

# **PROFITS INTO PROGRESS**

ANNUAL REPORT 2016



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This publication is printed on Multiart Silk (FSC certified paper).

Additional information about TOMRA's organization is available at [www.tomra.com](http://www.tomra.com).

Print: Vestfjorden | Design: TOMRA | Photos: TOMRA

Tomra Systems ASA, Drengsrudhagen 2, 1372 Asker, Norway. Telephone: +47 66 79 91 00



## KEY FIGURES

|                                           |             | 2016<br>Continuing<br>operations | 2015<br>Continuing<br>operations | 2014<br>Continuing<br>operations | 2013<br>Continuing<br>operations | 2013   | 2012   |
|-------------------------------------------|-------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--------|--------|
| Operating revenues                        | NOK million | 6,610                            | 6,143                            | 4,749                            | 4,421                            | 4,602  | 4,073  |
| EBITA                                     | NOK million | 1,119                            | 1,015                            | 737                              | 701                              | 706    | 739    |
| Profit before other items                 | NOK million | 988                              | 891                              | 628                              | 597                              | 601    | 662    |
| Ordinary profit before taxes              | NOK million | 1,008                            | 866                              | 603                              | 557                              | 561    | 630    |
| Net profit                                | NOK million | 738                              | 648                              | 394                              | 412                              | 412    | 478    |
| Total assets                              | NOK million | 7,115                            | 7,317                            | 6,625                            | 5,623                            | 5,623  | 5,159  |
| Equity                                    | NOK million | 4,192                            | 3,945                            | 3,244                            | 2,741                            | 2,741  | 2,283  |
| Return on equity, excl. other items       | %           | 17.3                             | 16.9                             | 14.1                             | 15.3                             | 15.4   | 19.9   |
| Return on total assets, excl. other items | %           | 14.6                             | 13.0                             | 10.6                             | 11.4                             | 11.4   | 14.8   |
| Earnings per share                        | NOK         | 4.76                             | 4.11                             | 2.85                             | 2.59                             | 2.62   | 2.98   |
| Earnings per share fully diluted          | NOK         | 4.76                             | 4.11                             | 2.85                             | 2.59                             | 2.62   | 2.98   |
| Net cash flow from operating activities   | NOK million | 1,095                            | 914                              | 696                              | 567                              | 567    | 550    |
| Number of employees as of 31 December     |             | 2,770                            | 2,622                            | 2,448                            | 2,406                            | 2,520  | 2,470  |
| Female employees                          | %           | 18                               | 16                               | 18                               | 18                               | 18     | 17     |
| Female managers (of all managers)         | %           | 22                               | 20                               | 18                               | 16                               | 16     | 17     |
| Number of reportable injuries             |             | 104                              | 95                               | 74                               | 107                              | 116    | 81     |
| Carbon dioxide emissions                  | Metric tons | 24,900                           | 26,800                           | 24,300                           | 25,700                           | 25,800 | 27,700 |


 CEO  
REVIEW

## PROFITS INTO PROGRESS

**TOMRA's principal goal, beyond delivering strong value to our shareholders, is to be a source of trusted technology and partnership for the promotion of better business and a better environment.**

In pursuing this goal our strategy is to create world-class sensor-based solutions for optimal resource productivity, which in turn underpins our ambition to contribute to a more sustainable world. We note that many political leaders are increasingly converging toward the drive for circular economy solutions, a new plastics economy, the reduction of food waste and more environmentally friendly societies. These developments fit perfectly with our strategy and business model surrounding our collection and sorting solutions for the food, recycling and mining industries.

Looking back over the year, I can say that 2016 was another progressive and successful year for TOMRA. At the outset of the year we knew it would be a real challenge to outperform the hugely successful results we achieved in 2015, including 29% organic topline growth and a 38% increase in EBITA. During the year the political upheavals in the UK and the US also added some uncertainty, as did certain economic factors such as oil prices remaining much lower than in recent history, putting pressure on the recycling market.

Despite these factors, I am very pleased to report that 2016 ended better than expected in all key financial parameters. We delivered all-time-high revenues of NOK 6,610 million, EBITA of NOK 1,119 million, cash flow from operations of NOK 1,015 million and eight percent growth in order intake within TOMRA Sorting Solutions.

### **COLLECTION SOLUTIONS HIGHLIGHTS**

TOMRA maintained its strong position in all its established markets, and performed particularly well in Germany and

Sweden where we successfully captured cyclical opportunities for replacing old machines.

We made a number of advances in product development, including our new product segment Bulk Collection, the expansion of the TOMRA ReAct consumer engagement platform, and integrating our industry-leading TOMRA Flow Technology further across our reverse vending machine portfolio. A new deposit market came to life in Lithuania in February 2016, and after intense team efforts to install some 1,000 RVM solutions in a few months, we created a robust system and experienced excellent results.

Much work was also accomplished in advancing our presence in Asian markets, and preparing for our entry into New South Wales, Australia, which is set to become a new deposit market in 2017.

### **SORTING SOLUTIONS HIGHLIGHTS**

In the Recycling business, we launched the new X-TRACT (which received the German Design Award Special 2017), and our new laser-induced breakdown spectroscopy (LIBS) technology, which enables greater utilization of scrap- and secondary aluminum. We also received an innovation award for the AUTOSORT FLAKE solution, landed the largest contract from a single customer (21 AUTOSORT machines), and launched our first thought leadership conference on current and future waste management issues, which was attended by industry professionals from around the world.

In the Mining business, more and more

diamond mining companies are now utilizing the TOMRA X-ray transmission (XRT) sorting technology. The result: Out of the 20 largest known stones recovered since 2010, nine of these have been sorted out by TOMRA equipment (45%). If measured just from 2015 onwards our equipment recovered nine out of 14 of the largest gemstones (64%). Successful installations were achieved in some extremely challenging environments, ranging from subarctic zones to deserts and high altitudes (up to 5,000m) and the testing was completed on the prototype sorting solution for the intelligent deep mine of the future (as part of the I2Mine Project).

The Food business instituted a new naming convention for its product line. In conjunction with this, two brand new products, TOMRA 5A and 5B sorters, were launched for advanced sorting of processed potato products and vegetables. TOMRA Sorting Food also successfully installed and further developed its Biometric Signature Identification (BSI) technology in different sorting solutions. This technology has been successfully deployed on over 100 TOMRA systems throughout the food processing industry.

Bolstering our service offering was another focus area for the Food business, and our efforts helped the after-sales service operations grow to new heights during the year. This business area now accounts for 24% of Food Sorting revenues.

We also completed a major addition to the Food business with the acquisition of Compac, a leading lane sorter based in Auckland, New Zealand (transfer date 31 January 2017). With this acquisition,

we have positioned TOMRA as the undisputed number one in the food sorting business and are now able to serve the growing food processing and packaging business with the widest range of technologies and the broadest geographical footprint.

#### **ORGANIZATIONAL DEVELOPMENT**

To operate more efficiently in an increasingly diverse and geographically distributed TOMRA and have high productivity levels from our most important resource, our employees, we placed an emphasis on nurturing our unique company culture at TOMRA. We need to create employee unity and understanding for improved business and sustainability, and therefore invested significant efforts in training, communicating and unifying our approximate 2,800 employees worldwide. Our aim is to provide an exciting, fulfilling, safe and meaningful workplace with room for development that makes all employees positive contributors to our vision of "Leading the Resource Revolution."

Our aim is to be a growing, profitable and leading company, for better business and a better environment. We are, since 2009, proud members of the UN Global Compact and the 2016 Annual Report contains our seventh consecutive Communication on Progress to the UN Global Compact, reviewing the activities we are focused on as part of our Corporate Responsibility Program. Details of our new CR program, which is linked to four of the UN Sustainable Development Goals (SDGs), can be found in the Corporate Responsibility section.

#### **PRIORITIES FOR 2017**

Going forward, we intend to continue bringing innovative sensor-based solutions for optimal resource productivity to the market. We will continue to focus our resources around the core elements of our business in collection and sorting solutions and strive to expand our leading position. We will launch projects to generate greater value for our customers by capitalizing on all data we collect and process from our solutions. We will also continue our efforts to expand our business into emerging markets, and will work closely with the Compac management team to deliver continuous growth and improved profitability of the Compac business.

We recognize that the more business solutions we develop and execute upon, the more new business opportunities will open up. We therefore need to remain resourceful and focused on our strategy, developing the core business, in order to continue delivering improved shareholder value, profitable growth, outstanding customer satisfaction and a great place to work for our employees.

*S. Ranstrand*



Stefan Ranstrand  
President and CEO TOMRA Systems ASA



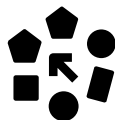
**This year marks the 45th anniversary of TOMRA's founding on April 1, 1972. From its humble beginnings in a small shed in Asker, Norway, TOMRA has progressed from its pioneering role in reverse vending to a company today offering a diverse range of solutions that are helping to lead a cross-industry revolution toward resource sustainability.**

## **TOMRA COLLECTION SOLUTIONS**



### **Reverse Vending**

Automated systems for handling the return of empty beverage containers for reuse or recycling.



### **Material Recovery**

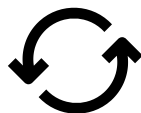
In North America TOMRA provides logistics management and processing of the materials collected through its reverse vending systems.

## **TOMRA SORTING SOLUTIONS**



### **Food**

TOMRA's food sorting and peeling solutions are utilized to boost food processing capacity, quality, safety, yield and profit.



### **Recycling**

Our Recycling business stream provides sensor-based solutions for effective recovery and sorting of valuable secondary resources within the waste and metal recycling industries.



### **Mining**

TOMRA's sensor-based technology is being used by the mining industry to achieve more efficient recovery of minerals and ores, helping to extend the life of mining operations and increase the overall value of the deposit.



## BUSINESS OVERVIEW

### LEADING THE RESOURCE REVOLUTION

For TOMRA leading the resource revolution is about creating partnerships for transforming how we obtain, use and reuse resources for sustainable economic growth and improved quality of life for all.



**36 billion used beverage containers** are captured by our reverse vending machines every year.

The avoided greenhouse gas emissions equal the annual emissions of 2 million cars - each driving 10,000 kilometers.



**Our metal recycling solutions** recover 715,000 tons of metal every year.

That's the equivalent of 4,035 Boeing 747 airplanes.



**The mining industry** consumes 2%-3% of the world's energy. Our sensor-based sorters can reduce that consumption by 15%.

A 15% reduction in the mining industry's energy use is equivalent to turning off 52.8 billion CFL lightbulbs.



**Our food sorting solutions** inspect millions of individual produce pieces per hour, helping to divert 5-10% of this material from going to waste.

That's approximately 25,000 trucks per year in potatoes alone.



**TOMRA  
GROUP  
MANAGEMENT**



### **STEFAN RANSTRAND (B. 1960)**

President and CEO TOMRA Group

M.Sc. Industrial and Management Engineering, Linköping (Sweden) and Darmstadt (Germany)

Career history: August 2009: Joined TOMRA as President & CEO; 1991–2009: ABB Ltd.; various management positions; 1988–1991: Data General AG, Sales Executive Industrial Markets; 1985–1988: Ikea Lager und Service AG

Number of TOMRA shares held: 97,698



### **HEINER BEVERS (B. 1960)**

Senior VP and Head of North America Collection Solutions

MBA, Westfälische Wilhelms-Universität, Münster

Career history: 2001: Joined TOMRA as General Manager, Tomra Systems GmbH (Tomra Germany), 1999–2001: General Manager, Consumer Division Werner & Mertz Group, 1986–1999: Marketing & Sales, Procter & Gamble

Number of TOMRA shares held: 46,553



### **FRANK HÖHLER (B. 1972)**

Senior VP and Head of Central & Eastern Europe Collection Solutions

MBA, University of Bayreuth, Germany

Career history: Joined TOMRA in 2015 as VP Sales Central & Eastern Europe; 2009–2015: SABMiller Brands Europe, Country Director Germany; 2006–2009: SABMiller Brands Europe, Sales Director Germany; 2002–2006: L'Oréal Germany, Key Account Director; 2001–2002: L'Oréal Germany, Logistics Manager; 1998–2001: Havi Logistics/Alpha Management, Assistant to the CEO

Number of TOMRA shares held: 0



### **ASHLEY HUNTER (B. 1959)**

Senior VP and Head of TOMRA Sorting Solutions, Food

B.Sc. Engineering, Trinity College, Dublin

Career History: 2013: Senior VP and Head of TOMRA Sorting Solutions, Food; 2010: Became Head of TOMRA Food – Americas & Oceania following TOMRA's acquisition of Odenberg; 1997–2010: President, Odenberg Inc.; 1994–97: Engineering Manager – US, Odenberg Inc.; 1987–94: Technical Director, Lister Machine Tools Ltd.; 1983–87: Industrial Engineering Manager, Hyster Automated Handling

Number of TOMRA shares held: 15,592



### ESPEN GUNDERSEN (B. 1964)

Deputy CEO and CFO TOMRA Group

MBA, Norwegian School of Management, Oslo

CPA, Norwegian School of Economics and Business Administration, Bergen

Career history: 1999: Joined TOMRA; 1995–1999: Selmer ASA, VP Business development; 1989–1995: Arthur Andersen

Number of TOMRA shares held: 45,155



### HARALD HENRIKSEN (B. 1963)

Executive VP and Head of Business Area Collection Solutions

B.Sc. Electronics, University of Salford, Manchester

Career history: 2004: Joined TOMRA in 2004 as Senior VP Technology; 2000–2004: VP Business Unit Tactical Radio, Kongsberg Defence and Communications AS; 1997–2000: VP Product Management, VP R&D, Kongsberg Ericsson Communications ANS; 1990–1997: Technical management and project management, NFT-Ericsson ANS

Number of TOMRA shares held: 41,851



### VOLKER REHRMANN (B. 1961)

Executive VP and Head of Business Area TOMRA Sorting Solutions

PhD in Computer Science, University of Koblenz, Master in Computer Science, University of Paderborn

Career history: 2013: TOMRA Group Chief Technology Officer; 2002: Joined TITECH through acquisition of Real Vision Systems; 1998–2002: Founder and Managing Director of Real Vision Systems GmbH; 1994–1998: Assistant Professor for Computer Vision at University of Koblenz

Number of TOMRA shares held: 13,498



### MIKE RILEY (B. 1964)

CEO Compac

Bachelor of Science Honours Degree in Electronic Engineering, University of Southampton, UK. Fellow of the London College of Music

Career history: 2015: CEO, Compac; 2006: CEO, Endace, a global player in network monitoring, listed on the London Stock Exchange; 2000: Chief Marketing Officer, Network Engines

Number of TOMRA shares held: 0



### FREDRIK NORDH (B. 1974)

Senior VP and Head of Nordic Collection Solutions

M.Sc. Business and Economics, University of Uppsala

Career history: 2003: Joined TOMRA as Finance Manager Tomra Systems AB (Tomra Sweden); 2001–2003: Business Controller, LG Electronics; 1999–2001: Business Controller and Supply Chain Manager, S.C. Johnson; 1998–1999: Accounting Manager, S.C. Johnson

Number of TOMRA shares held: 24,538



### TOM ENG (B. 1965)

Senior VP and Head of TOMRA Sorting Solutions Recycling

Master of Arts in European Business, Fribourg, Switzerland

Career history: 2012: Head of TOMRA Sorting Solutions Recycling; 1998 – 2012: Marketing Manager, Sales and Marketing Manager, Sales Director Titech AS; 1995–1998: Product and Export Manager, Noral AS, Norway; 1993–1995: Marketing Manager, Noral SA, France; 1991–1992: Marketing Assistant, Cub Cadet, USA; 1983–1984: Trainee, First Wisconsin National Bank of Milwaukee, USA

Number of TOMRA shares held: 3,715



## CORPORATE RESPONSIBILITY

Global challenges such as climate change and a growing population also create opportunities for innovative companies that can respond to the challenge and provide innovative solutions. TOMRA strives to be part of the solution to the challenges of today and tomorrow by providing solutions for increased resource productivity.

