has not complied for all of its Council members with the Recommendations appendix (h) suggestion set for an independent Council member, – has not been an independent member of the Council more than ten (10) years. Members of the Council have been very active elaborating the new company strategy and it is important that the Council continues with present members even if it is in conflict with the Recommendations.

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 EUR 639 for supervisory board member and EUR 767 for chairman of the board. No stock options and other executive incentives have been issued to the members of the Supervisory Board of the company. 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.

The members of the supervisory board have not approved any transaction in 2008 that would have been entered into by and between any member of the management board, person close to him or her, or any member of the supervisory board itself and the issuer.

Hence in 2008 the activities of the supervisory board were in compliance with the Recommendations excl. the criteria stipulated in Recommendations appendix (h)

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 during the fourth quarter in 2008. The meetings with investors took place during the first quarter in 2008 as follows - on 13th of February 2008, on 14th of February 2008, on 15th of February 2008, on 28th of February 2008, on 29th of February 2008 and on 19th of March 2008; no meetings with investors took place during the second quarter in 2008; the meetings with investors took place during the third quarter – 19th of September 2008, 22nd of October 2008, and 30th of October 2008; the meeting with investors took place during the fourth quarter – 16th of December 2008.The website of AS Norma contains such data.

Nr	Date	Announcement title
1	18 January 2008	AS Norma annual ordinary general meeting
2	30 January 2008	Unaudited Preliminary Financial Results Q4 and Y2007
3	21 February 2008	Agenda of ordinary general meeting of AS Norma
4	22 February 2008	Audited Annual report 2007
5	22 February 2008	Amendments of the composition of AS Norma Management Board
6	17 April 2008	Supplemented agenda of ordinary general meeting of AS Norma
7	21 April 2008	Unaudited Preliminary Financial Results Q1 Y 2008
8	06 May 2008	Postponement and supplemented agenda of the general meeting of AS Norma
9	30 May 2008	Interim Report for the period Q1 Y 2008
10	06 June 2008	Changes in Management Board
11	19 June 2008	Resolutions of ordinary general meeting
12	19 June 2008	Amended announcement – Resolutions of ordinary general meeting
13	21 June 2008	Unaudited Preliminary Financial Results Q2 Y 2008
14	29 August 2008	Interim Report for the period Q2 Y 2008
15	22 September 2008	Application of part-time working time
16	20 October 2008	Unaudited Preliminary Financial Results Q3 and 9 months Y 2008
17	31 October 2008	Change in substantial shareholding
18	03 November 2008	Application of part-time working time
19	28 November 2008	Interim Report for the period Q3 Y 2008
20	08 December 2008	The collective termination of employment contracts

Thus the activities of AS Norma regarding disclosure of information in 2008 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.

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 19th of June 2008 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 the auditor. The contract between AS Norma and the auditor Ernst & Young Baltic AS is confidential and therefore the auditor's fee is not public.

Reporting period	Preliminary report	Final report	Audited report
annual 07			Feb. 22, 2008
Q1 08	Apr. 21, 2008	May 30, 2008	
Q2 08	July 21, 2008	Aug.29, 2008	
Q3 08	Oct.20,2008	Nov.28, 2008	
Q4 08	Jan.28, 2009	Feb.27, 2009	

Confirmation

The Group's management board confirms that the management report presents fairly the development, performance and financial position of the Company and the Group and provides an overview of the main risks and uncertainties.

Peep Siimon Chairman of Management Board	Garri Krieger Member of Management Board
Ivar Aas Member of Management Board	Peeter Tõniste Member of Management Board
Ülle Jõgi Member of Management Board	Sander Annus Member of Management Board

CONSOLIDATED FINANCIAL STATEMENTS

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 25 to 54 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

Peeter Tõniste

Member of the Management Board

Sander Annus

Member of the Management Board

Tallinn, March 6, 2009

Consolidated Balance Sheet

In thousands of euros

Assets	31.12.2008	31.12.2007	Note no
Current assets			
Cash in hand and deposits	**1 914**	5 534	1
Financial assets	**35 380**	28 993	2
Receivables	**9 948**	10 694	3
Prepaid expenses	**98**	88	4
Inventories	**6 474**	6 773	5
Total current assets	**53 814**	52 082	
Non-current assets			
Long-term receivables	**21**	20	6
Property, plant and equipment	**14 696**	14 719	7
Intangible assets	**591**	745	8
Total non-current assets	**15 308**	15 484	
Total assets	**69 122**	67 566	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables	**6 367**	9 516	10
Deferred income	**26**	52	11
Provisions	**179**	0	12
Total current liabilities	**6 572**	9 568	
Total liabilities	**6 572**	9 568	
Equity			
Share capital (par value)	**8 436**	8 436	13
Statutory reserve	**844**	844	
Retained earnings	**53 270**	48 718	22
Total equity	**62 550**	57 998	
Total liabilities and equity	**69 122**	67 566	

The accounting principles presented on pages 30 to 36 and the notes to the consolidated financial statements presented on pages 37 to 54 form an integral part of the consolidated financial statements.

