



AS NORMA

ANNUAL REPORT 2009

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Beginning and end of the reporting year:	01.01.2009-31.12.2009

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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

The Russian automotive market's volumes fell to a 2005 level

On one of AS Norma's biggest markets – Russia – the new passenger cars' sales fell 49% to 1.47 million cars in 2009 compared to a year-ago period. The sales of AvtoVAZ in Russia declined by 44% to 349 thousand cars, the market share amounted to 24% (2008: 22%). The best selling car model in Russia was Lada Priora with a total number of cars sold 99.5 (2008: 128) thousand, followed by the Lada Samara – 90 (2008: 167), Lada 2105/2107 – 68 (2008: 185), and Lada Kalina – 61 (2008: 94) thousand cars. Among the foreign cars the Renault Logan became the best selling model with a 54 (2008: 74) thousand cars sold, outpacing the previous best-seller, the Ford Focus (2009: 52 versus 2008: 93 thousand cars).

In the course of 2009, 597 thousand passenger cars were produced in Russia, that was 59% less compared to a year-ago period. The assembly of foreign cars dropped less (-53%) than production of domestic models (-64%). The latter companies were prevalently closed in January and August. The share of domestic cars in passenger cars' production was 53%. AvtoVAZ produced 295 thousand cars i.e. 63% less than in 2008.

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 whose production decreased 22% in 2009 compared to a previous year. The seatbelts produced in AS Norma are delivered to Volvo's Belgian and Swedish factories, to a smaller extent also to China. In 2009, the amount of belts delivered through Autoliv decreased 32% compared to 2008. The seatbelts are also delivered to Saab Automobile and Volvo Group (Volvo Trucks, Volvo Buses) models as well as for other bus and truck companies. In 2009, this segment fell only 10% compared to 2008.

Raw material

Drop in materials' prices

The rise in steel prices that begun in 2007 slowed down in 2009, and the price for steel fell 20% compared to 2008. Besides, a 10% price drop for nonferrous metal components, 7% price drop for plastic and plastic components, and 2% price drop for steel and electrical components took place.

Estonian economic environment

AS Norma exports 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 global automotive industry crisis which continued in 2009 has even more intensified competition and has led everywhere to excess production capacity.

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 depend on electricity, water and gas prices, the level of which keeps rising. The salaries of the employees did not increase in 2009 and the work efficiency enhanced.

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. In 2009, the majority of the Russian car manufacturers were closed in January and August. Swedish car manufacturers are on a collective vacation in July and in December (between Christmas and New Year). The turnover of AS Norma, as the supplier, is thus considerably lower during these periods.

Highlights of the financial year

Development projects

In 2009, Norma increased participation in customers' product development projects. New components and tools needed for their manufacturing were designed and launched into production. Metals research continued in collaboration with Tallinn Technical University. New seatbelts were designed for the European bus and bus seats manufacturers. Product improvements on Russian car manufacturers seatbelts were carried out. Seatbelts for the new AvtoVAZ Priora hatchback vehicle model were launched into production.

Production

Sharp drop in production volumes

Compared with 2008, when Norma was short of production capacity due to the increased orders, the past year turned out to be an extremely challenging. Since September-October of 2008, the automotive industry's orders begun to decrease gradually. The crises culminated in the first half of 2009 when the production volumes fell approximately 50% compared to a year-ago period.

Consequently, throughout 2009 the entire company had to follow the policy of economy. The production-limiting measures were set. In the arisen situation the company had to cut down the staff or terminate employment agreements with nearly 300 employees. During the first three quarters of 2009, a part-time working time was applied for the entire Group. In the last quarter of 2009, a downward trend in production slowed down and stabilised. Despite complicated economic situation, the company continued searching for and launching the new production possibilities throughout 2009. The production of 26 new automotive components was started within a year.

Owing to uncompromising cost saving program, stabilised production volumes in the last quarter and new products' launches, AS Norma was able to close an extremely difficult economic year with positive results and improve efficiency all in all in 2009.

Quality management

The car seatbelts and fastening systems produced in AS Norma save lives.

Our products have to function in the critical situation without any errors. The high level of quality, quick adaptation to the requirements of the automotive industry's customers and moderate price were the prerequisites for survival in the difficult economic situation and enabled to win clients and new orders.

In 2009, we improved our quality indicators as follows: the number of products returned from clients per million products (PPM) was 6.2 and the delivery precision on average 99.8%.

A positive trend continued in improving the stability of production processes, efficiency, and in suppliers' quality performance.

The delivery of flawless production is ensured by using Norma's quality management/control system, which is certified according to the specific requirements of the car industry (ISO/TS 16949), Autoliv production system (APS), and Autoliv Supplier manual, which regulates the suppliers' activities. The employees' quality awareness and implementation of standards improved, and the own liability to ensure the quality of products increased. When developing the production processes, the attention was on failure prevention and early detection. The operative withdraw of causes was a prerequisite for preventing the recurrence of nonconformities.

The products are inspected and tested with modern tools and by skilful personnel at the laboratories within the production units, as well as in the ISO/IEC 17025 accredited Seatbelts' testing centre.

In 2009, 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

During the 12 months of 2009, the Group invested 2.4 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 were distributed as follows:

Metal processing equipment	1.26 million euros
Buildings and facilities	0.74 million euros
Quality testing and environmental protection equipment	0.20 million euros
Assembly lines	0.11 million euros
Information technology	0.06 million euros
Plastic injection moulding equipment	0.04 million euros

Financial highlights of the Group

Economic activities	2009	2008	2007	2006	2005
Revenue (MEUR)	51.0	88.3	80.8	66.9	62.4
Change with respect to previous year	-42%	9%	21%	7%	-1%
Gross profit (MEUR)	4.1	12.8	12.2	10.6	10.7
Change with respect to previous year	-68%	5%	15%	0%	-7%
Gross profit margin ¹	8.0%	14.5%	15.1%	15.9%	17.1%
Operating profit (MEUR)	0.9	7.9	6.7	5.8	6.0
Change with respect to previous year	-89%	19%	14%	-2%	-18%
Operating profit margin ²	1.7%	9.0%	8.2%	8.7%	9.6%
EBITDA (earnings before interest, taxes depreciation and amortisation) (MEUR)	4.2	11.3	10.6	9.8	10.0
Change with respect to previous year	-63%	7%	9%	-2%	-9%
Profit before taxes (MEUR)	2.4	9.9	8.0	6.7	6.7
Change with respect to previous year	-75%	24%	18%	1%	-16%
Pre-tax profit margin ³	4.8%	11.2%	9.9%	10.1%	10.7%
Net profit (MEUR)	1.3	8.8	6.8	5.5	5.3
Change with respect to previous year	-85%	30%	24%	3%	-21%
Net profit margin ⁴	2.6%	9.9%	8.4%	8.2%	8.5%
Working capital ⁵ (MEUR)	40.4	45.3	37.0	32.8	23.4
Return on working capital ⁶	1.3	1.9	2.2	2.0	2.7
Current ratio ⁷	8.5	8.2	5.4	5.6	6.5
Quick ratio ⁸	7.8	7.2	4.7	4.9	5.6
Return on equity (ROE) ⁹	2.2%	14.0%	11.7%	9.9%	9.9%
Return on assets (ROA) ¹⁰	2.0%	12.7%	10.0%	8.6%	8.8%
Average number of employees per month	707	969	972	912	915
Change with respect to previous year	-27%	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 Current ratio – current assets/ current liabilities

⁸ Quick ratio - current assets except inventories//current liabilities

⁹ROE – net profit/average equity

¹⁰ROA – net profit/average assets

Share and dividend related figures	2009	2008	2007	2006	2005
Number of shares	13.2	13.2	13.2	13.2	13.2
Earnings per share ¹¹ (EUR)	0.1	0.7	0.5	0.4	0.4
Dividends per share (EUR)	0.3	0.3	0.3	0.3	0.3
Equity per share ¹² (EUR)	4.5	4.7	4.4	4.2	4.1
Dividend/net profit	3.2	0.5	0.6	0.8	0.8
Price/earnings ratio (P/E) ¹³	38.9	3.9	9.8	12.3	16.3

¹¹ Earnings per share – net profit per share in euros: the company has no contingently issuable common shares, therefore diluted EPS equals to basic EPS

¹⁰ Equity per share – total equity/number of shares (in euros)

¹¹ P/E – stock price at the end of the period/EPS

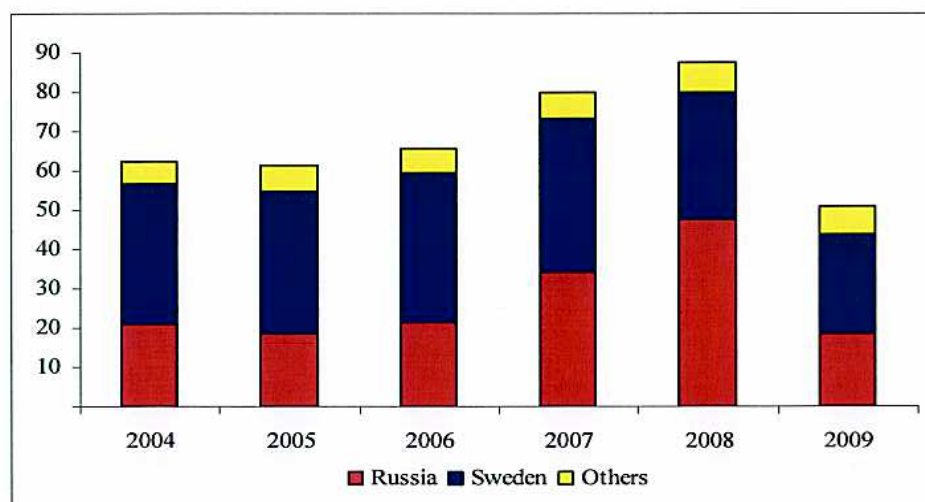
Sales

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

The revenue of the Group amounted to 51.0 million euros in 2009. This constitutes a 42% decrease compared to 2008. Seatbelts made up 65% (2008: 64%) of revenue. The sales of safety systems to AvtoVAZ's Kalina and Priora models decreased from 23% to 17% of revenue. Sales of seatbelt components made up 7% of sales (2008: 6%), sales of units 7% (2008: 4%). The most important other products and services included sales of dies and moulds and provision of safety system-related engineering services amounting to 2% (2008: 3%) of revenue.