The move towards a circular economy is of particular interest to TOMRA as many of its solutions enable the reuse of materials at a high utility level due to TOMRA's advanced recognition and sorting technologies.

The launch of the UN Global Goals for Sustainable Development (UN SDGs) at the end of 2015 provided an interesting background to the update of TOMRA's Corporate Responsibility Program. As communicated in last year's report, the first phase of the development process was completed in Q1 2016 and the framework for the 2016–2020 Corporate Responsibility program was presented to the Board of Directors at the April board meeting. The approved framework is shown on page 11.

During the first development phase, workshops and interviews were held with a variety of stakeholders to determine which areas were the most material for them.

The results highlighted two important

areas that TOMRA should focus on to support its vision of leading the resource revolution:

- the total impact of its products and services
- the contribution of its people

At the same time, the UN Sustainable Development Goals were reviewed to identify where TOMRA could make a meaningful contribution. Four goals were selected as being the most relevant for TOMRA. Goal 8 – Decent Work and Economic Growth, fits with TOMRA's focus on people, which includes its employees as well as people in its supply chain. The other three goals (SDG 9, 11 & 12) can all be linked to TOMRA's products and services.

The second phase identified and prioritized actions that support each of the four objectives. TOMRA is now in the middle of the third phase, which involves setting specific annual targets for each action and delegating responsibility throughout the company. The targets will be shared on TOMRA's website once they have been reviewed by Group Management and TOMRA's Corporate Responsibility Committee and the progress will be shown in the 2017 Annual Report.

At TOMRA, it is the role of the Board of Directors to ensure that the Group's corporate governance, environmental,

social and ethical practices are sufficient. The Corporate Responsibility Committee assists the Board by monitoring and reviewing TOMRA's practices and policies in this area.

As a member of the UN Global Compact, TOMRA aims to consistently support doing business responsibly and implement the principles of the UN Global Compact. The following pages form part of TOMRA's annual Communication on Progress.



## TOMRA'S CR PROGRAM 2016-2020



### Decent work and economic growth - SDG 8

TOMRA will promote sustained, inclusive and sustainable economic growth and decent work for all.



### Industry, innovation and infrastructure - SDG 9

TOMRA will contribute to building infrastructure by supporting sustainable use of natural resources and fostering sustainable innovation in the industry.



### Sustainable cities and communities - SDG 11

TOMRA will contribute to making cities and communities more sustainable by delivering sorting and recycling solutions that ensure safe waste handling.



### Responsible consumption and production SDG - 12

TOMRA will contribute to ensure sustainable consumption and production patterns.



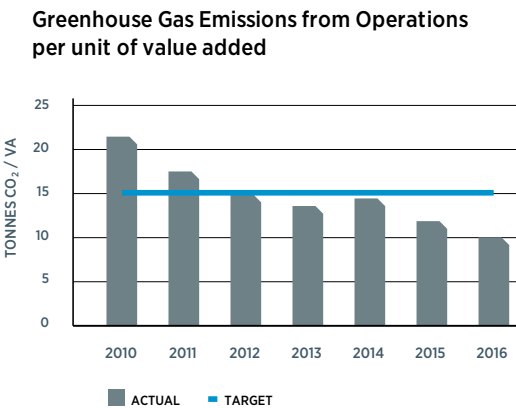
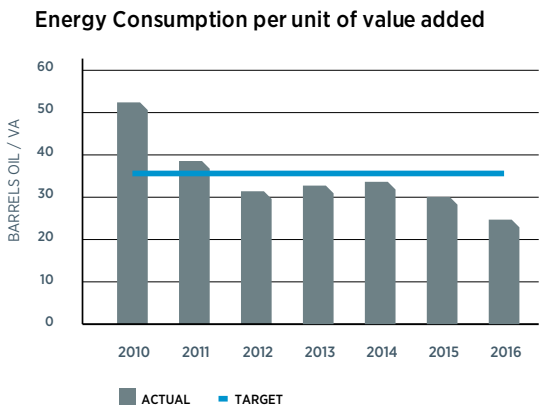
ENVIRONMENTAL  
REVIEW

TOMRA's mission is to create sensor-based solutions for optimal resource productivity so that its products and services contribute to better use of the world's limited resources.

Business models that promote sustainable production and consumption are part of the move towards a circular economy, and TOMRA believes that it can make a meaningful contribution to this movement over time. It should be noted that three of the UN Sustainable Goals that TOMRA has chosen to focus on (SDG 9, 11 and 12) are closely linked to the development of a circular economy.

TOMRA reports environmental data from its head office in Norway and all majority-owned subsidiaries. Energy consumption and carbon emissions are primarily driven by TOMRA's vehicle fleet, which consists of trucks in the Material Recovery segment and vans for the service teams. TOMRA has implemented several initiatives in recent years to address fuel consumption. TOMRA also reports avoided emissions to illustrate the positive environmental impact that TOMRA's products contribute to, and TOMRA intends to focus more on this positive contribution going forward as part of its involvement in the circular economy.

TOMRA's environmental performance in 2016 was mixed. Above average temperatures in the US led to an increase in emissions from electricity, while fuel consumption decreased due to ongoing initiatives. However, eco-intensity (a measure of emissions relative to activity), remained below target.







ENVIRONMENTAL  
REVIEW  
2016

## 1. CLIMATE CHANGE ACCOUNT

### CARBON DIOXIDE EMISSIONS FROM OPERATIONS

| TONNES CARBON DIOXIDE                                     | 2016          | 2015(a)       |
|-----------------------------------------------------------|---------------|---------------|
| <b>Emission from stationary sources (Scope 1)</b>         | <b>1 400</b>  | <b>1 900</b>  |
| Heating oil                                               | 0             | 0             |
| Natural gas                                               | 1 100         | 1 300         |
| Propane                                                   | 300           | 600           |
| <b>Emission from purchased grid electricity (Scope 2)</b> | <b>6 300</b>  | <b>3 400</b>  |
| Norway                                                    | 0             | 0             |
| Europe EU25                                               | 1 000         | 800           |
| North America                                             | 5 000         | 2 400         |
| Rest of World                                             | 300           | 200           |
| Certified low-carbon or renewable                         | 0             | 0             |
| <b>Emission from transportation</b>                       | <b>17 200</b> | <b>21 500</b> |
| Petrol vehicles (Scope 1)                                 | 3 900         | 3 400         |
| Diesel vehicles (Scope 1)                                 | 9 400         | 14 600        |
| LPG vehicles (Scope 1)                                    | 1 700         | 1 700         |
| Employee-owned vehicles (Scope 3)                         | 100           | 100           |
| Air travel (Scope 3)                                      | 2 100         | 1 700         |
| <b>Total direct emissions (tonnes CO<sub>2</sub>)</b>     | <b>24 900</b> | <b>26 800</b> |
| <b>Emission from products during use-phase (Scope 3)</b>  | <b>65 700</b> | <b>63 300</b> |
| RVMs owned and operated by TOMRA and customers            | 60 000        | 58 000        |
| Scanners owned by customers                               | 5 700         | 5 300         |
| <b>Total direct and indirect emissions</b>                | <b>91 000</b> | <b>90 000</b> |

### AVOIDED CARBON DIOXIDE EMISSIONS THROUGH PRODUCT USE

| TONNES CARBON DIOXIDE                                          | 2016                | 2015                |
|----------------------------------------------------------------|---------------------|---------------------|
| <b>Beverage container collection through RVMs and ARCs (1)</b> | <b>2 822 000</b>    | <b>2 773 000</b>    |
| Plastic bottles                                                | 771 000             | 758 000             |
| Glass bottles                                                  | 526 000             | 517 000             |
| Aluminium cans                                                 | 1 490 000           | 1 464 000           |
| Steel cans                                                     | 35 000              | 34 000              |
| <b>Packaging material transport and handling (2)</b>           | <b>806 000</b>      | <b>848 000</b>      |
| Glass bottles                                                  | 57 000              | 64 000              |
| Aluminium cans                                                 | 641 000             | 655 000             |
| Plastic bottles, PET                                           | 103 000             | 124 000             |
| Plastic bottles, HDPE                                          | 1 000               | 1 000               |
| Cardboard and fiber                                            | 4 000               | 4 000               |
| <b>Material sorted for recycling from mixed sources (3)</b>    | <b>23 543 000</b>   | <b>22 423 000</b>   |
| Glass                                                          | 106 000             | 101 000             |
| Aluminium                                                      | 4 756 000           | 4 529 000           |
| PET                                                            | 2 879 000           | 2 742 000           |
| HDPE                                                           | 504 000             | 480 000             |
| Fiber                                                          | 289 000             | 276 000             |
| Non-ferrous metal                                              | 12 913 000          | 12 298 000          |
| Other                                                          | 2 096 000           | 1 997 000           |
| <b>Total emission avoidance</b>                                | <b>27 170 000</b>   | <b>26 040 000</b>   |
| <b>Net carbon dioxide emission/(avoidance)</b>                 | <b>(27 100 000)</b> | <b>(26 000 000)</b> |

## NOTES

(a) Some 2015 data has been changed for revised input from USA.

Emissions have been calculated using the GHGProtocol calculation tools ([www.ghgprotocol.org](http://www.ghgprotocol.org)), and 'Waste Management Options and Climate Change' ([ec.europa.eu/environment/waste/studies/pdf/climate\\_change.pdf](http://ec.europa.eu/environment/waste/studies/pdf/climate_change.pdf)).

1. Beverage container collection through RVMs,

TOMRA Collection (Reverse Vending)

Calculated carbon dioxide savings based on the total number of beverage containers collected through TOMRA's over 75,000 RVM installations; more than 36 billion units annually. All glass beverage containers are assumed to be non-refillable, giving significantly lower assumed weight. Split between packaging types is based on beverage consumption data and TOMRA estimates.

The full benefit of collecting and recycling the beverage containers into new material, versus landfill, is included in the calculation.

2. Packaging material transport and handling, TOMRA Collection (Material Handling)

Carbon dioxide saving based on the tonnage of beverage container material transported and handled by TOMRA in USA. The full benefit of

## 2. ENERGY CONSUMPTION

### ENERGY USED IN MANUFACTURING, SALES, SERVICE AND OPERATIONAL PROCESSES

| BARRELS OIL EQUIVALENT                                          | 2016           | 2015(a)        |
|-----------------------------------------------------------------|----------------|----------------|
| <b>Energy consumption, stationary sources (Scope 1)</b>         | <b>300</b>     | <b>400</b>     |
| Heating oil                                                     | 0              | 0              |
| Natural gas                                                     | 200            | 200            |
| Propane                                                         | 100            | 200            |
| <b>Energy consumption, purchased grid electricity (Scope 2)</b> | <b>14 500</b>  | <b>10 800</b>  |
| Norway                                                          | 2 400          | 2 400          |
| Europe EU25                                                     | 2 200          | 2 100          |
| North America                                                   | 9 700          | 6 100          |
| Rest of World                                                   | 200            | 200            |
| <b>Energy consumption, transportation</b>                       | <b>45 400</b>  | <b>55 700</b>  |
| Petrol vehicles (Scope 1)                                       | 10 600         | 9 300          |
| Diesel vehicles (Scope 1)                                       | 22 000         | 34 300         |
| LPG vehicles (Scope 1)                                          | 7 900          | 8 000          |
| Employee-owned vehicles (Scope 3)                               | 0              | 0              |
| Air travel (Scope 3)                                            | 4 900          | 4 100          |
| <b>Total direct energy consumption</b>                          | <b>60 200</b>  | <b>66 900</b>  |
| <b>Energy consumption, products during use-phase (Scope 3)</b>  | <b>78 600</b>  | <b>75 900</b>  |
| RVMs owned and operated by TOMRA and customers                  | 71 800         | 69 500         |
| Scanners owned by customers                                     | 6 800          | 6 400          |
| <b>Total direct and indirect energy consumption</b>             | <b>138 800</b> | <b>142 800</b> |

## 3. WASTE GENERATION

### WASTE FROM MANUFACTURING, SALES, SERVICE AND OPERATIONS

| TONNES WASTE                                         | 2016         | 2015         |
|------------------------------------------------------|--------------|--------------|
| <b>Waste generation</b>                              | <b>3 730</b> | <b>3 490</b> |
| Paper                                                | 0            | 0            |
| Cardboard                                            | 250          | 225          |
| Plastics                                             | 720          | 700          |
| Wood                                                 | 120          | 125          |
| Electric and electronic waste (incl. TOMRA products) | 40           | 40           |
| Expanded polystyrene                                 | 0            | 0            |
| Metal scrap                                          | 300          | 300          |
| Batteries                                            | 0            | 0            |
| Hazardous waste                                      | 0            | 0            |
| Unsorted                                             | 2 300        | 2 100        |

## 4. WATER CONSUMPTION

### WATER USED BY MANUFACTURING, SALES, SERVICE AND OPERATIONS

| CUBIC METRES WATER    | 2016          | 2015          |
|-----------------------|---------------|---------------|
| <b>Water consumed</b> | <b>15 900</b> | <b>15 700</b> |
| Norway                | 2 500         | 2 500         |
| Europe EU25           | 9 950         | 9 900         |
| North America         | 3 200         | 3 100         |
| Rest of World         | 250           | 200           |

Scope 1: All direct GHG emissions

Scope 2: Indirect GHG emissions from purchased electricity, heat or steam

Scope 3: Other indirect emissions from purchased goods or services

collecting and recycling beverage containers into new material, as opposed to landfill, is included in the calculation, meaning that some of the saving is also included under "Beverage container collection through RVMs."

3. Material sorted for recycling from mixed sources, TOMRA Sorting (Recycling)

Estimated material throughput in TSS Recycling

installations is used in the calculation of avoided carbon dioxide emission. The full benefit of sorting materials and recycling into new is included in the calculation.

The provision of information on carbon dioxide emission avoidance is illustrative only, and intended solely as an aid to illustrate the benefit to society generated by the TOMRA Group. The above information does not constitute a full Life Cycle Analysis. The methodology

and assumptions used in calculating carbon dioxide avoidance are available upon request.

## SOCIAL AND ETHICAL REVIEW

### RESPONSIBLE BUSINESS

TOMRA is committed to doing business ethically and operates with zero-tolerance for corruption. TOMRA respects internationally recognized human rights principles and does not accept any form of discrimination or harassment.

TOMRA has developed a Corporate Responsibility Statement and Code of Conduct along with other policies and guidelines that apply to TOMRA's employees and business practices worldwide. Policies that apply to TOMRA Group have been published on the company intranet and local versions of selected policies are also available.

Information on company policies is also regularly included in internal company presentations. In addition, further information sessions and/or in-depth workshops are held throughout the year. Awareness of and compliance with TOMRA's policies is monitored as part of internal audit and the non-financial reporting process. This is part of ensuring that the TOMRA team promotes the core values by acting responsibly at all times.