Consolidated Income Statement

In thousands of euros

	2008	2007	Note no
Revenue	**88 335**	80 781	14
Cost of sales	**-75 553**	-68 577	15
Gross profit	**12 782**	12 204	
Marketing and distribution costs	**-1 539**	-1 826	16
Research and development expenses	**-1 038**	-1 947	17
General administrative expenses	**-2 484**	-2 036	18
Other operating income	**414**	348	19
Other operating expenses	**-213**	-82	20
Operating profit	**7 922**	6 661	
Financial income	**1 982**	1 320	21
Financial expenses	**-13**	-21	21
Profit before taxes	**9 891**	7 960	
Income tax expense	**-1 121**	-1 190	22
Net profit	**8 770**	6 770	
Basic and diluted earnings per share (in euros)	**0,66**	0,51	13

The accounting principles presented on pages 30 to 36 and the notes to the consolidated financial statements presented on pages 37 to 54 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
31.12.2006	**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
31.12.2007	**8 436**	**844**	**48 718**	**57 998**
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	8 770	8 770
31.12.2008	**8 436**	**844**	**53 270**	**62 550**

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 30 to 36 and the notes to the consolidated financial statements presented on pages 37 to 54 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

In thousands of euros

Cash flows from operating activities	2008	*2007	Note no
Net profit	8 770	6 770	
Adjustments of net profit			
Gain from disposals of property, plant and equipment	-12	-29	19
Depreciation and amortisation	3 421	3 980	7,8
Impairment loss of property, plant and equipment	0	4	20
Income from interest	-1 982	-1 317	21
Net exchange loss	13	19	21
Net unrealised exchange gain	-31	-7	21
Income tax expense	1 121	1 190	22
Changes in assets related to operating activities, incl.:			
Short-term receivables and prepaid expenses, except loans and interests	720	-2 409	3,4,6
Inventories	299	-770	5
Changes in liabilities, incl.:			
Payables	-3 109	1 283	10
Deferred income	-26	-21	11
Provision	179	0	12
Total cash flows from operating activities	9 363	8 692	
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	22	78	7
Acquisition of property, plant and equipment and intangible assets	-3 253	-2 715	7,8
Loans granted	-4	-6	6
Loan repayments received	9	12	6
Acquisition of financial assets	-68 434	-46 296	
Proceeds from disposals of financial assets	62 348	44 131	
Interest received	1 681	1 254	
Total cash flows from investing activities:	-7 631	-3 542	
Cash flows from financing activities			
Payment of income tax on dividends	-1 121	-1 190	22
Dividends paid	-4 218	-4 218	13
Total cash flows from financing activities:	-5 339	-5 408	
Net cash flows	-3 607	-258	
Changes in cash and cash equivalents			
Balance at the beginning of the year	5 534	5 811	
Increase/decrease of cash and cash equivalents	-3 607	-258	
Foreign exchange effect	-13	-19	21
Cash and cash equivalents at the end of the year, incl.:	1 914	5 534	
Cash in hand and deposits with maturity up to 3 months	1 914	2 492	1
Shares of interest fund	0	3 042	1

* In 2008 the presentation has been changed and the Cash Flow Statement begins with net profit.

The accounting principles presented on pages 30 to 36 and the notes to the consolidated financial statements presented on pages 37 to 54 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 2008, the Norma Group consisted of AS Norma and one wholly-owned subsidiary:

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

More information about the subsidiary is presented in Notes 14, 22 and 27.

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

At the end of 2008, the Group employed 918 people, including 914 employees at AS Norma (2007: 972 and 968, 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, there is no difference for the Group between the IFRS as adopted by the European Union, which the Group has applied and the IFRS as issued by the International Accounting Standards Board (IASB).

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.

According to the Estonian Accounting Act, the financial statements of the Parent (Note 27) are presented in the consolidated financial statements, which do not constitute the Parent's separate financial statements as defined in IAS 27 (Consolidated and Separate Financial Statements). The non-consolidated financial statements of the Parent are prepared in accordance with the Estonian generally accepted accounting principles, which do not differ for the Parent from the accounting principles used in preparing the Group's consolidated financial statements, except for investments into subsidiaries.

Changes in accounting policies

The consolidated financial report is composed based on consistency and comparability principles, which means that the Group continually applies same accounting principles and presentation. Changes in accounting policies and presentation take place only if these are required by new or revised IFRS and interpretations or if new accounting policy and / or presentation gives a more objective overview of financial position, financial results and cash flows of the Group.

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

The accounting policies and presentation adopted in preparation of the current financial statements are consistent with those of the previous financial year. In addition, the following new/revised standards have been adopted, which had no material effect on the financial results and disclosures of 2008:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions;
- IFRIC 12 Service Concession Agreements;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset,

Minimum Funding Requirements and their Interaction;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation;
- Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets.

b) New IFRS standards and interpretations issued but not yet effective

In the opinion of the management of the Group the new or revised IFRS standards and their interpretations issued by the time of preparing the current consolidated financial statements, but not effective yet, and not applied early by the Group, do not have any effect on the value of the assets and liabilities of the Group as of 31 December 2008. These standards and interpretations will be applied starting from their effective date and are as follows:

- IAS 1 Revised Presentation of Financial Statements, effective for financial years beginning on or after 1 January 2009. This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively.
- IFRS 8 Operating Segments, effective for financial years beginning on or after 1 January 2009. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 Segment Reporting.
- IAS 23 Borrowing costs (revised), effective for annual periods beginning on or after 1 January 2009;
- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, effective for financial years beginning on or after 1 January 2009;
- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements, effective for financial years beginning on or after 1 July 2009;
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation, effective for financial years beginning on or after 1 January 2009;
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective for financial years beginning on or after 1 July 2009;
- IFRS 2 Share-Based Payment (Amendments), effective for financial years beginning on or after 1 January 2009;
- IFRIC 15 Agreement for the Construction of Real Estate, effective for financial years beginning on or after 1 January 2009;
- IFRIC 17 Distribution of Non-cash Assets to Owners, effective for financial years beginning on or after 1 January 2009;
- IFRIC 18 Transfers of Assets from Customers, effective for financial years beginning on or after 1 January 2009.

c) Improvements to IFRS

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group anticipates that these amendments to standards will have no material effect on the financial statements.