In 2009, AS Norma exported 99.3% (in 2008: 99.0%) of its products. Once again, Sweden became the most important export market amounting to 49% of revenue (2008: 37%), export to Russia amounted to 37% (2008: 54%), and to Germany to 5% (2008: 3%). The sales to Russia declined 61%, to Sweden – 23%, and to Germany – 11% compared to 2008.

Export 2004-2009 (in millions of euros)



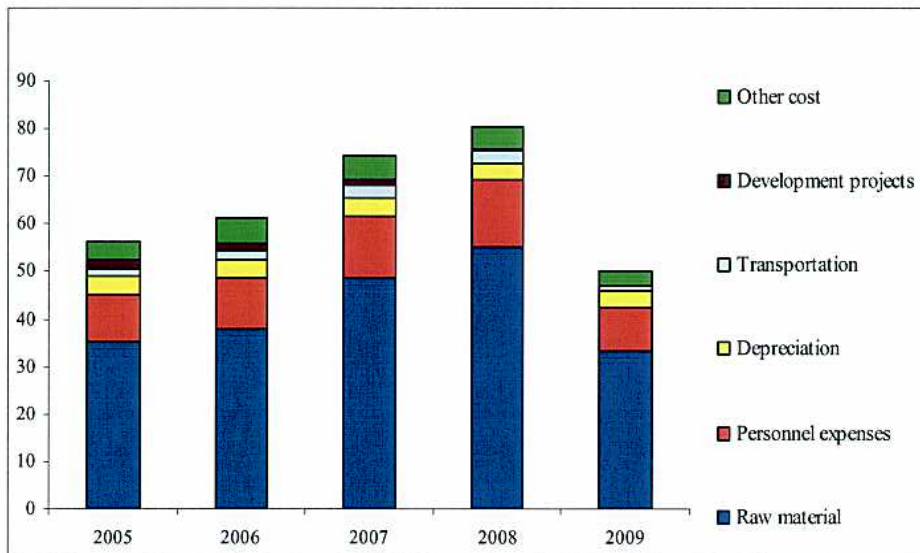
Sales to various sub-units of the parent company Autoliv decreased by 20% compared to 2008, amounting to 29.0 (2008: 36.2) million euros, making up 57% (2008: 41%) of AS Norma's revenue. The sale of seatbelts made up 74% (2008: 79%) of net sales to Autoliv. The amount of seatbelts delivered decreased by 32% to 1.3 (2008: 1.9) 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 21% compared to 2008.

Expenses

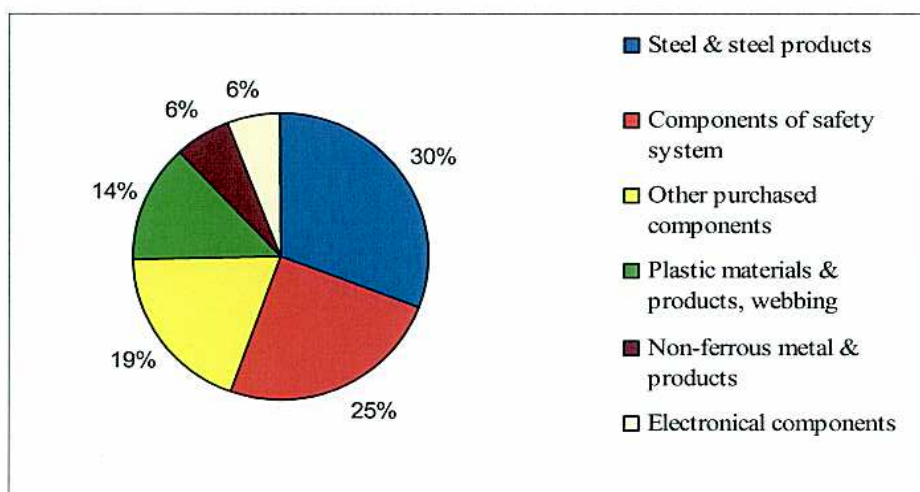
Despite strict saving measures and production restructuring, the expenses on raw material, personnel and energy carriers increased, both in absolute terms and in percentage of revenue

Operating expenses 2005-2009 (million euros)



In 2009, expenses on raw material decreased 40%, making up 65.4% (2008: 62.6%) of revenue.

The share of raw material in 2009



A material cost relative to revenue decreased 6% due to decrease in sales of safety systems. The material cost relative increased 9% due to the amount of seatbelts delivered to Autoliv. At the same time, when compared to previous four years, fewer Norma produced components (2009: 3.3; 2008: 4.0; 2007: 5.0; 2006: 4.7; 2005: 4.0 and 2004: 1.5 million euros worth) were used in the seatbelts delivered to Autoliv, yet their relative increased to 6% (2008: 4%). In all, the cost of materials used in conventional production decreased 2%.

In 2009, the expenses on gas, electricity, and the water decreased, next to a 42% drop in sales, by 13% amounting to 1.1 million euros, making up 2.1% (2008: 1.4%) of sales revenue.

Personnel expenses amounted to 9.1 million euros in 2009, having declined by 36% compared to the previous period. Thereby the redundancy expenses amounted to 0.8 million euros. The personnel expenses relative amounted to 17.8% (2008: 15.9%) of revenue. The personnel expenses excluding the redundancy expenses made 16.2% from sales.

The company employed a monthly average of 707 people, which were 262 employees less than in the previous year. The average decrease in personnel expenses per employee was 12% compared to 2008.

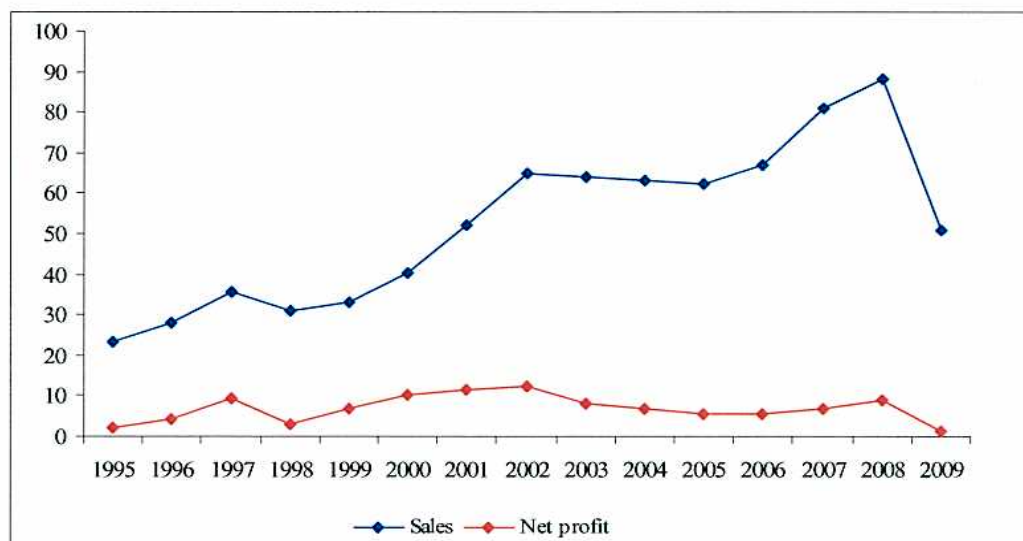
Product development costs decreased by 0.4 million euros in 2009, amounted to 0.7 million euros or 1.3% (2008: 1.2 %) of revenue.

Profit and profitability

Group's net profit made up 2.6% of revenue

The Group's gross profit for 2009 was 4.1 (2008: 12.8) million euros – i.e. 8.0% (2008: 14.5%) of revenue. The gross profit declined 68%, at the same time the revenue declined 42%.

The Group's revenue and profit dynamics: 1995-2009 (in millions of euros)



Operating profit amounted to 0.9 (2008: 7.9) million euros, making up 1.7% (2008: 9.0%) of revenue, a profit before taxes amounted to 2.4 (2008: 9.9) million euros, which was 4.8% of revenue (2008: 11.2%). The net profit for 2009 amounted to 1.3 (2008: 8.8) million euros, having declined 85%. The net profit margin declined from 9.9% in 2008 to 2.6% in 2009.

In connection with the restructuring of the Group amid a severe economic downturn, the parent company had to incur non-recurrent expenses due to termination of employment contracts and mark-down of equipment in the amount of 1.2 million euros, which made up 2.4% of revenue.

Cash flows and capital appropriation

The Group's cash flow declined 42%, however, the cash flow from the operating activity amounted to 9.5 million euros

In 2009, the Group's cash flow from operating activities amounted to 9.5 (2008: 9.4) million euros. The company's investments in property, plant and equipment and intangible assets were 2.4 (2008: 3.3) million euros, the balance of financial investments increased by 0.2 (2008: 6.1) million euros, the total cash flow from investments during the period was -0.8 (2008: -7.6) million euros, and cash flow from financing -5.3 (2008: -5.3) million euros. In 2009, the net cash flow was 3.4 (2008: -3.6) million euros.

As at the end of 2009, cash and liquid securities made up 62% (31.12.2008: 54%) of the total assets. As of December 31, 2009, the company's working capital (short-term investments, receivables, prepayments, inventories less current liabilities) amounted to 40.4 (31.12.2008: 45.3) million euros, and the working capital used for main activities (receivables, prepayments, inventories less current liabilities) to 5.1 (31.12.2008: 9.9) million euros. The current liabilities decreased within a year by 0.5 million euros.