TOMRA's Code of Conduct details how employees can raise concerns or report violations of TOMRA's policies. Some of these channels, including [ethics@tomra.com](mailto:ethics@tomra.com), are also available externally and it is possible to remain anonymous.

### TOMRA PEOPLE

TOMRA aims to be an attractive employer and promotes equal employment opportunity. As a result, TOMRA has launched several initiatives over recent years to improve employee satisfaction and provide new challenges and op-

portunities for those who are looking to develop their abilities in a range of areas. In the last employee survey, over 75% of employees reported that they were satisfied overall with working at TOMRA.

TOMRA recognizes that having a diverse workforce leads to better understanding of the global market and, therefore, improved performance over time. This led TOMRA to adjust its recruitment policy to promote the recruitment of women and minorities to achieve a more balanced workforce.

The increase in reportable injuries is partly due to a higher activity level. However, TOMRA will look at the local causes to identify additional actions to prevent future occurrences.

The continuation of this work is part of the reason that TOMRA has chosen to link part of its Corporate Responsibility Program to UN SDG 8 – Decent Work and Economic Growth.

### TOMRA CULTURE

TOMRA's Culture House was developed and launched in 2015. During 2016, the Culture House has been introduced throughout the organization with a range of local events, including workshops and town hall meetings, and at the end of the year, a quiz was sent to all employees to assess the implementation status.

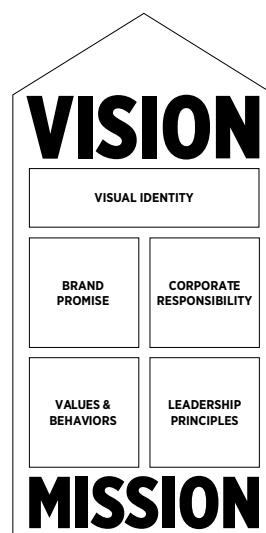
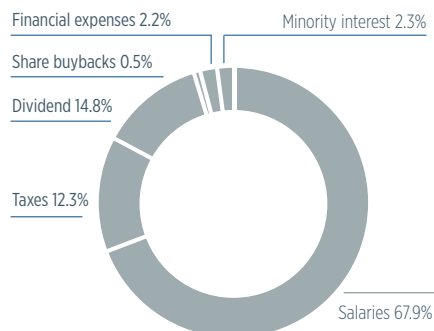
The program will continue into 2017, as culture is created over time, and will also cover the integration of Compac into the TOMRA family.

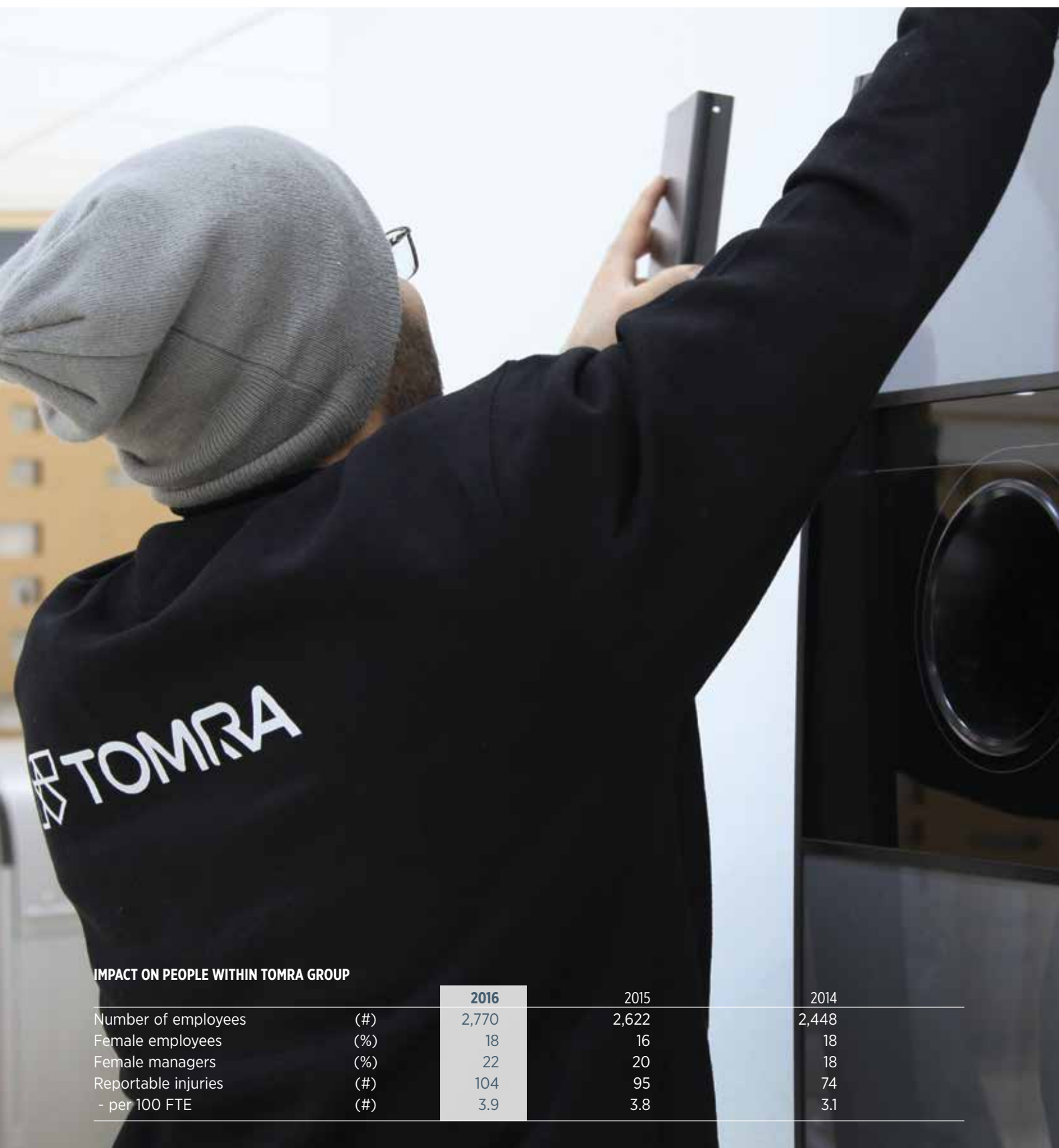
### ECONOMIC IMPACT

TOMRA reports the value distributed to

different stakeholder groups as a means of measuring the impact of its activities. These stakeholders include employees, shareholders and society in general. In 2016 TOMRA created added value of over NOK 2,400 million, an increase of around 10% compared to 2015. This was distributed to stakeholders as shown in the chart below.

### VALUE DISTRIBUTED 2016





#### IMPACT ON PEOPLE WITHIN TOMRA GROUP

|                     |     | 2016  | 2015  | 2014  |
|---------------------|-----|-------|-------|-------|
| Number of employees | (#) | 2,770 | 2,622 | 2,448 |
| Female employees    | (%) | 18    | 16    | 18    |
| Female managers     | (%) | 22    | 20    | 18    |
| Reportable injuries | (#) | 104   | 95    | 74    |
| - per 100 FTE       | (#) | 3.9   | 3.8   | 3.1   |



CORPORATE  
GOVERNANCE  
REPORT

## IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE

At TOMRA, corporate governance is defined as the processes and control features that have been established to protect the interests of TOMRA's shareholders and other stakeholders such as employees, suppliers and customers. TOMRA's Corporate Governance Policy has been approved by the Board of Directors and is available on TOMRA's corporate website ([www.tomra.com](http://www.tomra.com)). The Board of Directors has decided that TOMRA will comply with the Norwegian Code of Practice for Corporate Governance. As a result, this section is structured in the same way as the Code of Practice (which is available on [www.nues.no](http://www.nues.no)). The only known deviation from the Code is described under "General Meetings" below.

TOMRA's values are described in its corporate vision, mission, core values and policies, which can be found on the TOMRA website.

TOMRA aims to lead the resource revolution, enabling better utilization of the world's natural resources, and is committed to doing business ethically and with zero tolerance for corruption. To support these aims, TOMRA has developed and implemented a Code of Conduct and Corporate Responsibility Statement. These and further information on TOMRA's CR program can be found under "ABOUT US / Corporate Responsibility" on the TOMRA website.

## BUSINESS DESCRIPTION

TOMRA is a leading global creator of sensor-based solutions for optimal re-

source productivity within the business streams of reverse vending, material recovery, recycling, mining, and food. The Directors' Report describes the Group's activities in more detail, including goals and main strategies, and the market is kept informed through investor presentations in connection with the quarterly reports and other events.

### **EQUITY AND DIVIDENDS**

As of 31 December 2016, Group equity totaled NOK 4,192 million, an increase of 6 percent from last year. The equity percent was 59 percent. TOMRA's policy is to distribute 40 to 60 percent of the Group's earnings per share as dividend. When deciding the annual dividend level, the Board takes into consideration expected cash flows, capital expenditure plans, financing requirements and the need for appropriate financial flexibility. For 2015, a dividend of NOK 1.75 was paid out per share. For 2016, the Board has proposed a dividend of NOK 2.10 per share.

The Board's authorizations to increase share capital and to buy back shares are limited to specific purposes and are granted for a period no longer than the next general meeting. The authorization is given by the Annual General Meeting. At the 2016 Annual General Meeting, the Board was granted the right to acquire and dispose of up to 0.5 million treasury shares, for the purpose of fulfilling the employee share purchase program. In addition, the Board was granted the right to issue up to 14.8 million shares in connection with any mergers and acquisitions.

### **EQUAL TREATMENT OF SHARE-HOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES**

TOMRA has only one class of shares and each share entitles the holder to one vote.

All transactions in own shares are performed on the market at market price, in accordance with good stock exchange practice in Norway.

Related party transactions are covered by TOMRA's Code of Conduct, which also applies to Board members. Any member of the Board or Group management should immediately notify the relevant person if a potential conflict of interest occurs. There were no material transactions between the company and related parties that required a third party evaluation during 2016.

### **FREELY TRADED SHARES**

The shares of TOMRA Systems ASA are listed on the Oslo Stock Exchange and are freely negotiable.

### **GENERAL MEETINGS**

In accordance with TOMRA's Articles of Association, the AGM shall be held no later than the end of June each year, with at least 21 days written notice given to each shareholder. The 2016 AGM was held on 25 April.

The Norwegian Code of Practice for Corporate Governance also recommends that appropriate arrangements are made for the annual general meeting to vote separately on each candidate nominated for election to the company's corporate bodies. The Nomination Committee

and the Board have decided (in line with most Norwegian companies) not to follow this recommendation, as the composition of these bodies is meant to cover an appropriate range of skills and backgrounds, and a separate election of each member could interfere with this intention. In addition, according to Norwegian law, the Board has to comprise of at least 40% female directors.

### **NOMINATION COMMITTEE**

The Nomination Committee consists of three members elected for one year at a time by the General Meeting, as required by the Articles of Association. The charter for the Nomination Committee was last approved by the General Meeting in April 2011. The membership of the committee and details of how to submit proposals for new board members are available on [www.tomra.com](http://www.tomra.com) under "TOMRA Leadership."

### **BOARD OF DIRECTORS**

The TOMRA Board is composed of five shareholder elected directors and two employee representatives (who are not part of senior management). The shareholder elected directors are proposed by the Nomination Committee based on a number of criteria to ensure a broad range of abilities and experience. The shareholder-elected directors are ultimately selected by the shareholders. Four of the five shareholder-elected directors are independent. The fifth is Jan Svensson, CEO of Latour, TOMRA's largest shareholder. The Board Committees consist of members of TOMRA's Board, chosen by the Board to reflect a balance of abilities and interests.

The Board meets at least four times a year. In 2016, seven board meetings were held, of which two were by phone, and the attendance at the meetings was 94 percent. Instructions for the Board and charters for each of the Board committees have been prepared and duly approved by the relevant body.

An Audit Committee, a Compensation and Organizational Development Committee and a Corporate Responsibility Committee have been established to assist the Board of Directors in fulfilling its responsibilities. The Audit Committee held four meetings during 2016, the Corporate Responsibility Committee met three times, and the Compensation and Organizational Development Committee met twice during the year.

## **RISK MANAGEMENT AND INTERNAL CONTROL**

### **Internal Control Environment and Risk Management Systems**

The Board is ultimately responsible for TOMRA's systems of internal control and for reviewing their effectiveness. Responsibility for individual areas of control has been allocated through the CEO down to the respective member of Group Management. The system is designed to manage, rather than eliminate, the risk of failing to achieve business and financial reporting objectives. The system can therefore only provide a reasonable, but never absolute, assurance against material errors, flaws or losses. Processes exist for identifying, evaluating and managing material risks. Methods used by the Board and the Audit Committee to evaluate the quality of the company's internal control include:

- Review of the auditing plans for both the external and internal audit
- Review of reports from management as well as internal and external auditors on the systems of internal control and any weaknesses identified
- Discussions with management concerning the actions to be taken to address problem areas

The Audit Committee includes two board members and all Board members receive minutes from each Audit Committee meeting. The main features

of the risk and control framework are outlined below:

### **Risk Management**

The Board is responsible for approving the Group's strategy, its principal markets and the level of acceptable risk. It has ensured that appropriate risk management processes to identify the key risks facing the business have been implemented and that those risks are managed effectively.

### **Control Environment**

An organizational structure with defined levels of responsibility and delegation of authority to appropriately qualified management has been established. A chart of authority documents each level of authority throughout the organization. Matters reserved for the Board are clearly defined and appropriate authorization limits and reporting procedures have been implemented.

TOMRA's quality and environmental management systems are based on the international ISO 9001 and ISO 14001 management systems standards. TOMRA's primary R&D and production units have been certified according to these standards. This ensures that its internal systems and procedures are aligned with international "best practice" and that responsibility and authority for all important tasks are appropriately allocated.

### **Control Activities**

Internal control procedures have been tailored to the requirements of individual business activities. Controls for areas possessing particularly high inherent risk include clear guidelines for delegation of authority, segregation of duties, and requirements for regular reporting and reviews. The Audit Committee assists the Board in monitoring the process for identifying, evaluating and managing risks, considering internal and external audit reports, and reviewing the Group's financial statements.

### **Monitoring Systems**

Line management is responsible for the operation of internal control routines and these routines are subject to independent review by internal audit and, where appropriate, by the company's

external auditor and external regulators. The reports of all these bodies on internal control are reviewed by the Audit Committee on behalf of the Board. The Audit Committee ensures that, where necessary, appropriate corrective action is taken.

Internal audits are performed by the Group controller and the Group accounting manager. In their roles as internal auditors they report directly to the Audit Committee. The internal audit team carries out independent assessments of risk and the adequacy of related internal controls within the corporation. Findings and recommendations for strengthening the control framework are agreed with local management and the implementation of agreed changes is monitored by the internal audit team. The Audit Committee reviews the internal audit findings and proposals concerning improvements to material areas, coverage and performance, and considers significant findings and recommendations.

The internal audit team has unrestricted access to all records, personnel and property of the corporation to collect such information as is necessary for the performance of its work.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the corporation's systems of internal control for 2016 and the period leading up to the presentation of the 2016 financial statements. As might be expected in a corporation of TOMRA's size and complexity, a small number of deviations were identified during the period under review. Actions to rectify identified inconsistencies have been taken.