- IFRS 7 Financial Instruments: Disclosures.
- IAS 1 Presentation of Financial Statements.
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors.
- IAS 10 Events after the Reporting Period.
- IAS 16 Property, Plant and Equipment.
- IAS 18 Revenue.
- IAS 19 Employee Benefits.
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance.
- IAS 23 Borrowing Costs.
- IAS 27 Consolidated and Separate Financial Statements.
- IAS 28 Investment in Associates.
- IAS 29 Financial Reporting in Hyperinflationary Economies.
- IAS 31 Interest in Joint ventures.
- IAS 34 Interim Financial Reporting.
- IAS 36 Impairment of Assets.
- IAS 38 Intangible Assets.
- IAS 39 Financial Instruments: Recognition and Measurement.
- IAS 40 Investment Property.
- IAS 41 Agriculture.

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

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 - 12 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.

Change in accounting estimates

Based on historical experience, expertise and market practices for components quotations, the Group has decided that the depreciation rates employed by AS Norma are excessively aggressive for specific type of equipment, they do not reflect the actual lifetime and value of the equipment and therefore, the revenue and expenditure compliance principle is not adequately reflected. It was decided to change the depreciation rates from 13-25% to 8-20% of 55 pieces of equipment starting from 01.01.2008 (see Note 7).

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). 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 (Tark & Co).

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, investments and loans granted) and liabilities 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.

Notes to the Consolidated Financial Statements

In thousands of euros

1. Cash and cash equivalents	31.12.2008	31.12.2007
Cash in hand and current deposits in banks	54	44
Short-term deposits with maturity up to 3 months	1 860	2 448
Interest fund shares of Hansapank	0	3 042
	1 914	5 534

As of the end of 2008 the Group has deposits with maturity up to 3 months in the following amounts:

a) short-term kroons-deposits in commercial banks with interest rates of 5.70-6.25% (31.12.2007: 3.0-5.45%) in the amount of 187 (31.12.2007: 283) thousand euros and euro-deposits with interest rates of 2.51-6.0% in the amount 1 673 (31.12.2007: 265) thousand euros; and
b) there were no short-term deposits in the treasury of Autoliv as of the end of 2008. As of the end of 2007, there were short-term deposits in the treasury of Autoliv with interest rate 4.754-5.175% in the amount of 1900 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	31.12.2008	31.12.2007
Short-term time deposits with maturity more than 3 months	34 809	28 723
Accrued interest income	571	270
	35 380	28 993

As of the end of 2008 the Group has deposits with maturity more than 3 months in the following amounts:

a) short-term kroons-deposits in commercial banks with interest rates of 7.05-7.30% in the amount of 3 515 (31.12.2007: 0) thousand euros and euro-deposits with interest rates of 5.49%-6.0% (31.12.2007: 4.4%) in the amount of 19 924 (31.12.2007: 1 087) thousand euros; and
b) short-term euro-funds in the treasury of Autoliv with interest rates 5.529-5.722% (31.12.2007: 5.018-5.327%) in the amount of 9 900 (31.12.2007: 27 636) thousand euros and short-term kroons-deposits with interest rates 7.070% in the amount of 1 470 (31.12.2007:0) 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).

Categories of financial assets and financial liabilities		Note	31.12.2008	31.12.2007
Interest fund shares	Fair value through profit & loss	1	0	3 042
Short-term deposits with maturity more than 3 months	Fair value through profit & loss	2	34 809	28 723
Accrued interest income	Fair value through profit & loss	2	571	270
Trade receivables and allowances	Loans and receivables	3	9 853	10 375
Other short-term receivables	Loans and receivables	3	17	27
Long-term loans	Loans and receivables	6	21	20
			0	0
Financial liabilities	Amortised cost	10	5 705	8 869

In thousands of euros

3. Receivables	31.12.2008	31.12.2007
Trade receivable from non-related parties	6 914	7 272
Receivables from companies of Autoliv Group (see Note 24)	3 027	3 103
Allowance for doubtful receivables	-87	0
Other short-term receivables	17	27
VAT refundable	77	292
	9 948	10 694

As at December 31, 2008, 100% of doubtful receivables were related to the Russian company OOO „TZK-GAZ“.

Trade receivables	31.12.2008	31.12.2007
Not due	8 699	10 112
Overdue 30 days	697	242
Overdue 60 days	253	5
Overdue 90 days	117	4
Overdue over 90 days	175	12
	9 941	10 375

	31.12.2008	31.12.2007
Allowance as of January 1	0	-34
Reversal of allowance (see Note 18)	0	8
Allowances made (see Note 18)	-87	0
Write off of allowance from balance sheet	0	26
Allowance as of December 31	-87	0

In thousands of euros

4. Prepaid expenses	31.12.2008	31.12.2007
Prepaid expenses of next year	98	88
	98	88

As of December 31, 2008 as well as December 31, 2007 the amount of prepaid expenses includes prepayments for software maintenance, prepaid insurance, media/press subscriptions and other similar expenses.