AS Norma kept a traditionally conservative profile in managing liquidity and making financial investments in 2009. 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 than currently offered on the market. As of 31.12.2009, the Group deposited at Autoliv AB 5.4 (31.12.2008: 11.4) million euros in euro and kroons term deposit accounts for over 3 months, with a 1.5%-1.6% interest rate.

Non-current assets made up 21% (2008: 22%) of the assets, having declined in a year by 1.4 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 decreased by 2.9 million euros, amounting to 59.7 (31.12.2008: 62.6) million euros by the end of the accounting year. Equity made up 90.8% (31.12.2008: 90.5%) of the total assets. At the end of the year, available equity amounted to 50.4 (31.12.2008: 53.3) million euros.

Stock market and dividends

EPS declined 85%, share price increased 50%

AS Norma has issued 13.2 million common shares. The share has a nominal value of 0.6 euros, and grants its owner one vote at the general shareholders' meeting. The number of the shares and their nominal value has not changed since the shares were first listed in 1997.

Shareholders were paid 4.2 million euros (i.e. 0.3 euros per share) in dividends in 2009, similarly to the previous six years. Considering a sharp downfall at the Russian automotive market in 2009, the financial difficulties of local car manufacturers, ongoing instability, and the Group's plan to further expand the production of components, which is rather capital-intensive field, AS Norma management's position is not to pay dividends for 2009.

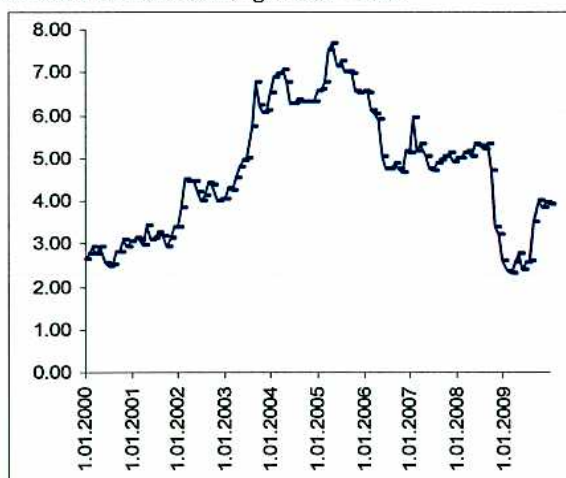
Both diluted EPS and basic EPS were 0.1 (2008: 0.7) euros, and equity per share was 70.7 (2008: 74.1) euros. The P/E ratio increased from 3.9 to 38.9 in 2009.

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.

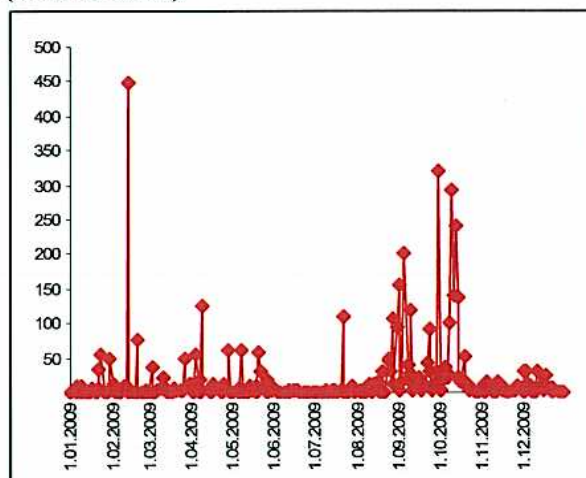
Share statistics 2005–2009 (in euros, if not indicated otherwise)

	2005	2006	2007	2008	2009
Open	6.55	6.55	5.12	5.10	2.70
High	7.78	6.65	6.25	5.67	4.20
Low	6.35	4.30	4.52	2.59	2.08
Last	6.56	5.11	5.00	2.60	3.90
Traded volume, thousand pcs	4 718	4 257	4 546	5 462	1 507
Turnover, million euros	34.2	23.06	23.43	27.72	4.72
Capitalisation, million euros	86.6	67.45	66.00	34.32	51.48

Share price (in euros) movement
at Tallinn Stock Exchange 2000 – 2009



Share trading volumes at Tallinn Stock Exchange in 2009
(thousand euros)



AS Norma's share price and OMX Tallinn index movement (%) in 2009



Indeks/equity	+/-%
OMX Tallinn	47
NRM1T	50

As of 31.12.2009, 1612 (31.12.2008: 1458) 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	6.7%
Marfin Pank Eesti AS Repokonto	3.8%

The shareholders of AS Norma can be grouped as follows: 59.4% (31.12.2008: 59.1%) residents of Sweden, 17.5% (31.12.2008: 20.0%) residents of Estonia, 13.1% (31.12.2008: 13.0%) residents of Luxembourg, 10.0% (31.12.2008: 7.9%) residents of other countries. 8.7% (31.12.2008: 7.5%) of the shareholders are natural persons, 1.0% of the shares are registered in the name of equity funds and 39.3% by companies. The AS Norma's parent company is listed at the New York Stock Exchange.

As of 31.12.2009, 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 2009, 99.3% (2008: 99.0%) 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 (31.12.2009: -67.2; 31.12.2008: 10.1 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.

The accounts receivable balance as of the end of the accounting period amounted 6.9 (31.12.2008: 9.9) million euros. For many years, the largest concentration of credit risk is related to our Russian and Ukrainian customers. The accounts receivable balances from the Russian, Belorussian and Ukrainian clients as of 31.12.2009 amounts to 3.5 (31.12.2008: 6.5) million euros. As of the end of the accounting period, the overdue invoices of these customers amounted to 0.1 million euros.

As of 31 December 2009, a provision for doubtful receivables has been made in the amount of 0.26 (31.12.2008: 0.09) million euros. In 2009, uncollectible receivables were written off in the amount of 0.06 million euros, and an additional provision for doubtful receivables of 0.23 million euros was created.

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, 2009, 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 cyclicality, 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 did not use external financing in its operations. Investments into production and research and development were made from the Group's own funds.

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 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.

Consolidation group structure

In 2009, AS Norma Group included AS Norma and one subsidiary in Russia fully owned by AS Norma.

The audit consultation company "Konsuelo" (licence nr E000961, effective 25.06.2002 – 25.06.2012), situated in Russia, Vladimir city, is the auditor of the Russia-based subsidiary ZAO Norma-Osvar.

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 2009, the parent company's turnover amounted to 51.0 (2008: 88.1), net profit to 1.4 (2008: 8.7), and equity to 59.7 (2008: 62.6) 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 2009, the revenue of Norma-Osvar ZAO amounted to 0.21 (2008: 1.19), loss to 0.08 (2008: profit to 0.03), and equity to -0.07 (2008: 0.01) million euros. Sales to external customers amounted to 0.21 (2008: 1.14) million euros in 2009. The goods to be sold by the subsidiary are supplied by the Parent.

Personnel policy

In 2009, the focus was on restructuring and efficiency enhancement

Amid the deepening automotive industry crisis, major changes in staff size and organisation of work became inevitable. Due to declined sales volumes in the beginning of the year, the Group had to apply various measures – employees' collective redundancies, the part-time work and partly paid vacation.

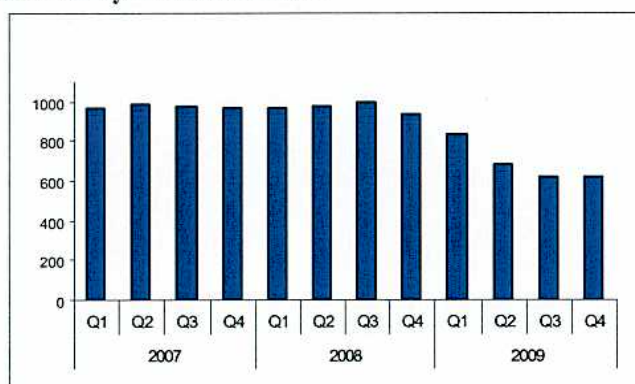
As of 1 January 2009, the company employed 906 people, and as of 31 December 2009 - 616. Temporary employment agreements, which were concluded in the summer of 2008 and expiring at the end of 2008 - beginning of 2009, were not prolonged. In the course of 2009, several staff collective redundancies took place: two times in February (51 and 111 employees), 52 employees in May, and 65 employees in June.

During the first quarter of 2009, a part-time working time was applied for the entire company, including 2 weeks of collective vacation. In April and May, 7 working days in each month were applied as partly paid vacation for the Russian and Ukraine market-oriented seatbelt assembly and component production division's employees. Since the measures deriving from law and allowing to apply a partly paid vacation ended at the end of May, an agreement for part-time working time (a 60% of calculated total working time) commencing 1 June 2009 and ending 31 August 2009 between the company and the employees was concluded. In the last quarter, the production volumes and staff size stabilised.

While restructuring the company's activities, the focus was on efficiency enhancement and productivity increase. The positions that were lost during the reductions were reorganised, and the remaining staff received retraining in order to raise flexibility in the production processes enabling to enhance efficiency and increase productivity.

In 2009, 6 major workshops were initiated, from which, considering the future plans, the most important are the assembly lines' efficiency enhancement and just-in-time production process workshops. First of these helped Norma to achieve the leader position in production efficiency enhancement within Autoliv's European plants. Employees directly engaged in product assembly processes were involved in the workshop. The workshop's goal was to improve ergonomics, to develop the personnel's skills enabling them to plan the working time independently and efficiently and further improve it.