## **FINANCIAL REPORTING**

TOMRA Group prepares and presents its financial statements in accordance with current standards and interpretations under IFRS as adopted by the EU. Each company prepares monthly accounts and the financial data is consolidated and checked at several levels before being presented for review by senior management. Additional reporting is required for the preparation of quarterly and annual financial statements. Information and training on accounting

issues and TOMRA's reporting process is provided through TOMRA's Finance seminar and local events.

## REMUNERATION TO MEMBERS OF THE BOARD

The General Meeting sets the Board's annual remuneration based on a proposal from the Nomination Committee. Note 14 of the Financial Statements discloses all remuneration to board members and senior executives.

## PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES 2015-2016

The term "senior executives" applies to the CEO and other members of Group management. Salary and other employment terms for senior executives shall be competitive to ensure that TOMRA can attract and retain skilled leaders. Salary should include both fixed and variable elements. The fixed salary should reflect the individual's area of responsibility and performance over time. Principles for remuneration shall be allowed to vary in accordance with local conditions. The remuneration structure shall be based on such factors as position, expertise, experience, conduct and performance. The variable salary shall not exceed 50% of the fixed annual salary and be based on the achievement of specific performance targets by TOMRA Group and/or the respective manager's unit.

The Board has appointed a Compensation and Organizational Development Committee, headed by the chairman of the Board, to monitor decisions on matters regarding remuneration, terms and conditions for senior executives. The performance goals for the CEO are proposed by the chairman of the Board and approved by the Board. Goals for the other senior executives are determined by the CEO and reviewed by the Compensation Committee. The goals are operational and related to financial targets, such as profit from operating activities, return on capital employed and market related performance objectives.

The CEO's remuneration package, and any adjustments thereof, are agreed between the CEO and the chairman and approved by the Board. The remuneration packages for the other senior executives, including adjustments of these,

are agreed between the CEO and the respective manager. The terms of these agreements are reviewed first by the Compensation Committee and finally by the Board of TOMRA.

The Board established in 2014 a new Long-Term Incentive Plan (LTIP) to replace the prior plan, which was based upon the TOMRA share price development measured against NASDAQ. The new plan is based upon improvements in the Group's reported EPS. The rationale for changing the plan in 2014 was to make the performance metric more relevant for management by measuring success based upon improvements in profit (which management can influence), instead of share price development (which is less influenced by individual performance, particularly when measured against NASDAQ).

The targets are established as intervals, where the participants can earn from 30 percent (if the minimum target is met) up to 100 percent (if the maximum target is met) of one year's salary. The plan is consequently capped at one year's salary. Twenty-five percent of earnings before tax (approx. fifty percent of earnings after tax) has to be invested in TOMRA shares and must be kept for at least three years. If sold earlier, all proceeds from the sale belong to TOMRA.

For 2016, the actual performance for the fiscal year 2015 and 2016 was measured against the combined targets for the two year. Management gained full earnings under the LTIP-plan in 2016. A detailed calculation of the 2016 performance is included in disclosure note 14.

The targets for 2017, 2018 and 2019 were established by the end of 2014, 2015 and 2016 respectively and each target is a combination of the EPS for actual year plus the two previous years.

A detailed calculation of the 2017 performance will be included in the 2017 annual report.

In addition to fixed and variable salary, other benefits such as company car, health insurance, interest- and installment-free loans, newspaper and telephone might be provided. The total value of these benefits should be mod-

est and only account for a limited part of the total remuneration package.

Senior Executives participate in the same pension plans as other employees within the unit in which they are employed. No special pension plans have been established for senior executives.

The notification period for senior executives shall be three to six months, with the exception of members employed in the US, where fixed length contracts may be utilized.

The CEO is entitled to 12 months' severance pay following termination by the company. No agreements shall be established that provide members of senior executives any automatic right to more than 24 months of severance pay. A detailed account of the remuneration of each senior executive is available in note 14 in the financial statements.

The principles and guidelines for management remuneration for 2017 have not changed materially from those approved in 2016, which were presented to the general assembly in April 2016. The policies concerning remuneration of senior executives and the setting of salaries have been in line with the established guidelines throughout 2016.

## INFORMATION AND COMMUNICATION

TOMRA provides investors with financial and other information in the quarterly reports and other presentations. This information is freely available to interested parties in the "Investor Relations" section of the TOMRA website along with the financial calendar for 2017.

## TAKEOVERS

TOMRA's guidelines and practices are in line with the Norwegian Code of Practice for Corporate Governance.

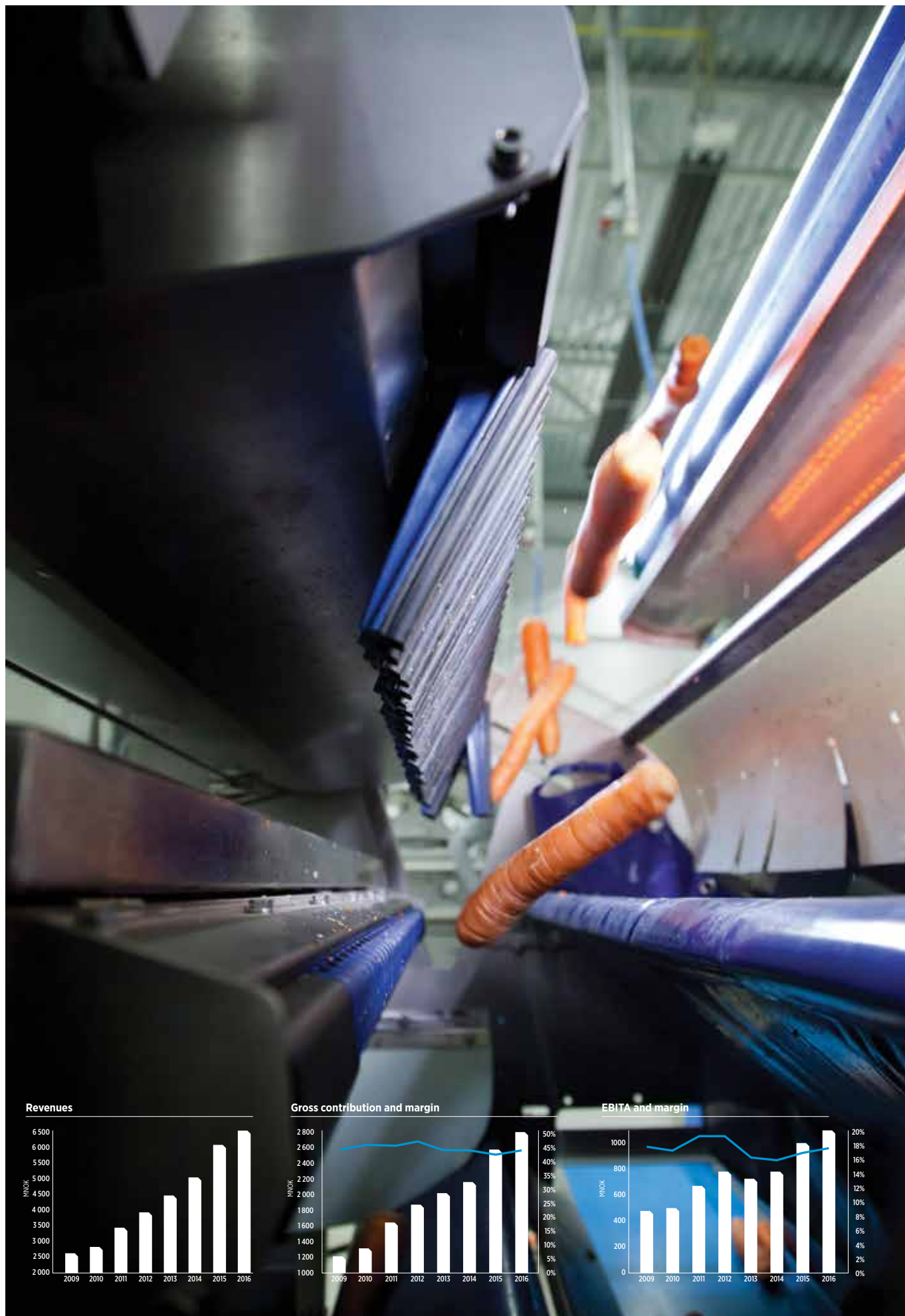
## AUDITOR

The independent auditor is elected by the general meeting and is responsible for auditing the Group accounts. The independent auditor attends the meetings of the Audit Committee and presents a plan for each year's audit. The independent auditor also meets with the Board of Directors at least once each year without the presence of TOMRA senior management.



## 2016 SUMMARY AND HIGHLIGHTS

- + **REVENUES** in 2016 of NOK 6,610 million represent a growth of 8 percent compared to 2015. Adjusted for currency effects, growth was 4 percent.
  - Up 4 percent in TOMRA Collection Solutions
  - Up 5 percent in TOMRA Sorting Solutions
- + **GROSS MARGIN** was 43 percent, up from 42 percent in 2015
  - Improved margin in TOMRA Collection Solutions
  - Stable in TOMRA Sorting Solutions
- + **OPERATING EXPENSES** increased 5 percent, currency adjusted
  - Up 6 percent in TOMRA Collection Solutions
  - Up 3 percent in TOMRA Sorting Solutions
- + **EBITA** was up from NOK 1,015 million in 2015 to NOK 1,119 million in 2016
  - Up 11 percent in TOMRA Collection Solutions
  - Up 13 percent in TOMRA Sorting Solutions
- + **EPS** up from NOK 4.06 in 2015 to NOK 4.68 in 2016
  - Positively influenced by improved performance in both business areas and positive finance due to currency gains
  - EPS from continuing operations up from NOK 4.11 in 2015 to NOK 4.76 in 2016
- + **CASH FLOW FROM OPERATIONS** of NOK 1,095 million in 2016, up from NOK 913 million in 2015
- + **TOMRA COLLECTION SOLUTIONS**
  - TOMRA maintained a strong position in all traditional markets.
  - The T-9/T-90 established as the flagship products in the industry, with more than 4,600 machines installed in 2016
  - Lithuania opened up as a new deposit market
- Strong performance in Germany and Sweden due to replacement of old machines
- + **TOMRA SORTING SOLUTIONS**
  - Order intake increased from NOK 2,342 million in 2015 to NOK 2,590 million in 2016
  - Order backlog increased during the year from NOK 659 million to NOK 704 million, up 10% currency adjusted
  - Several new products were launched, cross-utilizing technologies developed within the different business streams
  - Improved performance in Food sorting
  - Stable performance in Recycling, despite low commodity prices
  - Improved performance in Mining, but from a low level
  - Tomra to acquire New Zealand sorting machine manufacturer Compac
- + **SHARE PRICE** decreased from NOK 95.50 to NOK 90.50 during 2016
  - Adjusted for dividend, TOMRA stock provided a shareholder return of negative 3 percent in 2016, compared to positive 70 percent in 2015
  - 43 million shares traded at Oslo Stock Exchange in 2016, up from 41 million in 2015
- + **THE GROUP ENDED 2016 WITH A STRONG BALANCE SHEET AND A SOLID FOUNDATION FOR FURTHER GROWTH**
  - 59% equity
  - 0.3x Net Interest Bearing Debt / EBITDA (improved from 0.7x at the end of 2015)
  - The Board has proposed a dividend of NOK 2.10 for 2016, up from NOK 1.75 last year



**TOMRA  
BOARD OF  
DIRECTORS**



**JAN SVENSSON (B. 1956)**

CEO of Investment AB Latour

Board member since 2012

M.Sc. Economics and Business Administration, Stockholm School of Economics, 1981

Previous experience: Various positions within the Stenberg Group, CEO (1986-2003)

Number of TOMRA shares: 7,000 (In addition Investment AB Latour holds 38,511,000 shares)

Other board memberships: Publicly listed: Nederman Holding AB (Chairman); Fagerhult AB (Chairman); Troax AB (Chairman); Assa Abloy AB (member); Loomis AB (member); Investment AB Latour (member). Not listed: Oxeon (Chairman)



**ANIELA GABRIELA GJØS (B. 1959)**

Senior VP Supply Chain TINE SA

Board member since 2008

Master of Science in Industrial Organization & Management, Silesian University of Technology, and BI Norwegian School of Management

Previous experience: CEO at Ontime Logistics AS (2008-2013); Project Director at South-Eastern Norway Regional Health Authority (2008-2008); SVP Supply Chain and Operations, Norway Post (2002-2008); Managing Director Logistics, Ringnes/Carlsberg (1996-2002)

Number of TOMRA shares: 11,500

**BOARD COMMITTEES**

**Compensation and Organizational Development:**

Jan Svensson, Linda Bell

**Audit:**

Pierre Couderc, Aniela Gabriela Gjøs

**Corporate Responsibility:**

Bodil Sonesson, David Williamson



### **BODIL SONESSON (B. 1968)**

VP Global Sales, Axis Communications

Board member since 2013

Master's degree in International Finance, University of Lund and Konstanz University in Germany

Previous experience includes employment with Lars Weibull AB

Number of shares in TOMRA: 0

Other board memberships: The Swedish Chamber of Commerce in Paris



### **PIERRE COUDERC (B. 1959)**

CEO and Chairman Executive Committee, Groupe Euralis

Board member since 2014

Engineering degree, Ecole Nationale Supérieure des Mines de Paris

Previous experience: Executive General Manager at Jose Cuervo (2008-09). Several management positions within the Danone Group (1987 to 2008) including General Manager Asia Pacific (2005-08), General Manager Danone Mexico (2004-05), and General Manager Danone Argentina (2002-04)

Number of TOMRA shares: 0

Other board memberships: Non listed CIC Bank S.O



### **DR. LINDA BELL (B. 1957)**

Consultant and Portfolio Director

Board member since 2015

Doctor of Philosophy, Inorganic Chemistry (Oxford University), MBA (Open University), BA Natural Sciences (Oxford University)

Previous experience: CEO of PhosphonicS Ltd. (2013-17); Managing Director Liquid Packaging and Dispensing; DSSmith Plc (2012-13); CEO, Inca Digital Printers Ltd. (2009-12); Managing Director, Hadham Associates Ltd. (2008); Managing Director, Servomex Group Ltd. (2001-07); ICI Plc (1983-2000)

Number of TOMRA shares: 0

Other board memberships: Trustee of charitable organization



### **INGRID SOLBERG (B. 1972)**

Employee representative

Board member since 2009

Number of TOMRA shares: 5,956

Other board memberships: None



### **DAVID WILLIAMSON (B. 1959)**

Employee representative

Board member since 2008

Number of TOMRA shares: 1,137

Other board memberships: None



**DIRECTORS'  
REPORT  
2016**

## FINANCIAL PERFORMANCE

Revenues amounted to NOK 6,610 million in 2016, an increase of 8 percent in relation to 2015. Adjusted for currency effects, revenues increased by 4 percent; up 4 percent in TOMRA Collection Solutions and up 5 percent in TOMRA Sorting Solutions.

Gross margin was up from 42 percent in 2015 to 43 percent in 2016, with improved margin in TOMRA Collection Solutions and stable margin in TOMRA Sorting Solutions.

Operating expenses were NOK 1,695 million, up from NOK 1,548 million in 2015. Adjusted for currency, operating expenses were up 5 percent.

EBITA was NOK 1,119 million in 2016, up from NOK 1,015 million in 2015. On average, NOK weakened against both EUR and USD during 2016, and this combination had a positive effect on EBITA, estimated at about NOK 33 million compared to 2015. Adjusted for currencies, EBITA increased by 7 percent.