In thousands of euros

5. Inventories	31.12.2008	31.12.2007
Raw materials	4 120	4 443
Work in progress	1 159	1 117
Finished goods	1 142	1 198
Prepayments for goods	53	15
	6 474	6 773

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

	2008	2007
Raw materials	**214**	273
Work in progress	**7**	23
Finished goods	**17**	176
	238	472

The net carrying value of such items for which allowances have been made is 183 (2007: 154) thousand euros.

Materials, unfinished products and finished products unsuitable for production and resale have been written off in the amount of 193 (2007: 195) thousand euros.

Materials, for which allowances were made in 2007, were taken into use in 2008 in the total value of 199 (2007: 117) thousand euros. The allowance reversal is reflected in the cost of sales.

As of December 31, 2008, the Group has inventories held by third parties in the amount of 32 (31.12.2007: 26) thousand euros.

In thousands of euros

6. Long-term receivables	31.12.2008	31.12.2007
Loans granted	**21**	20

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

Purpose	Balance as of 31.12.07	Incl. short-term portion	Incl. long-term portion	Granted in 2008	Repaid in 2008	Balance as of 31.12.08	Incl.		Interest rate (%)
							short-term portion	long-term portion	
Student loans	27	9	18	4	8	23	2	21	0
Others	2	0	2	0	2	0	0	0	0
	29	**9**	**20**	**4**	**10**	**23**	**2**	**21**	

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.

In thousands of euros

7. Property, plant and equipment	Land and buildings	Machinery and equipment	Other items	Unfinished projects and prepayments	TOTAL
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**
Additions	197	2 301	88	662	**3 248**
Disposals	0	-9	0	0	**-9**
Reclassifications	0	367	0	-367	**0**
Depreciation charge	-298	-2 914	-50	0	**-3 262**
Net book value as of 31.12.2008	**4 046**	**9 818**	**170**	**662**	**14 696**
As of 31.12.2006					
Acquisition cost	6 278	31 031	514	783	**38 606**
Accumulated depreciation and impairment losses	-1 892	-20 474	-341	0	**-22 708**
As of 31.12.2007					
Acquisition cost	6 323	33 076	527	367	**40 292**
Accumulated depreciation and impairment losses	-2 176	-23 002	-395	0	**-25 573**
As of 31.12.2008					
Acquisition cost	6 520	35 258	614	662	**43 054**
Accumulated depreciation and impairment losses	-2 474	-25 440	-444	0	**-28 358**

Based on historical experience, expertise and market practices for components quotations, the Group has decided that the depreciation rates employed by AS Norma are excessively aggressive for specific type of equipment, they do not reflect the actual lifetime and value of the equipment and therefore, the revenue and expenditure compliance principle is not adequately reflected. It was decided to change the depreciation rates from 13-25% to 8-20% of 55 pieces of equipment starting from 01.01.2008. In 2008, the impact from the change of the depreciation rate is an increase of profit by 0.4 million euros.

During the accounting period, no impairment was recognised in property, plant and equipment. In 2007, a thermoplastic press, the acquisition cost of which was 67 thousand euros, was written off in the amount of 4.2 thousand euros.

Depreciation charge has been recognised as follows: 3 163 (2007: 3 719) thousand euros as cost of sales, 2 (2007: 2) thousand euros as marketing and distribution expenses, 19 (2007: 23) thousand euros as research and development expenses and 85 (2007:77) thousand euros as general administrative expenses (see also Notes 15-18).

As of December 31, 2008, acquisition cost of fully depreciated property, plant and equipment amounts to 14 608 (2007: 12 293) thousand euros.

As of December 31, 2008, additional investments needed for the completion of unfinished projects (incl. uninstalled equipment) amount to 165 thousand euros.

In 2008, the disposal of property, plant and equipment at acquisition cost was 486 (2007: 999) thousand euros with an accumulated depreciation of 477 (2007: 950) thousand euros and with a selling price of 22 (2007: 78) thousand euros.

In thousands of euros

8. Intangible assets	Product and technology licences	Software licences	TOTAL
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**
Additions	0	5	**5**
Amortisation charge	-143	-16	**-159**
Net book value as of 31.12.2008	**573**	**19**	**591**
As of 31.12.2006			
Acquisition cost	1 432	419	**1 851**
Accumulated amortisation and impairment losses	-573	-395	**-968**
As of 31.12.2007			
Acquisition cost	1 432	426	**1 858**
Accumulated amortisation and impairment losses	-716	-397	**-1 113**
As of 31.12.2008			
Acquisition cost	1 432	431	**1 863**
Accumulated amortisation and impairment losses	-859	-413	**-1 272**

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 31.12.2008 the remaining useful life of this licence is 4 years.

Amortisation charge has been recognised as follows: 146 (2007: 152) thousand euros as research and development expenses, 7 (2007: 6) thousand euros as cost of sales (see also Notes 15, 17).