Staff size dynamics 2007 – 2009



A total of 2107 employee suggestions were made in 2009, i.e. 3.66 suggestions per an employee. This indicator is a better result by 16% compared to 2008. Implementation rate of 75% has stayed stable throughout all last years, which demonstrates the good content quality of the suggestions.

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). By participating in the project we can control the risk related to Norma's key person replacement as an added value. Participation in this program has been very helpful for the company in the course of restructuring and reorganisation processes.

Occupational safety and health

Risk management – a key for safe working environment

Taking into account the EU guidelines, the company continued to elaborate the management of risk in the work environment in 2009.

To ensure the safety and employees' health protection in constantly changing conditions, modern additional requirements have been established, as well as complemented occupational safety training, supervision and monitoring procedures. In order to minimize the risk of physiological factors the new technologies and assembly lines are being implemented. Work-related physical complexity has declined, and the workers' motivation and the work's diversity have increased.

Group's work safety statistical characteristics in 2009 were good (e.g. the number of cases declined by 14.6% compared to last year).

State supervisory authorities have recognized the company's continuous work on improving the working environment and safety culture.

Company's safety culture – are our operating traditions and employees' knowledge of the constantly changing risk factors, our attitudes and sense of responsibility in maintaining safety.

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:

- 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 base AS Norma's environmental activities on continuous improvement of processes and pollution prevention;
- to develop employees' environmental awareness and motivate them to implement the AS Norma's 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 centre for niche-type safety restraint system
3. Invest in becoming a preferred supplier of engineered automotive safety components

The globalization of the automotive industry directly affects the customers of AS Norma on the traditional Russian market. Isolated independent car manufacturers are becoming partners within international car manufacturers' groups. This brings along the new requirements also for suppliers. AS Norma has an opportunity to use its advantages - vertical integration and knowledge of materials, components and production processes – to develop the company into a preferred pan-European supplier of engineered automotive safety components to both tier-1 and OEM customers.

International financial crisis and sharp economic deterioration in the second half of 2008, and the subsequent stabilization of the production on significantly lower level than before the crisis, has led to noteworthy restructuring in the automotive industry. Many manufacturers and their suppliers faced with liquidity difficulties and were forced to reassess their opportunities. In the changing market situation AS Norma has also started to re-evaluate the risks and potential.

Investments and a substantial increase in the components market make it possible to reduce AS Norma's the dependence on only two customers.

Major investments planned for the future

To support the strategic patterns and to reinforce AS Norma's competitiveness on the international automotive market, the company's management continued to invest in 2009 into production processes and technologies. To assure the organic growth and reproduction, building of a new production hall at Laki str.14 real estate in Tallinn started. In the production hall will be installed a new modern thermal processing equipment which will allow to increase significantly the volume of automotive safety components supplied to the automotive industry. The planned size of investment into production facilities and equipment is 2.3 million euros. Start-up of the new building will take place in June 2010. Further, it is intended to invest additionally 9.6 million euros to ensure reproduction and launches of the new production processes. Most of this investment is planned in order to increase the automotive components' production volume.

Major research and development projects

In 2010, conducting of components' development projects will be continued. Focus will be on innovative and knowledge based components. In co-operation with customers, the product design will be optimized, the tools will be designed and manufactured, and production processes will be planned. The metals structure, characteristics and treatment research work will be continued.

The product development for seatbelts' supplies for niche markets (buses, trucks, and building machines) will be continued, as well as seatbelts' development for the Russian vehicle manufacturers.

Major events after the end of the accounting period

Autoliv's offer to the minority shareholders of AS Norma has been addressed below in the Corporate Governance report.

Corporate Governance Report

As from 1 January 2006, AS Norma follows the rules of Estonian Corporate Governance Recommendations (the "Recommendations"). This Corporate Governance Report (the "Report") describes the management practices of AS Norma in 2009 and their accordance with guidelines given in the Recommendations. During 2009, 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 2009, AS Norma had a share capital of EEK 132 000 000 (8 436 338 euros), divided into same class registered shares with the par value EEK 10 (0.64 euros) 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 administers the share register of AS Norma. AS Norma has 1612 shareholders as of 31 December 2009. 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 10 Estonian kroons (0.64 euros). 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.

On March 1, 2010, Norma's majority shareholder Autoliv AB announced that it's fully owned subsidiary, AS Automotive Holding will make a takeover bid to AS Norma's minority shareholders for all the shares of AS Norma that it does not already own for the price of 92.31 kroons (5.90 euros) per share. The offer is conditioned upon the Autoliv Group reaching at least 90% of ownership of all shares in Norma.

Autoliv owns 6 732 000 shares of AS Norma, representing 51% of all shares of Norma and of votes represented by such shares.

Autoliv also announced that it reached agreement with the shareholders representing 26.44% of the share capital of AS Norma that such investors will accept the offer in respect of all shares of Norma owned by them.

The time period for accepting the offer shall commence on 17 March 2010 and end on 14 April 2010.

Calling of general meeting of shareholders and information to be published

The management board will publish a notice to convene a general meeting of shareholders. The notice will be published in a national daily newspaper at least three weeks or one week prior to the meeting, depending on whether an annual or

extraordinary general meeting will be held, respectively. The notice will specify the place where shareholders may examine the annual report, which will be made available at least two weeks prior to the meeting.

On 25 March 2009, the Management Board of AS Norma published an announcement through the Stock Exchange stating that the general shareholders' meeting would take place 12 May 2009 at 9:00. Agenda of ordinary general meeting of AS Norma consisted of three items: approval of the annual report of AS Norma for 2008; distribution of profits and appointing an auditor, and determining the procedure for remuneration.

The net profit for 2008 amounted to EEK 137 218 728 (8 769 875 euros). The Management Board proposed to pay the shareholders (regular) dividends in the amount of 50 % of the nominal value of the share, i.e. 5 kroons (0.32 euros) per share, in the total amount of EEK 66 000 000 (4 212 169 euros), and keep the remaining net profits as retained earnings. The Supervisory Board seconded the proposal.

The Management Board proposed to the general meeting of the shareholders to fix the list of the shareholders entitled to dividends on 26 May 2009 at 23:59. The Supervisory Board seconded the proposal. The dividends were paid out on 3 July 2009.

Hence in 2009 the general meeting of shareholders of AS Norma complied 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.

Due to absence of technical means AS Norma decided not to transfer general meeting by internet or by other means of communications. Thus 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 not possible 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. During 2009, 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. 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), Peeter Tõniste (Director Production), Sander Annus (Director Research and Development), Ivar Aas (Director Sales), and Garri Krieger (Director Quality).

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. The functions of the members of the management board are provided for in the contract of service entered into with each member of the management board.

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.

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 reporting 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. In 2009, the remuneration and bonuses of the Management Board of AS Norma amounted to 494 (2008: 828) thousand euros.

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 304 thousand 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 2010.

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 2009 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 immovable, 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.

On 19 June 2008, by the general meeting of shareholders, the chairman Halvar Jonzon and the members - Pär Malmhagen, Toomas Tamsar, Raivo Erik, Aare Tark and Leif Berntsson of supervisory board were elected for a term of three years. Based on subsection 319 (2) of the Commercial Code and article 4.4 of the articles of association of AS Norma, which stipulate that the company's majority shareholder may, during the time between general meetings, remove not more than three members of the Supervisory board elected at a general meeting and appoint new members to replace them if such a need arises earlier than 1 (one) month before a general meeting, the majority shareholder of AS Norma, Autoliv AB (registry code 556036-1981, seat in Stockholm), acting through its legal representative Marika Fredriksson, adopted the following resolutions:

1. To recall Pär Malmhagen DOB 03.02.1963 and Leif Berntsson DOB 29.11.1955 from the supervisory board of AS Norma as from 1 June 2009.
2. To appoint Günter Brenner DOB 30.10.1963 and Lars Sjöbring DOB 11.12.1967 as new members of the supervisory board of AS Norma for a term of 3 (three) years as from 1 June 2009.

Hence from 1 June 2009, the composition of Supervisory Board is as follows: the chairman Halvar Jonzon and the members: Toomas Tamsar, Raivo Erik, Aare Tark, Günter Brenner and Lars Sjöbring.

In the first quarter 2009, in total 3 meetings of the supervisory board were held – on 28 January 2009, 4 February 2009 and 24 March 2009. At one meeting the supervisory board was not represented by all members of the supervisory board – on 4 February 2009 Mr Leif Berntsson did not attend.

On 24 March 2009 supervisory board meeting, the supervisory board approved the annual report of AS Norma for 2008. The auditor Mr Hanno Lindpere of the auditing firm Ernst & Young Baltic AS was present.

In the second quarter 2009, one meeting of the supervisory board was held – 12 May 2009.

In the third quarter 2009, one meeting of the supervisory board was held – 25 August 2009. Mr Günter Brenner did not attend the meeting.

In the fourth quarter 2009, one meeting of the supervisory board was held – 24 November 2009. All the members of supervisory board attended.

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.

The amount of the remuneration of the members of the supervisory board was decided at the general meeting held on 25 April 2000, according to which the monthly remuneration of a member of the supervisory board is 639 euros and the remuneration of the chairman of the supervisory board is 767 euros. No stock options and other executive incentives have been issued to the members of the Supervisory Board of the company. No compensation is payable for termination of the employment relationship with a member of the Supervisory Board of the company.

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 2010.

The members of the supervisory board have not approved any transaction in 2009 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 2009 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, annual and interim reports, financial calendar, data on current membership of the management board, supervisory board and auditors. No press conferences took place during 2009. Meeting with investors took place in 08 July 2009 and such info is disclosed at the website of AS Norma. Thus the activities of AS Norma regarding disclosure of information in 2009 were in accordance with the Recommendations.