Net financial items increased from minus NOK 33 million in 2015 to plus NOK 16 million in 2016, due to positive impact from both currency gains, reduction in net interest bearing debt and lower interest rates.

Taxes increased from NOK 212 million in 2015 to NOK 257 million in 2016, due to higher earnings and slightly higher tax rate (25.5% in 2016, up from 24.4% in 2015).

EPS was NOK 4.68 in 2016, up from NOK 4.06 in 2015. EPS from continuing business increased by 16 percent.

Exceptionally strong cash flow from operations of NOK 1,095 million in 2016, compared to NOK 913 million in 2015.

Cash flow from investments was negative NOK 318 million compared to negative NOK 280 million last year.

Cash flow from financing ended at negative NOK 666 million, including dividend payments of NOK 259 million.

Total assets as of 31 December 2016 were NOK 7,115 million. This represents a currency-adjusted increase of 1 percent in relation to total assets at the beginning of the year.

The equity ratio increased during 2016 from 54% to 59%, positively influenced by 2016 earnings, partly offset by negative translation differences of NOK 175 million (as decreased value of assets in foreign currencies reduces the equity when measured in NOK) and dividend of NOK 259 million.

Net Interest Bearing Debt / EBITDA (rolling 12 months' basis) improved from 0.7x at the end of 2015 to 0.3x at the end of 2016.

## DIVIDEND

TOMRA aims to distribute 40 percent to 60 percent of the Group's earnings per share. When deciding the annual dividend level, the Board has taken into consideration expected cash flows, capital expenditure plans, financing requirements and the need for appropriate financial flexibility. The Board of Directors recommends consequently a dividend distribution of NOK 2.10 per share (45 percent of EPS), up from NOK 1.75 in 2015.

## TOMRA SYSTEMS ASA

Tomra Systems ASA reported a decrease in revenues from NOK 1,611 million in 2015 to NOK 1,485 million in 2016.

Reverse vending machines (RVMs) are developed in Norway and mainly produced by third parties in Poland and at the wholly owned subsidiary Tomra Production AS in Norway, combined with a sourcing model, which includes high focus on low cost countries such as China, Taiwan and Eastern Europe. The machines are sold via the parent company to subsidiaries and distributors, primarily in Europe and North America. Activity within the parent company reflects therefore the level of sales of machines and parts to end-customers within the RVM segment. The number of RVMs sold in 2016 decreased from 2015, mainly due to somewhat lower sales to Germany and Lithuania, partly offset by higher sales to Sweden and USA.

Operating profit in Tomra Systems ASA was down from NOK 418 million in 2015 to NOK 273 million in 2016, primarily a result of lower sales.

Net financial items was NOK 443 million, positively influenced by dividend from subsidiaries of NOK 325 million and exchange rate gains of NOK 129 million. The exchange gain was partly related to gain on bank loans nominated in EUR. At Group level these loans work as a hedge against investments in foreign (EUR-nominated) subsidiaries, and has consequently no profit and loss impact in the consolidated accounts.

Profit after taxes was NOK 617 million in 2016, compared to NOK 344 million



TOMRA GROUP REPORTED ALL-TIME HIGH  
REVENUES OF NOK 6,610 MILLION IN 2016

in 2015. The improvements from 2016 came from financial items (dividend from subsidiaries and currency).

#### Allocation of 2016 profit

The 2016 net profit should be allocated as follows:

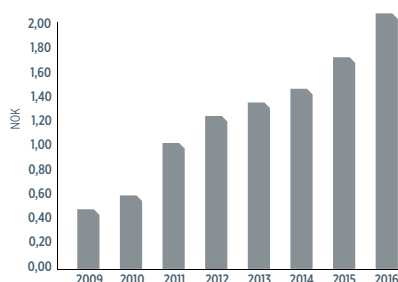
Dividend: NOK 309.8 million  
To retained earnings: NOK 307.4 million  
**Profit after tax: NOK 617.2 million**

The Board of Directors believes that there is no reasonable cause to question the ability of TOMRA Group and the parent company to continue its operations in the foreseeable future and hence confirms that the accounts have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU for TOMRA Group and Norwegian accounting principles (NGAAP) for Tomra Systems ASA, and that the Group, after the dividend payment, has sufficient equity and liquidity to fulfill both its short term and long term obligations.

#### THE FRAMEWORK GOVERNING TOMRA'S OPERATIONS

TOMRA's reverse vending technology

Dividend



provides an efficient collection and handling system for deposit of beverage containers in retail locations. Correct recognition as well as automated sorting and storage of empty containers reduces retailers' handling costs to a minimum. This idea formed the basis for the establishment of TOMRA in 1972. The company's growth since its inception has mainly been driven by the implementation of beverage container deposit systems in new markets, either through legislation or voluntary enforced arrangements.

Early in the 1990s TOMRA expanded its activities with the addition of integrated solutions for covering a greater part of the beverage container recycling value chain. Automated compaction of used non-refillable containers contributes to the reduction of transport costs and subsequent handling. Electronic collection and processing of transaction data from the reverse vending machines also assures secure and cost effective administration of the deposit funds and materials.

This expansion of the business model has been instrumental to TOMRA's growth in the North American market.

Despite all the documented advantages of a deposit system, few markets have implemented deposit schemes in recent years. The recognition that it could take time before new markets accepted deposit as an effective system for recycling, led in 2004 to the decision that TOMRA would expand its operations by moving into other areas within the value chain for collecting and processing waste. As a consequence, TOMRA

acquired Titech, which provided efficient industrial solutions for recognizing and sorting of waste.

After first mainly operating in the market of plastic and paper recycling, TOMRA expanded in 2006 into metal recycling, and in 2008 into mining (ore-sorting), where TOMRA technology now increases the efficiency and lifetime of mines. In 2011 and 2012, based on the strategy of resource productivity, industry automation and leading position in sensor based sorting, TOMRA took a further step forward with its entry into the food sorting industry, where its proven recognition technology is utilized to sort food based on quality, size and other characteristics. TOMRA has consequently gone through several stages of transformation, where the recycling industry now is only one of several industries where TOMRA has a presence.

In order to maximize synergies among the acquired entities and meet its customers' and the world's challenges and opportunities, TOMRA has merged the original brands under one strong and unified brand – One TOMRA, under the mission to create sensor-based solutions for optimal resource productivity, focused on the optimization of customers' resource use. With increasing world population and higher consumption levels, it is clear that resource productivity must increase on a global scale to ensure sustainable development. Society is at the dawn of a resource revolution, and TOMRA's vision statement, "Leading the resource revolution," is what the company is doing by extending its reach to include business streams

that create solutions within food sorting, mining, recycling and material recovery. Focusing on resource optimization, process efficiency, and interconnectivity of systems helps customers improve financial results and reduce environmental impact.

TOMRA's path forward is to improve the world's understanding of the benefits of creating and investing in solutions that can move us past the false choice between earth and economy (change mindsets to act and move), producing new work opportunities to ensure competitiveness, growth and work with purpose while fostering a culture that both inspires and motivates its people and customers.

In 2016, TOMRA has operated with two business areas and five business streams:

#### **TOMRA Collection Solutions (TCS):**

- Reverse Vending (development, production, sales and service of reverse vending machines and related data management systems)

- Material Recovery (pick-up, transportation and processing of empty beverage containers on behalf of beverage producers/fillers on the US East Coast and in Canada)

#### **TOMRA Sorting Solutions (TSS):**

- Food (sorting and processing technology for the fresh and processed food industries)
- Recycling (sorting systems for waste and metal material streams)
- Mining (ore sorting systems for the mining industry)

In 2016, the TSS business area accounted for 39 percent of the Group's total operating revenue. The percentage is expected to increase in the years to come, as TOMRA pursues a strategy of expanding its sorting technology and competence into new areas.

#### **TOMRA COLLECTION SOLUTIONS**

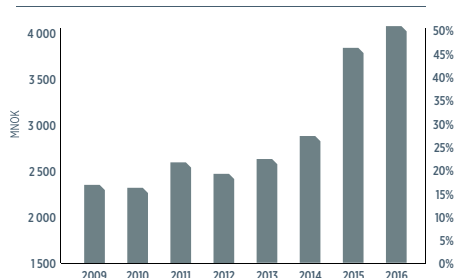
TOMRA's activities within this business area include primarily the development, production, sale, lease and service of automated recycling systems in Europe

and North America, including data administration systems that monitor the volume of collected materials and associated deposit transactions. In 2016 revenues within this business area amounted to NOK 4,065 million, up from NOK 3,803 million in 2015. Adjusted for currency changes, revenues increased 4 percent, mainly due to higher activity in the Nordic region and USA. TOMRA is positioned as the world leader in the RVM business.

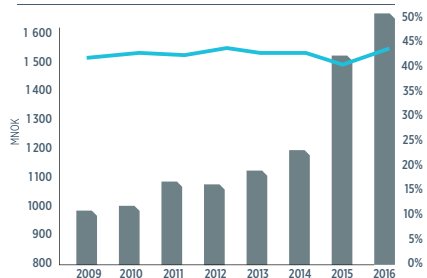
Gross contribution was 41 percent, up from 40 percent in 2015, a result of product mix and COGS reductions. EBITA increased from NOK 761 million to NOK 843 million. Adjusted for currencies, profit was up 7 percent.

TOMRA's customers within this segment are primarily in the food retail industry in Europe and USA, an industry that is relatively unaffected by financial downturns since the consumption of food and beverages remains fairly stable through economic cycles. Food retail chains in general consider a well-functioning container return system to be an important competitive advantage, as consumers

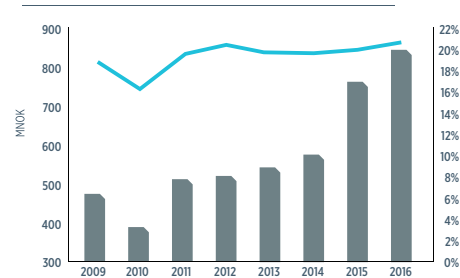
**TCS**  
Revenues



**TCS**  
Gross contribution and margin



**TCS**  
EBITA and margin



tend to choose which store they go to based upon the convenience and reliability of a store's return facilities. This applies both in times of economic upturn and downturn. With almost 50 percent of the segment's revenues originating from service, and a significant part of the new machine sales being replacement, the year over year change in activities will normally be limited.

### Europe

In Germany, which introduced deposit legislation in 2006, the retail industry in 2015 started replacing RVMs installed during the first years after the deposit introduction. TOMRA has been well positioned to serve the German customers with economical and technically versatile RVM solutions and the number of machines sold in the German market increased from ~2,300 machines in 2014 to ~3,600 machines in both 2015 and 2016.

In Sweden, new requirements made some of the old machines obsolete from 31 December 2016, generating a higher replacement activity in 2016, compared to the years before.

In Lithuania, deposit was introduced with effect from 1 February 2016. In September 2015, TOMRA entered into an agreement with USAD (the Lithuanian deposit administrator) to place up to ~1,000 machines in the Lithuanian market. The machines are owned by TOMRA and rented out on a volume-based lease. The placements started in fourth quarter 2015 and continued during 2016.

Development in the other European markets was stable in 2016 and TOMRA

has maintained its market share.

### North America

Within Reverse Vending, TOMRA operates with two different business models in North America. One is a sales model, where machines are sold to the food retail stores in the same way as in Europe; the other is a through-put lease model, where TOMRA maintains ownership of the installed machines and receives payment based on the number of containers handled by the machines. The installed base at the end of 2016 was close to 8,000 machines on operational lease and a somewhat higher number for machines sold.

In addition to the Reverse Vending business, TOMRA picks up, transports, processes, and sells used beverage containers on behalf of beverage producers in the northeastern United States and in Canada (Material recovery). In 2016, this business segment contributed total revenues of USD 116 million.

The volume of drinking containers handled by TOMRA's Material Recovery infrastructure was slightly up in 2016, but the throughput volumes in the reverse vending machines were slightly down. The lower volumes in the RVMs are explained by more containers being redeemed at conventional sites that do not utilize standard reverse vending technology and loss of one account. The North American organization has launched a volume builder project to offset these effects. TOMRA is also capturing a higher share of conventional volumes by leveraging the recently developed depot solution. As part of this

plan, TOMRA acquired nine redemption centers in 2016, where the depot solution is being implemented over time.

### New markets

The existence of deposit systems is a crucial driver for most of the activities within TOMRA Collection Solutions. The creation of new systems, and changes to established systems, will consequently impact TOMRA's performance significantly.

In 2016, TOMRA has benefited from the Lithuanian processes, which ended with a positive outcome, generating revenues for TOMRA both in 2016 and in the years to come.

In New South Wales (Australia), the Government has decided that a 10 cent deposit will be implemented on a broad range of drinking containers. The system will be different from existing systems in Europe and US east coast, as there will not be an obligation for retail to take back empties. TOMRA is currently evaluating what role and position it will take in this evolving market.

### Technology

In the beginning of 2014, TOMRA launched the T-9, the first of a new generation of reverse vending machines (RVM) based on TOMRA Flow Technology. T-9 features the first ever 360 degree recognition system applied inside an RVM and enables faster and cleaner collection of beverage containers, including containers that until now could not be collected in RVMs. The T-9 is improving consumer experience due



to its increased capacity, which leads to shorter queues during peak hours in the stores. The product range has lately been further broadened with the introduction of the T-90, a fully operational stand-alone machine with internal sorting and optional compaction.

The technology has been well received by customers, and more than 4,600 T-9/T-90 machines were installed in 2016, steadily increasing from ~1,200 machines two years ago.

### TOMRA SORTING SOLUTIONS

TOMRA Sorting Solutions (TSS) offers significant financial and environmental benefits for major industries such as food processing, mining and recycling for increasing their productivity, yield, access to resources and reducing their costs. TSS is well positioned to respond to short and long-term increases in resource demands required to construct living and working spaces for an ever growing and increasingly urbanized global population, demands on more and higher quality food products and requirements for a less carbon intense society. TOMRA is positioned as world-wide leader in all the segments served.

Revenues within TSS were up 9% in 2016, compared to 2015 (up 5% currency adjusted) and the overall market situation remained favorable, but with variation between the different business streams.

Food sorting is the largest business stream within TSS, and performance has been robust in 2016 with increases in revenues, order intake and backlog. The market is driven by more stringent food safety and quality requirements, consumption of more packaged and processed food products, as well as more healthy food such as nuts and dried fruits. Several new product launches have fueled growth, particularly in the important potato and nut segments.

The Recycling business had a stable performance in 2016, with revenues, order intake and backlog unchanged from last year, despite somewhat challenging commodity markets. Recycling rates, and consequently demand for recycling equipment, are exposed to fluctuations in commodity prices for materials like pulp, plastic and metal. So far, TOMRA has managed to offset this effect by

expanding into new markets and identifying new opportunities.

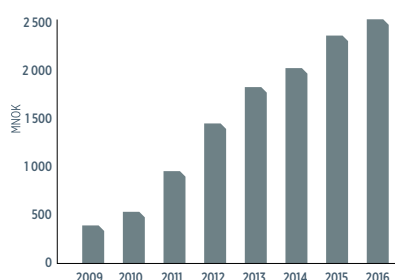
In Mining, low mineral and metal prices have for some years affected the mining industry, negatively influencing TOMRA's sales into this industry. In 2016 Mining managed to increase order intake and backlog, compared to last year, but still at a low level. Current activity is very dependent upon sales to the diamond industry, where TOMRA has proven technology for identifying diamonds at the diamond mines processing lines.