9. Operating leases

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

In thousands of euros

	2008	2007
Lease payments for the financial year	**98**	86
Future lease payments of non-cancellable operating leases as of the end of the year:	**115**	155
Incl. payable within 1 year	**45**	89
payable after 1 year, but not more than 5 years	**70**	66

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

	2008	2007
Production rooms	**18**	54
Office rooms	**1**	1

In thousands of euros

10. Payables and deferred income	31.12.2008	31.12.2007
Payables to suppliers	**2 835**	4 547
Payables to employees	**2 077**	2 002
Accrued expenses	**0**	0
Payables to Group companies (see Note 24)	**793**	2 320
Taxes payable, incl.	**662**	647
Social taxes	493	508
Personal income tax and income tax from fringe benefits	154	122
Other taxes	15	17
Total payables	**6 367**	9 516

In thousands of euros

11. Deferred income	31.12.2008	31.12.2007
Customer advances	**26**	52
	26	52

12. Short-term provisions

AS Norma filed on December 8, 2008 a request to the Labour Inspectorate for applying the collective termination of employment contracts with 52 AS Norma employees at the beginning of 2009. The employment termination is a result of decreasing sales of Russian, Ukraine and Western-European car manufacturers, which has led to a considerable decrease in AS Norma production volumes and thus to the necessity of reducing the workforce. According to December specified forecasts, the production volumes will not restore to the previous level during 2009.

To cover the expenses arisen from this redundancy, the restructuring provision in the amount of 179 thousand euros has been recognised.

In thousands of euros

13. Share capital	31.12.2008	31.12.2007
Share capital par value (0.64 euros 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 2007 were 4.2 million euros or 0.32 kroons per share. The Management Board proposes to pay out 4.2 million euros as dividends also for 2008.

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

Autoliv AB	51,0%
ING LUXEMBOURG S.A.	10,0%
Skandinaviska Enskilda Banken Ab clients	6,3%

Earnings per share	2008	2007
Net profit for the financial year	8 770	6 770
Average number of shares (in thousands)	13 200	13 200
Earnings per share in euros	0,66	0,51

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 2008	Safety systems 2008	Other products 2008	Unallo-cated	Total 2008	Safety belts 2007	Safety systems 2007	Other prodcts 2007	Unallo-cated	Total 2007
Total revenue from segments	56 930	20 202	11 203	0	88 335	60 619	9 427	10 735	0	80 781
Segment expenses	-45 768	-18 307	-7 041	-9 297	-80 413	-49 962	-8 546	-8 885	-6 727	-74 120
Segment results	11 162	1 895	4 162	-9 297	7 922	10 657	881	1 850	-6 727	6 661
Total assets	20 992	3 449	2 304	42 377	69 122	20 877	3 664	3 640	39 385	67 566
Financial assets, cash in hand and deposits (excl. receivables)	0	0	0	37 294	37 294	0	0	0	34 527	34 527
Receivables and prepaid expenses	6 659	2 613	599	196	10 067	7 364	2 558	494	386	10 802
Inventories	5 390	263	821	0	6 474	5 082	390	1 301	0	6 773
Property, plant and equipment and intangible assets	8 943	573	884	4 887	15 287	8 161	716	1 845	4 742	15 464
Segment liabilities	3 958	1 200	576	804	6 572	5 965	1 739	1 061	803	9 568
Investments in non-current assets	2 624	0	253	376	3 253	2 315	0	284	116	2 715
Depreciation and amortisation	2 265	143	264	749	3 421	2 304	143	464	1 069	3 980
Impairment loss of non-current assets	0	0	0	0	0	4	0	0	0	4

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 are 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 its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

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

Secondary reporting format – Revenue by geographical markets

In thousands of euros

	2008	2007
Russia	**47 489**	34 276
Sweden	**32 352**	39 235
Germany	**2 699**	3 341
Romania	**1 174**	0
Estonia	**873**	870
Czech Republic	**843**	753
Ukraine	**673**	593
Spain	**445**	124
Finland	**409**	416
Belgium	**311**	524
France	**299**	287
Poland	**225**	231
Great Britain	**60**	61
Other countries	**483**	70
	88 335	80 781

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 329 (2007: 470) thousand kroons are located in the Russian Federation, incl. property, plant and equipment in the amount of 38 (2007: 44) thousand euros.

Investments in non-current assets by secondary reporting format are as follows: Estonia 3 252 (2007: 2 714) thousand euros and Russia 0.4 (2007: 1.4) 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	2008	2007
Raw materials	-55 319	-48 720
Personnel expenses (see Note 23)	-12 078	-10 943
Depreciation and amortisation (see Notes 7, 8)	-3 170	-3 725
Utilities	-1 229	-1 078
Repairs and maintenance	-441	-411
Transportation	-1 587	-1 677
Other services	-660	-586
Others	-1 069	-1 437
	-75 553	-68 577

In thousands of euros

16. Marketing and distribution expenses	2008	2007
Personnel expenses (see Note 23)	-275	-206
Depreciation (see Note 7)	-2	-2
Transportation	-1 076	-929
Agent fees	-86	-262
Advertising	-6	-18
Business travelling	-28	-32
Other services	-6	-5
Others	-60	-372
	-1 539	-1 826

In thousands of euros

17. Research and development expenses	2008	2007
Personnel expenses (see Note 23)	-467	-528
Expenses related to VAZ projects	-102	-784
Expenses related to testing and research	-180	-258
Depreciation and amortisation (see Notes 7, 8)	-165	-175
Business travelling	-19	-73
Other services	-3	-16
Others	-102	-113
	-1 038	-1 947

In thousands of euros

18. General administrative expenses	2008	2007
Personnel expenses (see Note 23)	**-1 261**	-1 174
Depreciation and amortisation (see Note 7)	**-85**	-77
Repairs and maintenance	**-15**	-14
Advertising, promotions	**-65**	-117
Business travelling	**-28**	-37
Telephone and office supplies	**-38**	-38
Other purchased services	**-572**	-269
Bad debt related expenses [1]	**-87**	7
Others	**-333**	-317
	-2 484	-2 036

[1] in 2008, the amount of bad debt related expenses consists of the allowance for doubtful receivables in the amount of 87 (2007: reversal of allowance 8) thousand euros and the uncollectible receivable directly written off from the balance sheet is 0 (2007: 1) thousand euros.