No	Date	Announcement title
1.	January 6, 2009	Information released by AS Norma
2.	January 19, 2009	The collective termination of employment contracts
3.	January 28, 2009	Unaudited Preliminary Financial Results Q4 and 12 months Y2008
4.	February 17, 2009	Collective termination of employment contracts and part-time working time
5.	February 27, 2009	Final report 4Q 2008
6.	March 6, 2009	Audited report 2008
7.	March 25, 2009	Agenda of ordinary general meeting of AS Norma
8.	March 25, 2009	Comment to dividend announcement
9.	April 7, 2009	Collective termination of employment contracts and application of the holiday with partial pay
10.	April 20, 2009	Unaudited Preliminary Financial Results Q1 Y2009
11.	April 20, 2009	Application of the holiday with partial pay
12.	May 12, 2009	Resolutions of ordinary general meeting
13.	May 29, 2009	Final Report Q1 2009
14.	June 1, 2009	Changes in Supervisory Board
15.	July 20, 2009	Unaudited Preliminary Financial Results Q2 and H1 Y2009
16.	August 28, 2009	Final report Q 2 Y2009
17.	August 31, 2009	Declares updated interim report
18.	October 19, 2009	Unaudited Preliminary Financial Results Q3, 2009
19.	November 30, 2009	Financial report result Q3, 2009

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 tentative and final interim financial reports and the audited annual report immediately after its approval by the supervisory board.

Reporting period	Preliminary report	Final report	Audited report
annual 08			March 06, 2009
Q4 08	Jan.28, 2009	Feb.27, 2009	
Q1 09	Apr.20, 2009	May 29,2009	
Q2 09	July 20,2009	Aug.28, 2009	
Q3 09	Oct.19, 2009	Nov.30, 2009	
Q4 09	Jan.27, 2010	Feb.26, 2010	
annual 09			March 25, 2010

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. On 12 May 2009, the general meeting of shareholders 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.

Confirmation

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



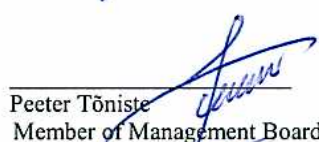
Peep Siimon
Chairman of Management Board



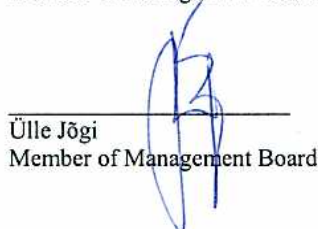
Garri Krieger
Member of Management Board



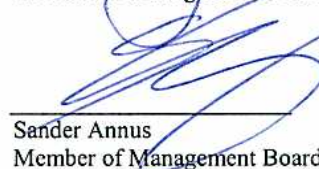
Ivar Aas
Member of Management Board



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 20 to 47 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 22, 2010

Consolidated Statement of Financial Position
in thousands of euros

Assets	31.12.2009	31.12.2008	Note no
Current assets			
Cash in hand and deposits	5 299	1 914	1
Financial assets	35 365	35 380	2
Receivables	6 683	9 948	3
Prepaid expenses	63	98	4
Inventories	4 387	6 474	5
Total current assets	51 797	53 814	
Non-current assets			
Long-term receivables	24	21	6
Property, plant and equipment	13 451	14 696	7
Intangible assets	459	591	8
Total non-current assets	13 934	15 308	
Total assets	65 731	69 122	
Liabilities and equity			
Liabilities			
Current liabilities			
Payables	6 059	6 367	10
Deferred income	14	26	11
Provisions	0	179	12
Total current liabilities	6 073	6 572	
Total liabilities	6 073	6 572	
Equity			
Share capital (par value)	8 436	8 436	13
Statutory reserve	844	844	
Retained earnings	50 378	53 270	22
Total equity	59 658	62 550	
Total liabilities and equity	65 731	69 122	

The accounting principles presented on pages 25 to 32 and the notes to the consolidated financial statements presented on pages 33 to 47 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

in thousands of euros

	2009	2008	Note no
Revenue	51 045	88 335	14
Cost of sales	-46 979	-75 553	15
Gross profit	4 066	12 782	
Marketing and distribution costs	-867	-1 539	16
Research and development expenses	-651	-1 038	17
General administrative expenses	-1 572	-2 484	18
Other operating income	334	414	19
Other operating expenses	-444	-213	20
Operating profit	866	7 922	
Financial income	1 595	1 982	21
Financial expenses	-14	-13	21
Profit before taxes	2 447	9 891	
Income tax expense	-1 121	-1 121	22
Net profit	1 326	8 770	
Basic and diluted earnings per share (in euros)	0,10	0,66	13

The accounting principles presented on pages 25 to 32 and the notes to the consolidated financial statements presented on pages 33 to 47 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
31.12.2007	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
31.12.2008	8 436	844	53 270	62 550
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	1 326	1 326
31.12.2009	8 436	844	50 378	59 658

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

The accounting principles presented on pages 25 to 32 and the notes to the consolidated financial statements presented on pages 33 to 47 form an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

in thousands of euros

Cash flows from operating activities	2009	2008	Note no
Net profit	1 326	8 770	
Adjustments of net profit			
Gain from disposals of property, plant and equipment	-2	-12	19
Depreciation and amortisation	3 372	3 421	7,8
Impairment loss of property, plant and equipment	410	0	20
Income from interest	-1 595	-1 982	21
Net unrealised exchange gain	-25	-18	
Income tax expense	1 121	1 121	22
Changes in assets related to operating activities, incl.:			
Short-term receivables and prepaid expenses, except loans and interests	3 298	720	3,4,6
Inventories	2 086	299	5
Changes in liabilities, incl.:			
Payables	-268	-3 109	10
Deferred income	-12	-26	11
Provision	-179	179	12
Total cash flows from operating activities	9 532	9 363	
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment	12	22	7
Acquisition of property, plant and equipment and intangible assets	-2 414	-3 253	7,8
Loans granted	-6	-4	6
Loan repayments received	3	9	6
Acquisition of financial assets	-61 909	-68 434	
Proceeds from disposals of financial assets	61 681	62 348	
Interest received	1 838	1 681	
Total cash flows from investing activities:	-795	-7 631	
Cash flows from financing activities			
Payment of income tax on dividends	-1 121	-1 121	22
Dividends paid	-4 218	-4 218	13
Total cash flows from financing activities:	-5 339	-5 339	
Net cash flows	3 398	-3 607	
Changes in cash and cash equivalents			
Balance at the beginning of the year	1 914	5 534	
Increase/decrease of cash and cash equivalents	3 398	-3 607	
Foreign exchange effect	-13	-13	21
Cash and cash equivalents at the end of the year, incl.:	5 299	1 914	
<i>Cash in hand and deposits with maturity up to 3 months</i>	<i>5 299</i>	<i>1 914</i>	<i>1</i>

The accounting principles presented on pages 25 to 32 and the notes to the consolidated financial statements presented on pages 33 to 47 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 2009, 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 2009, the Group employed 616 people, including 612 employees at AS Norma (2008: 918 and 914, 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 give a more objective overview of financial position, financial results and cash flows of the Group.

Adoption of new and/or changed IFRS's and IFRIC interpretations

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year:

- IFRS 8 *Operating Segments*;
- Amendment to IAS 1 *Presentation of Financial Statements*;
- Amendment to IAS 23 *Borrowing Costs*;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements*
- Amendment to IFRS 2 *Share-based Payment*;
- Amendments to IFRS 7 *Financial Instruments: Disclosures*;

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*;
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded derivatives*;
- IFRIC 13 *Customer Loyalty Programmes*;
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*;
- IFRIC 15 *Agreement for the Construction of Real Estate*;
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*;
- Improvements to IFRS (issued in 2008 and effective on 1 January 2009).

The principal effects of these changes are as follows:

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 *Segment Reporting*. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in Note 14, including the related revised comparative information.

Amendment to IAS 1 Presentation of Financial Statements

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. The Group has elected to present its comprehensive income in one statement.

Amendment to IAS 23 Borrowing Costs

The amendment requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have Borrowing Costs.

Other standards and interpretations and their amendments adopted in 2009 did not impact the financial statements of the Group, because the Group did not have the respective financial statement items and transactions addressed by these changes.

Standards issued but not yet effective

The Group has not applied the following IFRS's and IFRIC Interpretations that have been issued but are not yet effective:

Amendment to IFRS 2 Share-based Payment (effective for financial periods beginning on or after 1 January 2010, once adopted by the EU).

The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have share-based payments.

Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2013, once adopted by the EU). IFRS 9 will eventually replace IAS 39. The IASB has issued the first part of the standard, establishing a new classification and measurement framework for financial assets. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).

The amendments simplify the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. They also provide a partial exemption from the disclosure requirements for government-related entities. The implementation of these amendments will have no impact on the financial position or performance of the Group, however it may impact the related parties disclosures.

Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* (effective for financial years beginning on or after 1 February 2010).

The amendment changes the definition of a financial liability to exclude certain rights, options and warrants. The amendment will have no impact on the financial position or performance of the Group, as the Group does not have such instruments.

Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (effective for financial years beginning on or after 1 July 2009).

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

Improvements to IFRS's

In May 2008 and April 2009 IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The second omnibus, issued in April 2009, is still to be adopted by the EU. The adoption of the following amendments (all not adopted by the EU yet) may result in changes to accounting policies but will not have any impact on the financial position or performance of the Group:

- **IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***. Clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS's only apply if specifically required for such non-current assets or discontinued operations.
- **IFRS 8 *Operating Segments***. Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- **IAS 7 *Statement of Cash Flows***. Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.
- **IAS 36 *Impairment of Assets***. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

Other amendments resulting from Improvements to IFRS's to the following standards will not have any impact on the accounting policies, financial position or performance of the Group:

- **IFRS 2 *Share-based Payment***;
- **IAS 1 *Presentation of Financial Statements***;
- **IAS 17 *Leases***;
- **IAS 38 *Intangible Assets***;
- **IAS 39 *Financial Instruments: Recognition and Measurement***;
- **IFRIC 9 *Reassessment of Embedded Derivatives***;
- **IFRIC 16 *Hedge of a Net Investment in a Foreign Operation***.