With a somewhat lower number of orders delivered than recognized as order intake in TOMRA Sorting during 2016 (revenues up 5% and order intake up 8%, both currency adjusted), the order backlog is up from 659 MNOK to 704 MNOK.

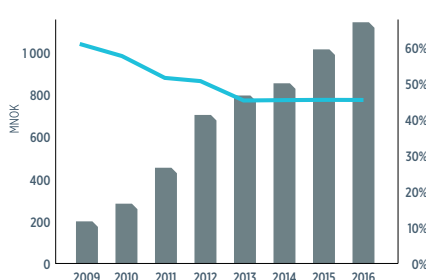
### Leveraging technology leadership

Leveraging technology synergies, increasing adaptability and shortening the time-to-market are core elements of TOMRA's strategy to merge several sensor-based sorting activities under one brand. This will enable TOMRA to better serve global markets and respond

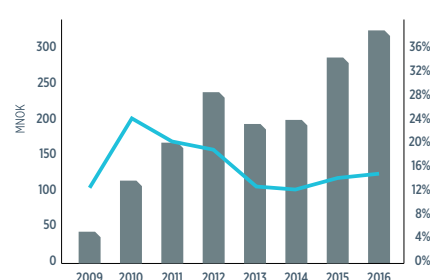
TSS  
Revenues



TSS  
Gross contribution and margin



TSS  
EBITA and margin



to the variations in needs and cross-breed sensor technologies, allowing for new cutting-edge solutions and sorting capabilities. The common sorting platform (CSP) is the strategy TOMRA applies to leverage synergies between the business segments Food, Recycling and Mining. The basic sorting principles are conceptually the same across the segments, enabling TOMRA to develop a set of building blocks that are used again and again. Benefits include increased productivity and speed in product development, reduced development and after-market costs and more efficient use of human resources. The development phase of the CSP has been completed and all new products are now launched on this platform.

Several new products based on CSP have been launched recently, including:

- The TOMRA 5A sorting machine, which brings superior foreign material removal, quality inspection and peel quality control to the table. Running the highest capacities in the industry, this process potato sorter significantly increases the level of food safety and yield. The infed belt sorting machine efficiently discards a wide range of foreign materials, such

as corn cobs, wood, stems, plastics, glass and even stray golf balls. This process minimizes the risk of food contamination further down the line and leads to improved product quality.

- The TOMRA 5B optical belt sorting machine, a machine built on the legacy of the TOMRA Genius sorter, which holds a leadership position in the vegetable, potato and fruit processing industries worldwide. The TOMRA 5B sorting machine guarantees optimal sorting of food products, from vegetables and potatoes to leafy products. It helps to meet the highest standards for both food safety and quality.

- The X-TRACT, a belt sorter for waste and metal sorting & recovery. Equipped with next-generation sensors, the system is a powerful and efficient sorting tool, resulting in industry leading performance and stability. X-TRACT has been awarded a “Special Mention,” by the German Design Awards 2017 in the category “industry.”

As the food business is expanding into new geographic domains, new requirements are encountered that are driven by differences in market structure and

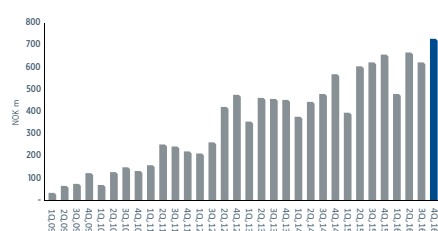
customer requirements. The North American market, for example, is driven by large scale farming, distribution and processing channels. Many Asian markets, on the contrary, are structured with smaller farms and processors.

### Compac

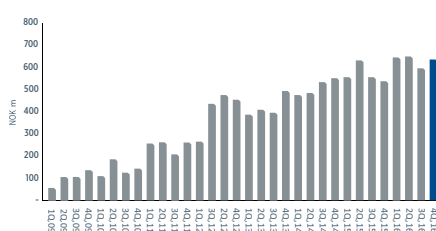
On 11 October 2016, TOMRA Sorting AS signed an agreement with the owners of Compac Holding Ltd (Compac) for 100 per cent of the shares in the company. Closing of the transaction took place 31 January 2017, after obtaining approval from New Zealand Overseas Investment Office. Compac will be consolidated into TOMRA Group accounts from 1 February 2017.

Compac is a New Zealand-based provider of post-harvest solutions and services to the global fresh produce industry. The company designs, manufactures, sells and services packhouse automation systems that sort fresh produce based on weight, size, shape, color, surface blemishes and internal quality. Established in 1984, Compac employs close to 700 people across locations in New Zealand, Australia, US, China and South America. Compac has a leading position

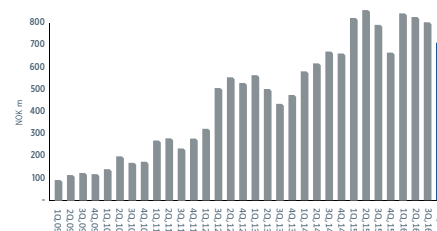
**TSS**  
Order backlog



**TSS**  
Order intake



**TSS**  
Revenues



within the sorting of apples, kiwifruit, cherries, avocados and citrus. About 6,000 Compac sorting lanes have been sold worldwide in over 40 markets.

The food market is large and continuously growing with requirements around food safety and quality becoming increasingly more stringent. Food producers are also consolidating, becoming larger, more sophisticated and more global. As a leading technology supplier into this industry TOMRA sees clear advantages in mirroring this trend. With the acquisition of Compac, TOMRA reinforces its leading position within the food segment and will be the first player to present an offering to its customers for sorting fresh and processed foods with both lane and bulk sorting.

#### **RESEARCH AND DEVELOPMENT ACTIVITIES**

Research and development activities are a high priority at TOMRA. R&D has a central role in the development of the individual technology units, and is closely connected to the local markets in order to ensure that TOMRA maintains its technological advantage. Research and development activities, including other future-oriented projects, were expensed at NOK 244 million in 2016. The comparative figure for 2015 was NOK 232 million. In addition, NOK 47 million was capitalized (2015: NOK 46 million). These activities were directed primarily toward the development of automated return systems (TOMRA Collection Solutions) in addition to further development of recognition and sorting technology in TOMRA Sorting Solutions.

#### **FINANCIAL RISK**

The Board of Directors is focused on ensuring that there is a systematic and considered approach to managing risk within all segments of the corporation, and views this as a prerequisite for long-term value creation for the company's shareholders, employees, and other stakeholders. Opportunities for growth shall always be assessed against the associated risks. TOMRA faces normal business risks related to contractual agreements with, for example, customers and suppliers. In addition, there are several macro trends that can affect the industry in which TOMRA operates. A reduction in recycling targets and ambitions, as well as falling material commodity prices would negatively influence TOMRA as the need for advanced recycling technology would become less obvious.

TOMRA's operations are also influenced by political decisions, specifically with regard to deposit legislation. If a country or state decides to remove its existing deposit system, there will be limited incentives for TOMRA's customers to maintain current or invest in new TOMRA equipment. In some markets, like for example in the United States, an elimination of the deposit legislation would immediately dissolve the foundation for TOMRA's daily operations. On the other hand, the implementation or expansion of deposit systems in a country or state would create new growth opportunities for TOMRA.

Responsibility for financing, cash management and financial risk management is handled by the Finance Department within Tomra Systems ASA. Histori-

cally, TOMRA has seldom experienced losses on accounts receivable, and the corporation's routines concerning credit approval are considered satisfactory. TOMRA's surplus cash is placed primarily in NOK with duration of less than six months. Interest-bearing debt is normally denominated in EUR, at interest rates fixed for a period of less than six months.

TOMRA is exposed to fluctuations in currency exchange rates. With more than 95 percent of its income in foreign currencies, a strengthening of NOK will lead to reduced earnings for the Group when measured in this currency. The majority of risk is connected to fluctuations in EUR and USD. TOMRA takes advantage of forward exchange contracts to hedge future cash flows in foreign currencies.

With 90 percent of the balance sheet denominated in foreign currencies, TOMRA's equity will also be exposed to changes in currency exchange rates (most importantly EUR). To partly offset this effect, TOMRA aims to place external bank debt in the same currencies. In addition, TOMRA has implemented the financial risk management systems one would expect given the size and complexity of the company's operations. A more extensive description of TOMRA's internal control procedures and systems for evaluating financial risk is provided on page 20 in this report.

#### **CORPORATE RESPONSIBILITY AND GOVERNANCE - OUR SOCIAL AND ENVIRONMENTAL ENGAGEMENT**

TOMRA makes a significant contribution to a cleaner and more sustainable world

through its products and services.

As a result, TOMRA has always had a significant focus on the environment, measuring and reporting its environmental performance since 1998. As TOMRA expands its focus to address the other corporate responsibility (CR) areas, the Board supports TOMRA's membership of the UN Global Compact, which provides a recognized framework for integrating CR principles into operations and strategies. This annual report forms the basis of TOMRA's Communication on Progress, required annually by the UN Global Compact.

Tomra Systems ASA is also certified according to the ISO 14001 standard for environmental leadership. TOMRA expanded its environmental program back in 2010 to include other topics associated with corporate responsibility, with particular focus on corruption and other risk areas. Further details of TOMRA's updated corporate responsibility program and impact on the environment are presented in TOMRA's Corporate Responsibility report on pages 10 and 11 of this report.

#### **ORGANIZATION, HEALTH AND SAFETY**

The number of employees in the TOMRA Group was 2,770 at the end of 2016, up from 2,622 at the end of 2015. In Norway the number of employees increased from 272 at year end 2015 to 286 at the end of 2016.

TOMRA facilitates equal opportunity for professional and personal development for all employees and does not discriminate on the basis of race, color, religion, gender, natural origin, age, disability, sexual orientation or veteran status.

These are important principles that are firmly anchored in the company's Corporate Responsibility Statement and Code of Conduct and communicated to all employees.

TOMRA uses an international survey coordinated by the organization "Great Place to Work" that also rates how well employees consider the company lives up to its principles. The participation rate has been above 80% and the feedback from employees is in general encouraging. In the last survey, 77% of the participating employees stated that TOMRA is a great place to work.

The Board of Directors considers the principles and guidelines the company has in place for discrimination and equal access to be sufficient, and that no further actions are necessary to satisfy legal requirements.

Female employees made up 18 percent of TOMRA's work force and held 22 percent of its management positions at the end of 2016, a change from 16 and 20 percent respectively in 2015. Four out of TOMRA's seven board directors are women.

The number of job-related injuries in TOMRA requiring medical attention beyond basic first aid was 104, up from 95 in 2015. Most of these instances occurred within TOMRA's material recovery activities in the USA, which involve handling crushed glass and heavy lifting. TOMRA continuously strives to reduce the injury rate and has implemented further preventative measures after identifying more contributing factors. The absence rate due to illness in Tomra Systems ASA decreased from 2.3

percent in 2015 to 2.2 percent in 2016.

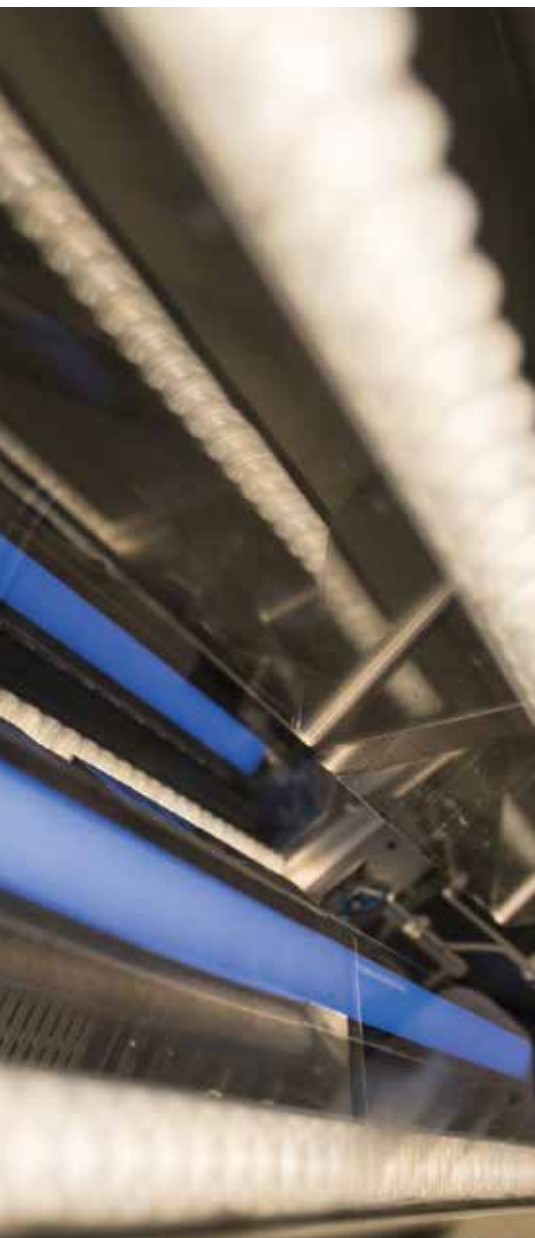
Tomra Systems ASA is certified according to ISO 9001 and this standard is used to guide the company's quality assurance procedures. TOMRA also applies an internal management system that incorporates goal- and result-orientation throughout the entire organization, including performance and leadership evaluation.

#### **CORPORATE GOVERNANCE - BOARD DEVELOPMENTS**

TOMRA defines corporate governance as those processes and control structures that are established to protect the interests of the company's shareholders and other stakeholder groups. TOMRA's guidelines for corporate governance, core values and leadership principles are aligned to ensure sustainable development of the company. These guidelines include the role of the Board and its various committees, requirements concerning the impartiality of its Board members, and Board compensation. TOMRA's corporate governance report can be found on pages 18 to 21 in this report. TOMRA's corporate governance policy can be found on [www.tomra.com](http://www.tomra.com).

At the ordinary general meeting 25 April 2016, all Board members were re-elected.

The Board held seven Board meetings in 2016 and the attendance at the meetings was 94 percent. In addition, the Audit Committee held four meetings, the Corporate Responsibility Committee met three times, and the Compensation and Organizational Development Committee met twice during the year.



### PROSPECTS FOR THE FUTURE

Due to the recent expansion, the Group's operations today are more robust and less dependent on individual markets than previously. Even if short-run fluctuations in the demand for TOMRA's solutions may occur, the company will in the long run be able to capitalize on strong favorable macro trends both in the food processing and the recycling industry as well as other "machine vision" related industries. These trends include increased population, higher food prices, increased focus on food safety, limited resources, increasing per capita waste levels, higher energy prices, stricter waste recycling regulations, greater environmental awareness, and rising demand for commodities.

### TOMRA COLLECTION SOLUTIONS

Almost all supermarkets in the established deposit markets have automated their return of bottles and cans. These markets therefore represent mainly replacement opportunities and after-markets with regard to service. The global installed base of more than 75,000 machines generates a steady income stream with a high percentage of recurring revenues. In addition to this, new markets will from time to time materialize. Timing is however not possible to predict, as they are heavily dependent upon the outcome of political processes.

TOMRA experienced high activity in both the Nordic region (including Lithuania) as well as in Germany in 2016. The base business is not expected to grow in 2017 given the strong 2016. Additional growth needs consequently to come from new deposit markets, should they materialize.