In thousands of euros

19. Other operating income	2008	2007
Revenue not related to main production activities	**244**	317
Gain from disposals of property, plant and equipment	**12**	29
Foreign exchange gain	**128**	0
Others	**30**	2
	414	348

In thousands of euros

20. Other operating expenses	2008	2007
Membership fees of unions, other associations	**-8**	-8
Sponsorship	**-26**	-11
Expenses not related to main production activities	**0**	0
Foreign exchange loss	**0**	-59
Provision (see Note 12)	**-179**	0
Impairment loss of non-current assets (see Note 7)	**0**	-4
	-213	-82

In thousands of euros

21. Financial items	2008	2007
Financial income		
Change in fair value of interest fund shares of Hansapank	**19**	80
Interest income from deposits	**1 963**	1 236
Interest income from bonds	**0**	4
	1 982	1 320
Financial expenses		
Foreign exchange loss	**-13**	-19
Other items	**0**	-2
	-13	-21

In thousands of euros

22. Income tax expense	2008	2007
Income tax on dividends	**-1 121**	-1 190
Total expense	**-1 121**	-1 190

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, 2008 the Russian subsidiary has tax losses carried forward in the amount of 58 (2007: 96) 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, 2008 were 53 271 (31.12.2007: 48 719) thousand euros. The maximum possible income tax liability, which would become payable if retained earnings were fully distributed is 11 187 (31.12.2007: 10 231) thousand euros, thus retained earnings in the amount of 42 083 (31.12.2007: 38 488) 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 2009 and on the assumption that distributable dividends and the related income tax together cannot exceed the amount of retained earnings as of 31.12.2008 and 31.12.2007, respectively.

If the Group pays out dividends in the amount of 4.2 million euros, as the management Board proposes for 2008 (see Note 13), the income tax liability in the amount of 1.1 million euros will arise.

In thousands of euros

23. Personnel expenses	2008	2007
Wages and salaries	**-10 827**	-9 905
Social tax expenses	**-3 226**	-2 921
Unemployment insurance expenses	**-28**	-25
	-14 081	-12 851

In thousands of euros

24. Transactions with related parties	2008	2007
Purchases from companies of Autoliv Group, incl.	26 307	17 888
purchases of goods	25 695	17 282
receiving of services	573	535
receiving of services from the parent company Autoliv AB	39	71
Transfer of research and development	410	498
Sales to companies of Autoliv Group, incl.	36 151	42 253
sales of goods	35 316	41 448
rendering of services	835	799
rendering of services to the parent company Autoliv AB	0	6
Sales to Norma by Law-office Tark & Co	53	17

	31.12.2008	31.12.2007
Receivables from companies of Autoliv Group (see Note 3), incl.	3 027	3 103
Autoliv AB	0	0
Payables to companies of Autoliv Group (see Note 10), incl.	793	2 320
Autoliv AB	2	36
Short-term deposits in treasury of Autoliv Group (see Notes 1, 2)	11 370	29 536
Payables to Law-office Tark & Co	0	9

In 2008, the Group deposited its money in the treasury of Autoliv AB in the amounts of 35 000 (2007: 46 296) thousand euros and 23 000 (2007: 0) thousand kroons. Interest income received from these deposits in 2008 was 1 157 (2007: 1 152) 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 724 (2007: 548) thousand euros and the Supervisory Board totalling 48 (2007: 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 304 thousand euros.

Loans granted to employees of the Group have been disclosed in Note 6.

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.

The Group's liabilities are limited to debts to contractors and other short-term liabilities; there are no loan commitments and any other financial instruments among the liabilities.

The Group is exposed to the market, credit and liquidity risks. The Management Board of AS Norma is accountable to managing these risks, following the decisions and declared principles set by the Supervisory Board of AS Norma.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of three types of risk: interest rate risk, currency risk and equity risk.

Interest-rate risk

AS Norma does not use debt financing and therefore the Group has no interest bearing liabilities, whereof the fair value of future cash flows could be influenced because of changes in market interest rates. The Group lacks assets, the value of which would depend on floating interest rates. However, the Group has deposits with fixed interest rates, with the rate depending on actual interest rate on the market at the time of depositing.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiary.

In 2008, 98.8% (2007: 98.9%) 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 in order to spread the currency risk. 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.

The net assets of the Russian subsidiary are low (2008: 10.1; 2007: 6.9 thousand euros) and the currency risk-spreading of these assets is not economical.