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 29 March 2009).

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

Amendment to IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2011, once adopted by the EU).

The amendment modifies the accounting for prepayments of future contributions when there is a minimum funding requirement. This amendment will not have any impact on the consolidated financial statements because the Group does not have defined benefit assets.

IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for financial years beginning on or after 31 October 2009).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated financial statements because the Group does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers* (effective for financial years beginning on or after 31 October 2009).

The Interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated financial statements because the Group does not have such agreements.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for financial years beginning on or after 1 April 2010, once adopted by the EU).

The interpretation provides guidance on accounting for extinguishing financial liabilities with equity instruments. Since the Group does not have such transactions, IFRIC 19 will not have any impact on its consolidated financial statements.

Basis of Consolidation

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

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

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

Foreign Currency Translation

The functional currency of the Parent is Estonian kroon, which is also the presentation currency of the current consolidated financial statements; other currencies are considered as foreign currencies. Although many purchase and sales contracts are denominated in euros, as the Estonian kroon is pegged to the euro and no foreign exchange differences can arise, the Group considers the Estonian kroon as the functional and presentation currency.

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

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

Cash and Cash Equivalents

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

Financial Assets

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

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

For subsequent recognition, financial assets are classified as follows:

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

Financial assets at fair value through profit and loss are measured at 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 at 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.

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 depreciation of tooling.

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

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

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

Intangible Assets

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

- | | |
|------------|-------------|
| • Licences | 3-10 years. |
|------------|-------------|

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

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

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

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

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

Financial Liabilities

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

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 company 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. 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 20%).

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The report provides information about the Group's segments, and this information is organised by both product line segments and geographic 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

1. Cash and cash equivalents	In thousands of euros	
	31.12.2009	31.12.2008
Cash in hand and current deposits in banks	83	54
Short-term deposits with maturity up to 3 months	5 216	1 860
	5 299	1 914

As of the end of 2009 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 2.05-5.00% (31.12.2008: 5.70-6.25%) in the amount of 3 343 (31.12.2008: 187) thousand EUR and euro-deposits with interest rates of 0.23-1.33% (2008: 2.51-6.00%) in the amount 570 (31.12.2008: 1 673) thousand EUR; and
- b) short-term euro-funds in the treasury of Autoliv with interest rates 0.74% in the amount of 1 303 (31.12.2008: 0) thousands EUR (see Note 24).

2. Financial assets	In thousands of euros	
	31.12.2009	31.12.2008
Short-term time deposits with maturity more than 3 months	35 036	34 809
Accrued interest income	328	571
	35 364	35 380

As of the end of 2009 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 5.05% (31.12.2008: 7.05-7.30%) in the amount of 1 976 (31.12.2008: 3 515) thousand EUR and euro-deposits with interest rates of 1.38-4.30% (31.12.2008: 5.49-6.00%) in the amount of 27 658 (31.12.2007: 19 924) thousands EUR; and
- b) short-term euro-funds in the treasury of Autoliv with interest rates 1.48-1.56% (31.12.2008: 5.53-5.72%) in the amount of 5 402 (31.12.2008: 9 900) thousands EUR, there were no short-term kroons-deposits in the treasury of Autoliv as of the end 2009 (31.12.2008: 1 470 thousands EUR with interest rates 7.07%) (see Note 24).

The short-term deposits with maturity more than 3 months are accounted at fair value through profit and loss as they are used for earning short-term profits from favourable interest rate changes. Such classification 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 accounted at 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	31.12.2009	31.12.2008
Short-term deposits with maturity more than 3 months	Fair value through profit & loss	2	35 036	34 809
Accrued interest income	Fair value through profit & loss	2	328	571
Trade receivables and allowances	Loans and receivables	3	6 637	9 853
Other short-term receivables	Loans and receivables	3	15	17
Long-term loans	Loans and receivables	6	24	21
Financial liabilities	Amortised cost	10	5 717	5 705

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

For identification purposes only 33

Financial assets at fair value through profit & loss		31.12.2009	Level 1	Level 2	Level 3
Short-term deposits with maturity more than 3 months	Fair value through profit & loss	35 036	35 036	0	0
Accrued interest income	Fair value through profit & loss	328	328	0	0

3. Receivables		31.12.2009	In thousands of euros	
			31.12.2008	
	Trade receivable from non-related parties	4 118		6 914
	Receivables from companies of Autoliv Group (see Note 24)	2 778		3 027
	Allowance for doubtful receivables	-260		-87
	Other short-term receivables	15		17
	VAT refundable	32		77
		6 683		9 948

As at December 31, 2009, 78% of doubtful receivables were related to the Russian automobile industry clients.

Trade receivables	31.12.2009	31.12.2008
Not due	6 589	8 699
Overdue 30 days	118	697
Overdue 60 days	64	253
Overdue 90 days	4	117
Overdue over 90 days	122	175
	6 897	9 941

	31.12.2009	31.12.2008
Allowance as of January 1	-87	0
Allowances made (see Note 18)	-173	-87
Allowance as of December 31	-260	-87

4. Prepaid expenses	31.12.2009	In thousands of euros	
		31.12.2008	
	63		98
	63		98

As of December 31, 2009 as well as December 31, 2008 the amount of prepaid expenses includes prepayments for software maintenance, prepaid insurance, media/press subscriptions and other similar expenses.

5. Inventories	31.12.2009	In thousands of euros	
		31.12.2008	
	2 827		4 120
	879		1 159
	676		1 142
	5		53
	4 387		6 474

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

	2009	2008
Raw materials	402	214
Work in progress	22	7
Finished goods	67	17
	491	238

The net carrying value of such items for which allowances have been made is 49 (2008: 183) thousand kroons.

Materials, unfinished products and finished products unsuitable for production and resale have been written off in the amount of 134 (2008:93) thousand EUR.

Materials, for which allowances were made in 2008, were taken into use in 2009 in the total value of 47 (2008: 199) thousand EUR. The allowance reversal is reflected in the cost of sales.

As of December 31, 2009, the Group has inventories held by third parties in the amount of 26 (31.12.2008: 32) thousand EUR.

6. Long-term receivables	In thousands of euros	
	31.12.2009	31.12.2008
Loans granted	24	21

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

Purpose	Balance as of 31.12.08	Incl. short-term portion	Incl. long-term portion	Granted in 2009	Repaid in 2009	Balance as of 31.12.09	Incl.		Interest rate (%)
							short-term portion	long-term portion	
Student loans	23	2	21	5	4	25	1	24	0
Others	0	0	0	0	0	0	0	0	0
	23	2	21	6	4	25	1	24	

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.

7. Property, plant and equipment

	In thousands of euros				
	Land and buildings	Machinery and equipment	Other items	Unfinished projects and prepayments	TOTAL
Net book value as of 31.12.2007	4 147	10 073	132	367	14 719
Additions	197	2 301	88	662	3 248
Disposals	0	-9	0	0	-9
Reclassification	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
Additions	0	1 210	0	1 168	2 378
Disposals	0	-10	0	0	-10
Reclassifications	0	662	0	-662	0
Impairment loss	0	-410	0	0	-410
Depreciation charge	-305	-2 864	-34	0	-3 203
Net book value as of 31.12.2009	3 741	8 406	136	1 168	13 451
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
As of 31.12.2009					
Acquisition cost	6 520	36 691	614	1 168	44 993
Accumulated depreciation and impairment losses	-2 779	-28 285	-478	0	-31 542

Due to a downfall in production volumes, impairment of machines and fixtures has been recognised in the amount of 410 thousand EUR, with acquisition cost 1 207 thousand EUR. For non-current assets, no impairment losses were recognised in 2008.

Depreciation charge has been recognised as follows: 3 111 (2008: 3 163) thousand EUR as cost of sales, 0 (2008: 2) thousand EUR as marketing and distribution expenses, 3 (2008: 19) thousand EUR as research and development expenses and 90 (2008: 85) thousand EUR as general administrative expenses (see also Notes 15-18).

As at 31 December 2009, acquisition cost of fully depreciated property, plant and equipment amounted to 17 264 (2008: 14 608) thousand EUR.

As of December 31, 2009, additional investments needed for the completion of unfinished projects (incl. uninstalled equipment) amount to 1 447 (31.12.2008: 165) thousand EUR.

In 2009, the disposal of property, plant and equipment at acquisition cost was 438 (2008: 486) thousand EUR with an accumulated depreciation of 429 (2008: 477) thousand EUR and with a selling price of 12 (2008: 22) thousand EUR.

8. Intangible assets	In thousands of euros		
	Product and technology licences	Software licences	TOTAL
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	18	591
Additions	0	36	36
Amortisation charge	-143	-25	-168
Net book value as of 31.12.2009	430	29	459
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
As of 31.12.2009			
Acquisition cost	1 432	467	1 899
Accumulated amortisation and impairment losses	-1 002	-438	-1 440

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 EUR with a useful life of 10 years and as of 31.12.2009 the remaining useful life of this licence is 3 years.

Amortisation charge has been recognised as follows: 156 (2008: 146) thousand kroons as research and development expenses, 13 (2008: 7) thousand EUR 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	
	2009	2008
Lease payments for the financial year	63	98
Future lease payments of non-cancellable operating leases as of the end of the year:	76	115
Incl. payable within 1 year	39	45
payable after 1 year, but not more than 5 years	37	70

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

	2009	2008
Production rooms	0	18
Office rooms	0	1

	In thousands of euros	
	31.12.2009	31.12.2008
10. Payables and deferred income		
Payables to suppliers	3 421	2 835
Payables to employees	1 082	2 077
Other payables	86	0
Payables to Group companies (see Note 24)	1 129	793
Taxes payable, incl.	341	662
Social taxes	157	493
Personal income tax and income tax from fringe benefits	151	154
Other taxes	33	15
Total payables	6 059	6 367

	In thousands of euros	
	31.12.2009	31.12.2008
11. Deferred income		
Customer advances	14	26
	14	26

12. Short-term provisions

To cover the expenses which occurred from redundancies in 2009, a restructuring provision in the amount of 179 thousand EUR was formed as of 31 December 2008.