### TOMRA SORTING SOLUTIONS

This segment sells sorting and processing solutions. Important customer groups include leading food processing companies, waste management companies and various types of industries (including mining). With Food sorting being the most important business stream, the volatility in the segment is now less cyclical than previously, when TOMRA was not present in Food sorting. The demand for food will in general be fairly stable through the cycles, therefore not significantly influencing TOMRA's customers, although margins can fluctuate between the markets and product lines within this business stream. Emerging markets are assumed to provide the strongest growth opportunities.

The order backlog at the end of 2016 was up 10% in local currencies compared to the backlog at the end of 2015. The Board consequently assumes that TOMRA should be in a good position to grow revenues in 2017 versus 2016.

In addition TOMRA Sorting Solutions will recognize revenues from Compac starting 1 February 2017.

### CURRENCY

A stronger NOK is negative for TOMRA, both because the Group has significant activities abroad that are denominated in foreign currencies and appears therefore less profitable measured in NOK, and because TOMRA has a certain cost base in NOK tied to development activities and headquarter functions. For a broader review of currency sensitivities, refer to note 19.

## THE TOMRA SHARE

The number of TOMRA shareholders decreased from 5,875 at the end of 2015 to 5,595 at the end of 2016. The amount of shares held by Norwegian residents at the end of 2016 was 27 percent, unchanged from 2015. The TOMRA share price decreased from NOK 95.50 at the end of 2015 to NOK 90.50 at the end of 2016. Taking into account the dividend of NOK 1.75 paid out in May 2016, the total return on the TOMRA share was negative three percent in 2016 (compared to positive 70 percent in 2015). The return on the Oslo Stock Exchange in 2016 amounted to 14 percent (and 6 percent in 2015), in comparison.

A total of 43 million TOMRA shares were traded on the Oslo Stock Exchange in 2016, up from 41 million shares the year before. TOMRA's largest shareholder, Investment AB Latour held 25.9 percent of the shares at the end of 2016, up from 24.7 percent by the end of 2015.

TOMRA values having a good dialogue with the investor market and has in recent years been named the best Nordic and/or Norwegian IR-company in its class several times in the annual awards presented by REGI/ Burson-Marsteller (which are based on interviews of analysts and investors).

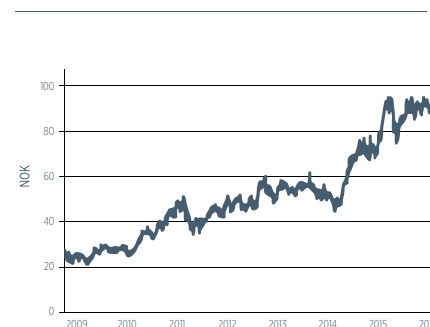
The nominal value of each share is NOK 1. The total number of outstanding shares at year-end 2016 was 148,020,078, including 498,946 treasury shares held by TOMRA. The Board wishes to encourage the company's employees to invest in the company's shares. A share purchase program was therefore established in 2008 that offers employees the opportunity to buy shares at current market rates, and for every five shares held for at least one year, one share is given free of charge. The Board will recommend at the general assembly that the program should be continued, limited to a total of 500,000 shares per year.

## FINANCING

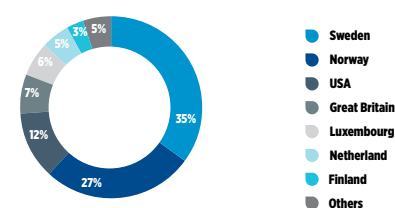
At year end TOMRA had committed credit lines of EUR 170 million, of which 82 EUR million was utilized. The first loan to expire is a EUR 60 million loan, which is due in April 2019. At the end of 2016, TOMRA had a gearing ratio equal to 0.3x (net interest-bearing debt/EBITDA, measured on 2016 performance).

Taking the company's relatively stable cash flow, solid balance sheet and unrealized credit facility into consideration, the Board of Directors is of the opinion that the company has the necessary financial flexibility to take advantage of possible growth opportunities.

## TOMRA share price



## Shareholders by country of residence



Asker, 22 February 2017

**Jan Svensson**  
Chairman

**Aniela Gjøs**  
Board member

**Bodil Sonesson**  
Board member

**Pierre Couderc**  
Board member

**Linda Bell**  
Board member

**David Williamson**  
Employee representative

**Ingrid Solberg**  
Employee representative

**Stefan Ranstrand**  
President & CEO


**FINANCIAL  
STATEMENTS**
**INCOME STATEMENT**

| Tomra Systems ASA<br>NGAAP |                |                                                              |          | Group<br>IFRS  |                |
|----------------------------|----------------|--------------------------------------------------------------|----------|----------------|----------------|
| 2016                       | 2015           | Amounts in NOK million                                       | Note     | 2016           | 2015           |
| <b>1,485.4</b>             | <b>1,610.5</b> | <b>Operating revenues</b>                                    | <b>1</b> | <b>6,609.9</b> | <b>6,142.9</b> |
| 880.4                      | 910.2          | Cost of goods sold                                           | 2        | 2,829.3        | 2,749.2        |
| 208.8                      | 183.4          | Employee benefits expenses                                   | 3,17     | 1,847.4        | 1,666.2        |
| 15.4                       | 11.6           | Ordinary depreciation                                        | 9,10     | 342.9          | 303.3          |
| 107.9                      | 87.6           | Other operating expenses                                     | 7        | 602.6          | 533.5          |
| <b>1,212.5</b>             | <b>1,192.8</b> | <b>Total operating expenses</b>                              |          | <b>5,622.2</b> | <b>5,252.2</b> |
| <b>272.9</b>               | <b>417.7</b>   | <b>Operating profit</b>                                      |          | <b>987.7</b>   | <b>890.7</b>   |
| 324.9                      | 155.0          | Dividend from subsidiaries                                   |          | -              | -              |
| 149.9                      | 8.7            | Financial income                                             |          | 62.7           | 9.7            |
| 31.9                       | 160.9          | Financial expenses                                           |          | 46.5           | 42.5           |
| <b>442.9</b>               | <b>2.8</b>     | <b>Net financial items</b>                                   | <b>4</b> | <b>16.2</b>    | <b>(32.8)</b>  |
| -                          | -              | Profit from associates                                       | 16       | 4.2            | 8.1            |
| <b>715.8</b>               | <b>420.5</b>   | <b>Result before taxes from continuing operations</b>        |          | <b>1,008.1</b> | <b>866.0</b>   |
| 98.6                       | 76.8           | Taxes                                                        | 11       | 256.9          | 211.6          |
|                            |                | Loss from discontinued operations                            | 23       | 12.9           | 6.7            |
| <b>617.2</b>               | <b>343.7</b>   | <b>Profit for the period</b>                                 |          | <b>738.3</b>   | <b>647.7</b>   |
|                            |                | Attributable to:                                             |          |                |                |
|                            |                | Shareholders of the parent                                   |          | 691.2          | 600.8          |
|                            |                | Non-controlling interest                                     |          | 47.1           | 46.9           |
|                            |                | <b>Profit for the period</b>                                 |          | <b>738.3</b>   | <b>647.7</b>   |
|                            |                | Allocated as follows:                                        | 21       |                |                |
| 309.8                      | 258.4          | Dividend                                                     |          |                |                |
| 307.4                      | 85.3           | Other equity                                                 |          |                |                |
| <b>617.2</b>               | <b>343.7</b>   | <b>Total allocated</b>                                       |          |                |                |
|                            |                | Earnings per share, basic (NOK)                              | 21       | 4.68           | 4.06           |
|                            |                | Earnings per share, diluted (NOK)                            | 21       | 4.68           | 4.06           |
|                            |                | Earnings per share from continuing operations, basic (NOK)   |          | 4.76           | 4.11           |
|                            |                | Earnings per share from continuing operations, diluted (NOK) |          | 4.76           | 4.11           |

## OTHER COMPREHENSIVE INCOME

|                                                                                   | Group<br>IFRS |              |
|-----------------------------------------------------------------------------------|---------------|--------------|
| Amounts in NOK million                                                            | 2016          | 2015         |
| <b>Profit for the period</b>                                                      | <b>738.3</b>  | <b>647.7</b> |
| <b>Other comprehensive income that may be reclassified to profit or loss</b>      |               |              |
| Foreign exchange translation differences                                          | (175.4)       | 352.2        |
| <b>Other comprehensive income that will not be reclassified to profit or loss</b> |               |              |
| Remeasurements of defined benefit liability (assets)                              | (3.8)         | (0.5)        |
| Tax on remeasurements of defined benefit liability (assets)                       | 0.9           | 0.1          |
| <b>Total comprehensive income for the period</b>                                  | <b>560.0</b>  | <b>999.5</b> |
| <b>Attributable to:</b>                                                           |               |              |
| Shareholders of the parent company                                                | 516.9         | 931.2        |
| Non-controlling interest                                                          | 43.1          | 68.3         |
| <b>Total comprehensive income for the period</b>                                  | <b>560.0</b>  | <b>999.5</b> |

## BALANCE SHEET AS OF 31 DECEMBER

|        | Tomra Systems ASA<br>NGAAP |                | Amounts in NOK million                     | Note      | Group<br>IFRS  |                |
|--------|----------------------------|----------------|--------------------------------------------|-----------|----------------|----------------|
|        | 2016                       | 2015           |                                            |           | 2016           | 2015           |
| ASSETS | <b>55.6</b>                | <b>51.9</b>    | <b>Deferred tax assets</b>                 | <b>11</b> | <b>217.7</b>   | <b>219.6</b>   |
|        | -                          | -              | Goodwill                                   | 10        | 2,108.1        | 2,211.5        |
|        | -                          | -              | Development costs                          | 10        | 109.8          | 98.8           |
|        | 45.2                       | 27.7           | Other intangible assets                    | 10        | 314.3          | 360.6          |
|        | <b>45.2</b>                | <b>27.7</b>    | <b>Total intangible non-current assets</b> |           | <b>2,532.2</b> | <b>2,670.9</b> |
|        | 25.4                       | 19.3           | Property, plant and equipment              | 9         | 505.9          | 529.6          |
|        | -                          | -              | Leasing equipment                          | 9         | 294.8          | 308.3          |
|        | <b>25.4</b>                | <b>19.3</b>    | <b>Total tangible non-current assets</b>   |           | <b>800.7</b>   | <b>837.9</b>   |
|        | 3,177.0                    | 3,177.0        | Investment in subsidiaries                 | 15        | -              | -              |
|        | 605.4                      | 578.3          | Loan to subsidiaries                       | 15        | -              | -              |
|        | 11.2                       | 9.6            | Investment in associates                   | 16        | 69.8           | 68.5           |
|        | -                          | -              | Other investments                          |           | 1.3            | 1.9            |
|        | 22.6                       | 20.2           | Long term receivables                      | 8         | 271.5          | 245.3          |
|        | <b>3,816.2</b>             | <b>3,785.1</b> | <b>Total financial non-current assets</b>  |           | <b>342.6</b>   | <b>315.7</b>   |
|        | <b>3,942.4</b>             | <b>3,884.0</b> | <b>Total non-current assets</b>            |           | <b>3,893.2</b> | <b>4,044.1</b> |
|        | <b>7.4</b>                 | <b>7.5</b>     | <b>Inventory</b>                           | <b>2</b>  | <b>1,126.9</b> | <b>1,209.0</b> |
|        | 10.9                       | 17.7           | Trade receivables                          |           | 1,320.9        | 1,363.4        |
|        | 252.0                      | 454.1          | Intra-group receivables                    |           | -              | -              |
|        | 24.0                       | 42.1           | Other short-term receivables               |           | 374.6          | 387.8          |
|        | <b>286.9</b>               | <b>513.9</b>   | <b>Total receivables</b>                   | <b>7</b>  | <b>1,695.5</b> | <b>1,751.2</b> |
|        | <b>109.9</b>               | <b>0.2</b>     | <b>Cash and cash equivalents</b>           | <b>18</b> | <b>399.2</b>   | <b>312.9</b>   |
|        | <b>404.2</b>               | <b>521.6</b>   | <b>Total current assets</b>                |           | <b>3,221.6</b> | <b>3,273.1</b> |
|        | <b>4,346.6</b>             | <b>4,405.6</b> | <b>Total assets</b>                        |           | <b>7,114.8</b> | <b>7,317.2</b> |

|                        | Tomra Systems ASA<br>NGAAP |                | Amounts in NOK million               | Note      | Group<br>IFRS  |                |
|------------------------|----------------------------|----------------|--------------------------------------|-----------|----------------|----------------|
|                        | 2016                       | 2015           |                                      |           | 2016           | 2015           |
| LIABILITIES AND EQUITY | 148.0                      | 148.0          | Share capital                        |           | 148.0          | 148.0          |
|                        | (0.5)                      | (0.4)          | Treasury shares                      |           | (0.5)          | (0.4)          |
|                        | 918.3                      | 918.3          | Share premium reserve                |           | 918.3          | 918.3          |
|                        | <b>1,065.8</b>             | <b>1,065.9</b> | <b>Paid-in capital</b>               |           | <b>1,065.8</b> | <b>1,065.9</b> |
|                        | <b>683.8</b>               | <b>390.5</b>   | <b>Retained earnings</b>             |           | <b>3,126.5</b> | <b>2,879.2</b> |
|                        | -                          | -              | <b>Non-controlling interest</b>      |           | <b>177.7</b>   | <b>160.4</b>   |
|                        | <b>1,749.6</b>             | <b>1,456.4</b> | <b>Total equity</b>                  | <b>21</b> | <b>4,370.0</b> | <b>4,105.5</b> |
|                        | -                          | -              | Deferred tax liabilities             | 11        | 97.5           | 124.2          |
|                        | 54.6                       | 58.1           | Pension liabilities                  | 17        | 83.0           | 87.8           |
|                        | 745.1                      | 1,202.4        | Interest-bearing liabilities         | 6         | 759.7          | 1,206.4        |
|                        | -                          | -              | Other long-term liabilities          |           | 73.3           | 62.3           |
|                        | 145.4                      | 153.8          | Loan from subsidiaries               |           | -              | -              |
|                        | <b>945.1</b>               | <b>1,414.3</b> | <b>Total non-current liabilities</b> |           | <b>1,013.5</b> | <b>1,480.7</b> |
|                        | -                          | -              | Interest-bearing liabilities         | 6         | -              | -              |
|                        | 41.6                       | 58.0           | Trade payables                       |           | 440.5          | 498.8          |
|                        | 1,061.7                    | 989.1          | Intra-group debt                     |           | -              | -              |
|                        | 102.4                      | 93.7           | Income tax payable                   | 11        | 144.6          | 179.2          |
|                        | 19.0                       | 14.0           | Provisions                           | 13        | 138.2          | 146.0          |
|                        | 427.2                      | 380.1          | Other current liabilities            | 12        | 1,008.0        | 907.0          |
|                        | <b>1,651.9</b>             | <b>1,534.9</b> | <b>Total current liabilities</b>     |           | <b>1,731.3</b> | <b>1,731.0</b> |
|                        | <b>2,597.0</b>             | <b>2,949.2</b> | <b>Total liabilities</b>             |           | <b>2,744.8</b> | <b>3,211.7</b> |
|                        | <b>4,346.6</b>             | <b>4,405.6</b> | <b>Total liabilities and equity</b>  |           | <b>7,114.8</b> | <b>7,317.2</b> |