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

31.12.2008						
Financial assets	**EEK**	**EUR**	**SEK**	**USD**	**RUB**	**Total**
Cash	3 213	1 673	329	-	228	-
Short- and long-term investments	78 000	29 824	-	-	-	-
Short- and long-term receivables	4 388	9 998	98	119	6 930	-
	85 601	**41 495**	**427**	**119**	**7 158**	**-**
Financial liabilities	**58 421**	**2 320**	**3 082**	**33**	**309**	**-**
Net positions, in original currency	**27 180**	**39 175**	**-2 655**	**86**	**6 849**	**-**
Net positions, in thousands of EUR	**1 737**	**39 175**	**-242**	**61**	**165**	**40 896**
Reasonably possible change in exchange rates (+),%*	-	-	**-21%**	28%	22%	-
Reasonably possible change in exchange rates (–),%*	-	-	**21%**	-28%	**-22%**	-
Effect on P&L, thousands of EUR	**-**	**-**	**50**	**17**	**37**	**104**
Effect on P&L, thousands of EUR	**-**	**-**	**-50**	**-17**	**-37**	**-104**

* - the actual fluctuation of the exchange rates in 2008 is considered the best estimate for possible fluctuations in 2009

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 EUR	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 EUR	**-**	**-**	**27**	**6**	**13**	**46**
Effect on P&L, thousands of EUR	**-**	**-**	**-27**	**-6**	**-13**	**-46**

Equity price risk

Investments into listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. AS Norma has no exposure of equity securities at the end of accounting period.

Credit risk

Credit risk reflects the potential loss, which may be caused by a business partner's inability to meet the assumed obligations undertaken by the financial instrument or customer contract. The Group is exposed to credit risk primarily from its operating activities (for trade receivables) and from its financing activities (for deposits).

Trade receivables risk

This risk 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.

For many years already, 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, 2008 amounts to 6 506 (31.12.2007: 5 880) thousand euros. In January 2009, 3 505 thousand euros came in from this amount. As of the end of the accounting period, the overdue invoices of the Russian and Ukrainian customers amounted to 1 131 thousand euros, of that 217 thousand euros were outstanding invoices over 90 days. In January 2009, 141 thousand euros came in form this amount. Allowance for these receivables amounts to 87 (31.12.2007: 0) thousand euros at the end of the year.

Credit risk related to financial instruments and cash deposits

Credit risk from balances with banks and Autoliv's division of financial markets is managed in accordance with the financial principles approved by the Supervisory Board: investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty (each party's credit limit does not exceed the 1/3 of all deposited resources). The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

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. As the share of cash and other short-term financial assets exceeds 50% of the Group's total assets, the management of the Group does not assess the liquidity risk as significant. See Notes 10 and 11 for quantitative data.

Capital management

The Group's capital includes share capital (8 436 thousand euros), mandatory reserve (844 thousand euros), and retained earnings (31.12.2008: 53 270 thousand euros; 31.12.2007: 48 718 thousand euros). The objective of the Group's capital management is to ensure that it maintains a strong statement of balance in order to support its day-to-day businesses and the company's strategic development. Due to the automotive industry's cyclicity, only financially capable and independent subcontractor can succeed. The unique market position of AS Norma, the bulk of sales of which is related to Russian and Ukrainian market with fluctuating liquidity, needs extra attention in capital management. The components production, the development of which is one of the Group's strategic goals, is a capital-intensive field. 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.

AS Norma annually pays its shareholders the dividends to dispense the earned capital, the shares buyout has not been used due to their scarce trading. 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. Subsequent events

AS Norma has filed a request to the Labour Inspectorate for applying the collective termination of employment contracts with 111 AS Norma employees. The employment termination is a result of deepening global crisis in the automotive industry. The sales of Russian, Ukraine and Western-European car manufacturers keep declining. Consequently, the demand for our production has declined. This has led to a considerable decrease in AS Norma production volumes. According to the January specified forecasts the production will not recover to earlier levels during the first half of 2009.

27. Non-consolidated main financial statements of the Parent

The Parent's non-consolidated primary financial statements are presented because it is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards as adopted by the European Union. These unconsolidated primary financial statements do not constitute the Parent's separate financial statements as defined in IAS 27 (Consolidated and Separate Financial Statements).

Balance Sheet of AS Norma (the Parent)

In thousands of euros

Assets	31.12.2008	31.12.2007
Current assets		
Cash in hand and deposits	**1 908**	5 512
Financial assets	**35 380**	28 993
Receivables	**10 092**	10 907
Prepaid expenses	**85**	70
Inventories	**6 449**	6 687
Total current assets	**53 914**	52 169
Non-current assets		
Long-term investments	**2**	2
Long-term receivables	**21**	20
Property, plant and equipment	**14 657**	14 675
Intangible assets	**591**	745
Total non-current assets	**15 271**	15 442
Total assets	**69 185**	67 611
Liabilities and equity		
Liabilities		
Current liabilities		
Payables	**6 412**	9 508
Deferred income	**26**	52
Provision	**179**	0
Total current liabilities	**6 617**	9 560
Total liabilities	**6 617**	9 560
Equity		
Share capital (par value)	**8 436**	8 436
Statutory reserve	**844**	844
Retained earnings	**53 288**	48 771
Total equity	**62 568**	58 051
Total liabilities and equity	**69 185**	67 611

Income statement of AS Norma (the Parent)

In thousands of euros

	2008	2007
Revenue	88 106	80 603
Cost of sales	-75 481	-68 500
Gross profit	12 625	12 103
Marketing and distribution costs	-1 558	-1 854
Research and development expenses	-1 038	-1 945
General administrative expenses	-2 331	-1 904
Other operating income	402	324
Other operating expenses	-213	-67
Operating profit	7 887	6 657
Financial income	1 982	1 319
Financial expenses	-13	-20
Profit before taxes	9 856	7 956
Income tax expense	-1 121	-1 190
Net profit	8 735	6 766