In 2009, a restructuring provision in the amount of 825 thousand EUR was created and a total of 1 004 thousand EUR of redundancy remuneration was paid to 283 employees from the previously mentioned reserve, including 179 thousand EUR from a restructuring provision established in 2008. In 2009, 780 thousand EUR has been recognised as cost of sales, 19 thousand EUR as general administrative expenses, 13 thousand EUR as research and development expenses, 13 thousand EUR as marketing and distribution costs.

	In thousands of euros	
	31.12.2009	31.12.2008
13. Share capital		
Share capital par value (10 kroons per share)	8 436	8 436

AS Norma has issued 13.2 million common shares with one vote per share. All shares are fully paid. Dividends paid out for 2008 were 4.2 million kroons or 0.32 kroons per share.

In connection with the notice of the takeover bid published on 01.03.2010 by Autoliv, the management board of AS Norma disclosed on the same day its intention to make a proposal to the supervisory council and the general meeting of shareholders of the company not to pay dividends for the financial year 2009, to keep the net profit undistributed.

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

Shareholders of AS Norma with participation over 5%, as of 31.12.2009:

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

	2009	2008
Earnings per share		
Net profit for the financial year	1 326	8 770
Average number of shares (in thousands)	13 200	13 200
Earnings per share in euros	0,10	0,66

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

14. Segment information

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009), introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.

For management purposes, the group is organised into the following segments, which the management considers in its decision-making processes:

- Safety belts – production and sale of seatbelts;
- Safety systems – sale of airbags and electronic control units of safety systems;
- Other products – engineering, manufacturing and sale of seatbelts' components, tool design and production for component manufacturing.

Segment performance is evaluated based on operating profit (segment results) and is measured consistently with operating profit in the consolidated financial statements.

Unallocated expenses include general administrative expenses and other expenses that arise at the Group level and are related to the Group as a whole. Unallocated assets and liabilities include assets and liabilities used for general Group or head-office purposes or which cannot be allocated directly to the segment.

Product lines

	In thousands of euros									
	Safety belts 2009	Safety systems 2009	Other products 2009	Un-located	Total 2009	Safety belts 2008	Safety systems 2008	Other products 2008	Un-located	Total 2008
Total revenue from segments	33 129	8 719	9 197	0	51 045	56 930	20 202	11 203	0	88 335
Segment expenses	-28 616	-7 384	-7 337	-6 842	-50 179	-45 768	-18 306	-7 041	-9 297	-80 413
Segment results	4 513	1 335	1 860	-6 842	866	11 162	1 895	4 162	-9 297	7 922
Segment assets	14 870	2 356	2 446	46 059	65 731	20 992	3 448	2 304	42 377	69 122
Segment liabilities	3 781	418	969	904	6 073	3 958	1 200	609	804	6 572
Investments in non-current assets	2 046	0	319	49	2 414	2 624	0	253	376	3 253
Depreciation and amortisation	2 108	143	364	757	3 372	2 265	143	264	749	3 421
Impairment loss of non-current assets	209	0	201	0	410	0	0	0	0	0

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 expense 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 (2009: 1 572 thousand EUR; 2008: 2 484 thousand EUR), marketing and distribution expenses (2009: 867 thousand EUR; 2008: 1 539 thousand EUR), research and development expenses (2009: 651 thousand EUR; 2008: 1 038 thousand EUR) and other expenses (2009: 3 752 thousand EUR; 2008: 4 236 thousand EUR) 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 depreciation or amortisation is included in segment expense, the related asset is also included in segment assets. Segment assets do not include assets used for general Group or head-office purposes or which cannot be allocated directly to the segment. Segment assets include operating assets shared by two or more segments if a reasonable basis for allocation exists.

Unallocated segment assets include deposits (2009: 40 663 thousand EUR; 2008: 37 294 thousand EUR), non-current assets (2009: 5 262 thousand EUR; 2008: 4 887 thousand EUR) and other assets (2009: 134 thousand EUR; 2008: 196 thousand EUR). Unallocated depreciation and amortisation (2009: 757 thousand EUR; 2008: 749 thousand EUR) is the depreciation and amortisation of the abovementioned unallocated non-current assets.

Unallocated segment liabilities include payables to employees (2009: 649 thousand EUR; 2008: 572 thousand EUR), tax liabilities (2009: 204 thousand EUR; 2008: 182 thousand EUR) and other liabilities (2009: 51 thousand EUR; 2008: 50 thousand EUR).

Unallocated investments in non-current assets comprises of investment in head-office equipment (2009: 49 thousand EUR; 2008: 376 thousand EUR).

Revenue by geographical markets

	In thousands of euros	
	2009	2008
Domestic market	369	873
Foreign market, incl.	50 676	87 462
Sweden	24 982	32 352
Russia	18 747	47 489
Germany	2 408	2 699
Romania	1 102	1 174
Czech Republic	700	843
Other countries	2 737	2 905
	51 045	88 335

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 193 (2008: 329) thousand EUR are located in the Russian Federation, incl. property, plant and equipment in the amount of 32 (2008:38) thousand EUR.

More than 10% of the Group's revenue is earned from two large clients, Autoliv and AVTOVAZ. In 2009, sales to Autoliv constituted nearly a half of the Group's turnover, while sales to AVTOVAZ were approximately a third of the Group's turnover.

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

	In thousands of euros	
	2009	2008
15. Cost of sales		
Raw materials	-33 367	-55 319
Personnel expenses (see Note 23)	-7 661	-12 078
Depreciation and amortisation (see Notes 7, 8)	-3 123	-3 170
Utilities	-1 071	-1 229
Repairs and maintenance	-80	-441
Transportation	-980	-1 587
Other services	-262	-660
Others	-435	-1 069
	-46 979	-75 553

		In thousands of euros	
16. Marketing and distribution expenses	2009	2008	
Personnel expenses (see Note 23)	-293	-275	
Depreciation (see Note 7)	0	-2	
Transportation	-345	-1 076	
Agent fees	-97	-86	
Advertising	-7	-6	
Business travelling	-28	-28	
Other services	-6	-6	
Others	-91	-60	
	-867	-1 539	

		In thousands of euros	
17. Research and development expenses	2009	2008	
Personnel expenses (see Note 23)	-340	-467	
Expenses related to VAZ projects	-19	-102	
Expenses related to testing and research	-40	-180	
Depreciation and amortisation (see Notes 7, 8)	-159	-165	
Business travelling	-10	-19	
Other services	-1	-3	
Others	-82	-102	
	-651	-1 038	

		In thousands of euros	
18. General administrative expenses	2009	2008	
Personnel expenses (see Note 23)	-788	-1 261	
Depreciation and amortisation (see Note 7)	-90	-85	
Repairs and maintenance	-11	-15	
Advertising, promotions	-43	-65	
Business travelling	-16	-28	
Telephone and office supplies	-28	-38	
Other purchased services	-124	-572	
Bad debt related expenses ¹	-228	-87	
Others	-244	-333	
	-1 572	-2 484	

¹ in 2009, the amount of bad debt related expenses consists of the allowance for doubtful receivables in the amount of 172 (2008: 87) thousand EUR and the uncollectible receivable directly written off from the balance sheet is 56 (2008: 0) thousand EUR (see Note 3).

		In thousands of euros	
19. Other operating income	2009	2008	
Revenue not related to main production activities	179	244	
Gain from disposals of property, plant and equipment	2	12	
Foreign exchange gain	125	128	
Others	28	30	
	334	414	

		In thousands of euros	
20. Other operating expenses	2009	2008	
Membership fees of unions, other associations	-7	-8	
Sponsorship	-26	-26	
Expenses not related to main production activities	-1	0	
Provision (see Note 12)	0	-179	
Impairment loss of non-current assets (see Note 7)	-410	0	
	-444	-213	

			In thousands of euros	
21. Financial items				
Financial income		2009	2008	
Change in fair value of interest fund shares of Hansapank		0	19	
Interest income from deposits		1 594	1 963	
Other items		1	0	
		1 595	1 982	
Financial expenses		2009	2008	
Foreign exchange loss		-14	-13	
		-14	-13	

			In thousands of euros	
22. Income tax expense		2009	2008	
Income tax on dividends		-1 121	-1 121	
Total expense		-1 121	-1 121	

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, 2009 the Russian subsidiary has tax losses carried forward in the amount of 55 (2008: 58) thousand EUR, 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, 2009 were 50 378 (31.12.2008: 53 270) thousand EUR. The maximum possible income tax liability, which would become payable if retained earnings were fully distributed is 10 579 (31.12.2008: 11 187) thousand EUR, thus retained earnings in the amount of 39 799 (31.12.2008: 42 083) thousand EUR 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 2010 and on the assumption that distributable dividends and the related income tax together cannot exceed the amount of retained earnings as of 31.12.2009 and 31.12.2008, respectively.

In connection with the notice of the takeover bid published on 01.03.2010 by Autoliv, the management board of AS Norma disclosed on the same day its intention to make a proposal to the supervisory council and the general meeting of shareholders of the company not to pay dividends for the economic year 2009, to keep the net profit undistributed.

			In thousands of euros	
23. Personnel expenses		2009	2008	
Wages and salaries		-6 786	-10 827	
Social tax expenses		-2 242	-3 226	
Unemployment insurance expenses		-54	-28	
		-9 082	-14 081	

			In thousands of euros	
24. Transactions with related parties		2009	2008	
Purchases from companies of Autoliv Group, incl.		14 143	26 307	
purchases of goods		13 898	25 695	
receiving of services		215	573	
receiving of services from the parent company Autoliv AB		30	39	
Transfer of research and development		0	410	
Sales to companies of Autoliv Group, incl.		28 958	36 151	

sales of goods	28 361	35 316
rendering of services	597	835
Purchase from Law-office Tark & Co	16	53
	31.12.2009	31.12.2008
Receivables from companies of Autoliv Group (see Note 3), incl.	2 778	3 027
Payables to companies of Autoliv Group (see Note 10), incl.	1 129	793
Autoliv AB	0	2
Short-term deposits in treasury of Autoliv Group (see Notes 1, 2)	6 706	11 370
Payables to Law-office Tark & Co	1	0

In 2009, the Group deposited its money in the treasury of Autoliv AB in the amounts of 9 206 (2008: 35 000) thousand euros and 0 (2008: 23 000) thousand kroons. Interest income received from these deposits in 2009 was 259 (2008: 1 157) thousand EUR, 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 total remuneration of the members Management Board for their activities in the financial year 2009 amounted to 494 (2008: 828) thousand EUR and the Supervisory Board totalling 48 (2008: 48) thousand EUR. 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), depending on the conditions of the termination. The maximum amount of such termination benefits is 304 thousand EUR.

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 2009, 99.3% (2008: 99.0%) 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 (2009: -67.2; 2008: 10.1 thousand EUR) 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

	31.12.2009					
Financial assets	EEK	EUR	SEK	USD	RUB	Total
Cash	490	1	49	0	2 001	-
Short- and long-term investments	83 218	34 934	0	0	0	-
Short- and long-term receivables	2 016	6 845	36	0	2 506	-
	85 724	41 780	85	0	4 507	-
Financial liabilities	48 236	2 575	4 034	3	254	-
Net positions, in original currency	37 488	39 205	-3 949	-3	4 253	-
Net positions, in thousands of EUR	2 396	39 205	-384	-2	97	41 312
Reasonably possible change in exchange rates (+),%*	-	-	-16%	-21%	20%	-
Reasonably possible change in exchange rates (-),%*	-	-	16%	21%	-20%	-
Effect on P&L, thousands of EUR	-	-	63	0	19	83
Effect on P&L, thousands of EUR	-	-	-63	0	-19	-83

* - the actual fluctuation of the exchange rates in 2009 is considered the best estimate for possible fluctuations in 2010

Original currency in thousands

	31.12.2008					
Financial assets	EEK	EUR	SEK	USD	RUB	Total
Cash	3 213	1 673	329	0	228	-
Short- and long-term investments	78 000	29 824	0	0	0	-
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

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 at 31 December 2009 amount to 3 546 (31.12.2008: 6 506) thousand EUR. In January 2010, 2 417 thousand EUR came in from this amount. As of the end of the accounting period, the overdue invoices of the Russian and Ukrainian customers amounted to 130 thousand EUR, of that 115 thousand EUR were outstanding invoices over 90 days. Allowance for these receivables amounts to 260 (31.12.2008: 87) thousand EUR 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, 2009, 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 EUR), mandatory reserve (844 thousand EUR), and retained earnings (31.12.2009: 50 378 thousand EUR; 31.12.2008: 53 270 thousand EUR). 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 cyclicality, 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

On 1 March 2010, Norma's majority shareholder Autoliv announced that its fully owned subsidiary, AS Automotive Holding will make a takeover bid to AS Norma's minority shareholders for all the shares of AS Norma ("Norma") that it does not already own for the price of 5.90 EUR per share. The offer is conditioned upon Autoliv Group reaching at least 90 percent ownership of all shares in Norma.

Autoliv owns 6 732 000 shares of Norma, representing 51% of all shares of Norma and of votes represented by such shares.

The time period for accepting the offer commenced on 17 March 2010 and ends on 14 April 2010.

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).

Statement of Financial Position of AS Norma (the Parent)

Assets	31.12.2009	In thousands of euros 31.12.2008
Current assets		
Cash in hand and deposits	5 253	1 908
Financial assets	35 364	35 380
Receivables	6 880	10 092
Prepaid expenses	46	85
Inventories	4 362	6 449
Total current assets	51 905	53 914
Non-current assets		
Long-term investments	2	2
Long-term receivables	24	21
Property, plant and equipment	13 419	14 657
Intangible assets	459	591
Total non-current assets	13 904	15 271
Total assets	65 809	69 185
Liabilities and equity		
Liabilities		
Current liabilities		
Payables	6 053	6 412
Deferred income	14	26
Provision	0	179
Total current liabilities	6 067	6 617
Total liabilities	6 067	6 617
Equity		
Share capital (par value)	8 436	8 436
Statutory reserve	844	844
Retained earnings	50 462	53 288
Total equity	59 742	62 568
Total liabilities and equity	65 809	69 185

Income statement of AS Norma (the Parent)

	In thousands of euros	
	2009	2008
Revenue	50 976	88 106
Cost of sales	-46 982	-75 481
Gross profit	3 994	12 625
Marketing and distribution costs	-934	-1 558
Research and development expenses	-651	-1 038
General administrative expenses	-1 447	2 331
Other operating income	423	402
Other operating expenses	-453	-213
Operating profit	932	7 887
Financial income	1 595	1 982
Financial expenses	-14	-13
Profit before taxes	2 513	9 856
Income tax expense	-1 121	-1 121
Net profit	1 392	8 735

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

	Share capital (par value)	Statutory Reserve	In thousands of euros	
			Retained earnings	Total equity
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
31.12.2008	8 436	844	53 288	62 568
Dividends	-	-	-4 218	-4 218
Net profit for the financial year	-	-	1 392	1 392
31.12.2009	8 436	844	50 462	59 742

Pursuant to the Commercial Code the statutory reserve amounts to 10% of the share capital. The statutory reserve can be used for covering losses 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:

	2009	2008
Parent company's unconsolidated owner's equity	59 742	62 568
Net book value of subsidiary in the parent company's unconsolidated balance sheet (-)	-2	-2
Value of subsidiary, calculated based on the equity method (+)	-82	-16
Total	59 658	62 550

For identification purposes only

ERNST & YOUNG
02.02.2010

Cash flow statement of AS Norma (the Parent)

	In thousands of euros	
	2009	2008
Cash flows from operating activities		
Net profit	1 392	8 735
Income from interest	-1 595	-1 982
Net unrealised exchange gain	-25	-18
Income tax expense	1 121	1 121
Gain from disposals of property, plant and equipment	-2	-12
Depreciation and amortisation	3 366	3 412
Impairment loss of property, plant and equipment	410	0
Decrease in assets related to operating activities	5 336	1 022
Decrease in liabilities	-510	-2 902
Total cash flows from operating activities	9 493	9 376
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	12	22
Acquisition of property, plant and equipment	-2 414	-3 250
Loans granted	-6	-4
Loan repayments received	3	9
Acquisition of financial assets	-61 909	-68 434
Proceeds from disposals of financial assets	61 681	62 348
Interest received	1 838	1 681
Total cash flows from investing activities:	-795	-7 628
Cash flows from financing activities		
Payment of income tax on dividends	-1 121	-1 121
Dividends paid	-4 218	-4 218
Total cash flows from financing activities:	-5 339	-5 339
Net cash flows	3 359	-3 591
Changes in cash and cash equivalents		
Balance at the beginning of the year	1 908	5 512
Increase/decrease of cash and cash equivalents	3 359	-3 591
Foreign exchange effect	-14	-13
Cash and cash equivalents at the end of the year, incl.:	5 253	1 908
<i>Cash in hand and deposits with maturity up to 3 months</i>	<i>5 253</i>	<i>1 908</i>

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 statement of financial position as at 31 December 2009, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements, which we have identified on the accompanying pages, are enclosed with the current report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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


Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Norma as at 31 December 2009, 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 European Union.

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 a whole.

Tallinn, 22 March 2010



Ivar Kiigemägi
Ernst & Young Baltic AS



Märk-Martin Arengu
Authorised Auditor

PROFIT ALLOCATION REPORT

Net consolidated profit of AS Norma for 2009 amounts to 20 753 015 EEK (1 326 359 EUR).

The Management proposal, which is agreed with the Supervisory Council, is to transfer 2009 profit to retained earnings.

In connection with the notice of the takeover bid published on 1 March 2010 by Autoliv, the management board of AS Norma disclosed on the same day its intention to make a proposal to the supervisory council and the general meeting of shareholders of the company not to pay dividends for the economic year 2009, to keep the net profit undistributed.

SIGNATURES OF MEMBERS OF MANAGEMENT BOARD AND SUPERVISORY BOARD ON ANNUAL REPORT 2009

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 2009 of consolidated group of AS Norma:




Halvar Jonzon
Chairman of Supervisory Board



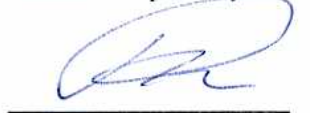
Lars Sjöbring
Member of Supervisory Board




Günter Brenner
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



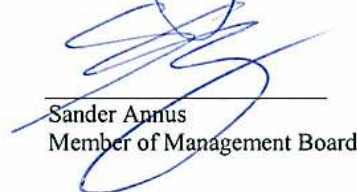
Ivar Aas
Member of Management Board



Peeter Tõniste
Member of Management Board



Ülle Jõgi
Member of Management Board



Sander Annus
Member of Management Board

March 24, 2010

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 2009 (the Group)	Sales 2009 (the Parent)	Sales 2008 (the Group)	Sales 2008 (the Parent)
29.32	2932	798 686	797 594	1 382 140	1 378 560
	29321	798 686	797 594	1 382 140	1 378 560