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

In thousands of euros

	Share capital (par value)	Statutory Reserve	Retained earnings	Total equity
31.12.2006	8 436	844	45 643	54 923
Association with the subsidiary	0	0	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
31.12.2007	8 436	844	48 771	58 051
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	8 735	8 735
31.12.2008	8 436	844	53 288	62 568

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 Parent's unconsolidated owner's equity as of December 31:

	2008	2007
Parent company's unconsolidated owner's equity	62 568	58 051
Net book value of subsidiary in the parent company's unconsolidated balance sheet (-)	-2	-2
Value of subsidiary, calculated based on the equity method (+)	-16	-51
Total	62 550	57 998

Cash flow statement of AS Norma (the Parent)

In thousands of euros

Cash flows from operating activities	2008	* 2007
Net profit	8 735	6 766
Income from interest	-1 982	-1 317
Net exchange loss	13	19
Net unrealised exchange gain	-31	-7
Income tax expense	1 121	1 190
Gain from disposals of property, plant and equipment	-12	-29
Depreciation and amortisation	3 412	3 971
Impairment loss of property, plant and equipment	0	4
Decrease in assets related to operating activities	1 022	-2 954
Decrease in liabilities	-2 902	1 158
Total cash flows from operating activities	9 376	8 801
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	22	78
Acquisition of property, plant and equipment	-3 250	-2 714
Loans granted	-4	-6
Loan repayments received	9	12
Acquisition of financial assets	-68 434	-46 296
Proceeds from disposals of financial assets	62 348	44 131
Interest received	1 681	1 254
Total cash flows from investing activities:	-7 628	-3 541
Cash flows from financing activities		
Payment of income tax on dividends	-1 121	-1 190
Dividends paid	-4 218	-4 218
Total cash flows from financing activities:	-5 339	-5 408
Net cash flows	-3 591	-148
Changes in cash and cash equivalents		
Balance at the beginning of the year	5 512	5 679
Increase/decrease of cash and cash equivalents	-3 591	-148
Foreign exchange effect	-13	-19
Cash and cash equivalents at the end of the year, incl.:	1 908	5 512
Cash in hand and deposits with maturity up to 3 months	1 908	2 470
Shares of interest fund	0	3 042

* In 2008 the presentation has been changed and the Cash Flow Statement begins with net profit.

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/ee
Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Tel.: +372 611 4610
Fax: +372 611 4611
Tallinn@ee.ey.com
www.ey.com/ee
Code of legal entity 10877299
VAT payer code EE 100770654

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 31 December 2008, 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 on pages 25-54 is added to the current report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 31 December 2008, 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.

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 Note 27 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, 6 March 2009

Hanno Lindpere
Ernst & Young Baltic AS

Mart-Martin Arengu
Authorised Auditor

A member firm of Ernst & Young Global

PROFIT ALLOCATION REPORT

Net consolidated profit of AS Norma for 2008 amounts to 137 218 728 EEK (8 769 875 EUR).

The Management proposal, which is agreed with the Supervisory Board, is to transfer 2008 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 26.05.2009 at 23:59 PM.

SIGNATURES OF MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD ON ANNUAL REPORT 2008

The supervisory board of AS Norma has reviewed the annual report, prepared by the management board, consisting of the management report, the consolidated financial statements, the management board's recommendation for profit allocation and the independent auditor's report, and has approved the annual report for presentation on the annual general meeting.

Hereby we confirm the correctness of information presented in the Annual Report 2008 of consolidated group of AS Norma:

Halvar Jonzon
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

Aare Tark
Member of Supervisory Board

Peep Siimon
Chairman of Management Board

Garri Krieger
Member of Management Board

Ivar Aas
Member of Management Board

Peeter Tõniste
Member of Management Board

Ülle Jõgi
Member of Management Board

Sander Annus
Member of Management Board

March 24, 2009

List of shareholders with ownership of 10% or more

No of account	Name	Reg. no.	Address	City	Country	Index	Balance	%
99100462449	AUTOLIV AB	556036-1981	BOX 70381	STOCKHOLM	Sweden	SE-10724	6732000	51
99100459960	ING LUXEMBOURG S.A.	1960 22 00151	52 ROUTE D?ESCH	LUXEMBOURG	Luxembourg	L-2965	1320001	10,0

Sales classification in accordance with the Commercial Code

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

C					Manufacturing industry (in thousands of Estonian kroons)
NACE	Classification (EMTAK)	Sales 2008 (the Group)	Sales 2008 (the Parent)	Sales 2007 (the Group)	Sales 2007 (the Parent)
29.32	2932	1 382 140	1 378 560	1 263 942	1 261 155
	29321	1 382 140	1 378 560	1 263 942	1 261 155

AS NORMA ANNUAL REPORT 2008

Legal address:	Laki 14
	10621 Tallinn
	Estonia
Business Register No	10043950
Phone:	+372 6 500 442
Fax:	+372 6 500 134
Auditor:	Ernst & Young Baltic AS
Beginning and end of the reporting year:	01.01.2008-31.12.2008

Laki 14
10621 Tallinn, Estonia
Phone +372 6500 442
Fax +372 6500 134
norma@autoliv.com

www.norma.ee