Asker, 22 February 2017

Jan Svensson  
ChairmanAniela Gjøs  
Board memberBodil Sonesson  
Board memberPierre Couderc  
Board memberLinda Bell  
Board memberDavid Williamson  
Employee representativeIngrid Solberg  
Employee representativeStefan Ranstrand  
President & CEO

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <b>GROUP IFRS<br/>Amounts in NOK million</b>            | <b>Paid-in<br/>capital</b> | <b>Translation<br/>reserve</b> | <b>Remeasurements<br/>of defined<br/>benefit liability<br/>(assets)</b> | <b>Retained<br/>earnings</b> | <b>Total equity<br/>attributable to<br/>the owners of<br/>the company</b> | <b>Non-<br/>controlling<br/>Interest</b> | <b>Total<br/>Equity</b> |
|---------------------------------------------------------|----------------------------|--------------------------------|-------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------|------------------------------------------|-------------------------|
| <b>Balance per 1 January 2015</b>                       | <b>1,066.1</b>             | <b>325.2</b>                   | <b>(37.1)</b>                                                           | <b>1,889.8</b>               | <b>3,244.0</b>                                                            | <b>115.4</b>                             | <b>3,359.4</b>          |
| Profit for the period                                   |                            |                                |                                                                         | 600.8                        | 600.8                                                                     | 46.9                                     | 647.7                   |
| Changes in translation differences                      |                            | 330.8                          |                                                                         |                              | 330.8                                                                     | 21.4                                     | 352.2                   |
| Remeasurements of defined<br>benefit liability (assets) |                            |                                | (0.4)                                                                   |                              | (0.4)                                                                     |                                          | (0.4)                   |
| <b>Total comprehensive income for the period</b>        | <b>0.0</b>                 | <b>330.8</b>                   | <b>(0.4)</b>                                                            | <b>600.8</b>                 | <b>931.2</b>                                                              | <b>68.3</b>                              | <b>999.5</b>            |
| <b>Transactions with shareholders</b>                   |                            |                                |                                                                         |                              |                                                                           |                                          |                         |
| Dividend non-controlling interest                       |                            |                                |                                                                         |                              | 0.0                                                                       | (43.9)                                   | (43.9)                  |
| Purchase of own shares                                  | (0.3)                      |                                |                                                                         | (22.5)                       | (22.8)                                                                    |                                          | (22.8)                  |
| Own shares sold to employees                            | 0.1                        |                                |                                                                         | 7.0                          | 7.1                                                                       |                                          | 7.1                     |
| Minority new consolidated companies                     |                            |                                |                                                                         |                              | 0.0                                                                       | 20.6                                     | 20.6                    |
| Dividend to shareholders                                |                            |                                |                                                                         | (214.4)                      | (214.4)                                                                   |                                          | (214.4)                 |
| <b>Total transactions with shareholders</b>             | <b>(0.2)</b>               | <b>0.0</b>                     | <b>0.0</b>                                                              | <b>(229.9)</b>               | <b>(230.1)</b>                                                            | <b>(23.3)</b>                            | <b>(253.4)</b>          |
| <b>Balance per 31 December 2015</b>                     | <b>1,065.9</b>             | <b>656.0</b>                   | <b>(37.5)</b>                                                           | <b>2,260.7</b>               | <b>3,945.1</b>                                                            | <b>160.4</b>                             | <b>4,105.5</b>          |
| Profit for the period                                   |                            |                                |                                                                         | 691.2                        | 691.2                                                                     | 47.1                                     | 738.3                   |
| Changes in translation differences                      |                            | (171.4)                        |                                                                         |                              | (171.4)                                                                   | (4.0)                                    | (175.4)                 |
| Remeasurements of defined<br>benefit liability (assets) |                            |                                | (2.9)                                                                   |                              | (2.9)                                                                     |                                          | (2.9)                   |
| <b>Total comprehensive income for the period</b>        | <b>0.0</b>                 | <b>(171.4)</b>                 | <b>(2.9)</b>                                                            | <b>691.2</b>                 | <b>516.9</b>                                                              | <b>43.1</b>                              | <b>560.0</b>            |
| <b>Transactions with shareholders</b>                   |                            |                                |                                                                         |                              |                                                                           |                                          |                         |
| Dividend non-controlling interest                       |                            |                                |                                                                         |                              | 0.0                                                                       | (29.8)                                   | (29.8)                  |
| Purchase of own shares                                  | (0.3)                      |                                |                                                                         | (31.0)                       | (31.3)                                                                    |                                          | (31.3)                  |
| Own shares sold to employees                            | 0.2                        |                                |                                                                         | 20.2                         | 20.4                                                                      |                                          | 20.4                    |
| Minority new consolidated companies                     |                            |                                |                                                                         |                              | 0.0                                                                       | 4.0                                      | 4.0                     |
| Dividend to shareholders                                |                            |                                |                                                                         | (258.8)                      | (258.8)                                                                   |                                          | (258.8)                 |
| <b>Total transactions with shareholders</b>             | <b>(0.1)</b>               | <b>0.0</b>                     | <b>0.0</b>                                                              | <b>(269.6)</b>               | <b>(269.7)</b>                                                            | <b>(25.8)</b>                            | <b>(295.5)</b>          |
| <b>Balance per 31 December 2016</b>                     | <b>1,065.8</b>             | <b>484.6</b>                   | <b>(40.4)</b>                                                           | <b>2,682.3</b>               | <b>4,192.3</b>                                                            | <b>177.7</b>                             | <b>4,370.0</b>          |

## CASH FLOW STATEMENT

| Tomra Systems ASA<br>NGAAP                 |                |                                                                                          | Group<br>IFRS  |                |
|--------------------------------------------|----------------|------------------------------------------------------------------------------------------|----------------|----------------|
| 2016                                       | 2015           | Amounts in NOK million                                                                   | 2016           | 2015           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b> |                |                                                                                          |                |                |
| 715.8                                      | 420.5          | Ordinary profit/(loss) before taxes <sup>1)</sup>                                        | 995.2          | 859.3          |
| (93.7)                                     | (3.1)          | Income taxes paid                                                                        | (321.7)        | (157.5)        |
| -                                          | -              | (Gains)/losses from sales of fixed assets                                                | -              | (0.9)          |
| 15.4                                       | 11.6           | Depreciation                                                                             | 340.6          | 299.5          |
| -                                          | -              | Write-down non-current assets                                                            | 2.3            | 3.8            |
| 1.1                                        | 6.7            | Net change in inventory                                                                  | 27.7           | (215.2)        |
| 22.5                                       | (9.8)          | Net change in receivables                                                                | (51.4)         | (51.3)         |
| (16.4)                                     | 31.4           | Net change in payables                                                                   | (45.7)         | 12.8           |
| (6.3)                                      | -              | Difference between booked costs on pension funds and actual cash payments to these funds | (8.0)          | (0.3)          |
| -                                          | -              | Exchange rate effects                                                                    | 18.4           | (6.0)          |
| -                                          | -              | Profit before tax from affiliated companies                                              | 4.2            | (8.1)          |
| -                                          | -              | Dividend from affiliated companies                                                       | (3.0)          | 2.9            |
| (65.7)                                     | 104.1          | Changes in other balance sheet items                                                     | 130.1          | 164.7          |
| (12.5)                                     | 3.9            | Interest expense/(income)                                                                | 6.5            | 9.8            |
| <b>560.2</b>                               | <b>565.3</b>   | <b>Net cash flow from operating activities</b>                                           | <b>1,095.2</b> | <b>913.5</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b> |                |                                                                                          |                |                |
| -                                          | -              | Proceeds from sales of non-current assets                                                | 43.3           | 60.1           |
| -                                          | 82.3           | Proceeds from sale of subsidiary                                                         | 2.7            | 101.4          |
| (1.6)                                      | -              | Acquisition of subsidiary / Capital infusion                                             | -              | (42.1)         |
| (39.9)                                     | (26.4)         | Investment in non-current assets                                                         | (363.6)        | (401.9)        |
| -                                          | -              | Proceeds from sales of shares                                                            | -              | 2.3            |
| <b>(41.5)</b>                              | <b>55.9</b>    | <b>Net cash flow from investing activities</b>                                           | <b>(317.6)</b> | <b>(280.2)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b> |                |                                                                                          |                |                |
| 239.0                                      | (132.2)        | Loan payments (to)/from subsidiaries                                                     | -              | -              |
| (761.4)                                    | (567.7)        | Repayment of long-term loans                                                             | (761.2)        | (669.8)        |
| 370.5                                      | 143.1          | Proceeds from issuance of long term debt                                                 | 397.0          | 143.1          |
| -                                          | -              | Dividend non-controlling interest                                                        | (25.8)         | (43.9)         |
| (31.2)                                     | (22.8)         | Purchase of treasury shares                                                              | (31.2)         | (22.8)         |
| 20.4                                       | 7.1            | Sale of treasury shares                                                                  | 20.4           | 7.1            |
| 18.0                                       | 8.7            | Interest received                                                                        | 9.4            | 9.7            |
| (5.5)                                      | (12.6)         | Interest paid                                                                            | (15.9)         | (19.5)         |
| (258.8)                                    | (214.4)        | Dividend paid                                                                            | (258.8)        | (214.4)        |
| <b>(409.0)</b>                             | <b>(790.8)</b> | <b>Net cash flow from financing activities</b>                                           | <b>(666.1)</b> | <b>(810.5)</b> |
| -                                          | -              | Currency effect on cash                                                                  | (25.2)         | 53.8           |
| 109.7                                      | (169.6)        | Net change in cash and cash equivalents                                                  | 86.3           | (123.4)        |
| 0.2                                        | 169.8          | Cash and cash equivalents per 1 January                                                  | 312.9          | 436.3          |
| 109.9                                      | 0.2            | Cash and cash equivalents per 31 December                                                | 399.2          | 312.9          |

The Cash flow analysis contains cash flow from continuing and discontinued operations. See note 23 for cash flow from discontinued operations.

1) Including loss from discontinued operations.

## CONSOLIDATION AND ACCOUNTING PRINCIPLES

### GROUP - IFRS

#### GENERAL

##### Business concept and customers

Tomra Systems ASA (the “Company”) is a company domiciled in Norway. The registered office is Drengsrudhagen 2, Asker.

TOMRA’s goal is to create sensor-based solutions for optimal resource productivity, making sustainability profitable – with increased relevance and meaning. In parallel, TOMRA fosters a culture that inspires and motivates its people and customers.

Added value is created for each customer through excellence in service and innovation.

TOMRA’s customers are mainly located in Europe and North America.

##### Significant accounting policies

The consolidated financial statements of the Company for the year ended 31 December 2016 comprise the Company and its subsidiaries and joint ventures (together referred to as the “Group”) and the Group’s interest in associates. The financial statements consist of the income statement, other comprehensive income, balance sheet, cash flow statement, consolidated statement of changes in equity and notes to the accounts.

The financial statements were authorized for issue by the Directors on 22 February 2017, and will be presented for final approval at the general meeting on 27 April 2017. Until the final approval by the general meeting, the board can authorize changes to the financial statements.

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU, and the additional disclosure requirements of the Norwegian accounting act as at 31 December 2016.

#### (b) Basis of preparation

The financial statements are presented in NOK, rounded to the nearest one hundred thousand.

The financial statements are prepared based on historical cost, except for the following material items:

- Derivative financial instruments recognized at fair value through profit and loss.
- Defined benefit obligation recognized as the net total of the plan assets and the present value of the defined benefit obligation.

The financial statements are prepared on a going concern basis.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of determining carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The accounting policies have been applied consistently by each Group entity.

## REPORTING STRUCTURE

The Group's consolidated amounts comprise the following units:

### Tomra Systems ASA

#### Europe

Tomra Europe AS (N)  
 Tomra Butikksystemer AS (N)  
 Tomra Systems AB (S)  
 OY Tomra AB (F)  
 Tomra Systems AS (DK)  
 Tomra Holding OÜ (EN) (57,5%)  
 Tomra Service OÜ (EN) (57,5 %)  
 Tomra Systems UAB (LH) (57,5%)  
 Tomra Systems BV (NL)  
 Tomra Systems GmbH (DE)  
 Retail Services GmbH (DE)  
 Tomra Leergutsysteme GmbH (AU)  
 Tomra Systems SA (FR)  
 Tomra Systems NV (BEL)  
 Tomra s.r.o (CZE) (40 %)  
 Tomra Systems D.O.O (HR) (70%)  
 Tomra Production AS (N)  
 Tomra Systems Ltd. (UK)  
 Tomra Sorting AS (N)  
 Tomra Sorting GmbH (DE)  
 Tomra Sorting S.L. (E)  
 Tomra Sorting Ltd. (UK)  
 Tomra Sorting Sp. Z.o.o. (P)  
 Tomra Sorting S.a.r.l. (FR)  
 Tomra Sorting SRO (SK)  
 Tomra Sorting Ltd (IE)  
 Tomra Sorting SRL (IT)  
 Odenberg Engineering BV (NL)  
 Best Sorting Spain S.L. (E)  
 Tomra Sorting NV (BEL)  
 Tomra Sorting BV (NL)  
 Belgian Electronic Sorting Technology TR  
 Mak. San. Tic. A.S. (TR)  
 Best Vastgoed (NL)  
 Fastighetsbolaget TFAB i Tommelilla AB (S)

#### North-America

Tomra of North America Inc. (DE)  
 Tomra of North America Finance Company LLC (DE)  
 Tomra Metro LLC (CT)  
 Western New York Beverage Industry Collection and Sorting LP (74%) (NY)  
 Tomra New York Recycling LLC (64,63%) (NY)  
 Upstate Tomra LLC (55%) (NY)  
 Tomra Mass. (55%) (MA)  
 Tomra Canada Inc. (CAN)  
 Tomra Pacific Inc. (DE)  
 UBCR (51%) (MI)  
 UltrePET LLC (49%) (NY)  
 Tomra Compaction LLC (DE)  
 TOMRA/CBSI LLC (DE)  
 Returnable Services LLC (DE)  
 Synergistics LLC (51%) (MI)  
 Tomra Sorting (CAN)  
 Tomra Sorting, Inc. (USA)

#### Rest of the world

Tomra Sorting Japan KK (JAP)  
 Tomra Japan Ltd. (50%) (JAP)  
 Tomra Sorting Co, Ltd. (KOR)  
 Tomra Sorting (Pty) Ltd. (South Africa)  
 Tomra Sorting (Pty) Ltd. (Australia)  
 Tomra Sorting Technology (Xiamen) Co. Ltd. (China)  
 Tomra (Xiamen) Imp. & Exp. Co. Ltd. (China)  
 Tomra Brasil Solucoes EM segregacao LTDA (Brazil)  
 Tomra Sorting JLT (Dubai)  
 Tomra Sorting Chile SpA (Chile)  
 Tomra Sorting India Private Limited (India)  
 Tomra Sorting OOO (Russia)  
 Best Hong Kong Int. Ltd. (Hong Kong)  
 Tomra Claims Resolution Company (Cayman Islands)  
 Tomra Recycling Technology (Xiamen) Co. Ltd (51%) (China)  
 Incom Tomra Recycling Technology (Beijing) Co. Ltd (49%) (China)

Tomra Systems Ltd. (UK) was liquidated in 2015.

Tomra Baltic OÜ (EN) was merged with Tomra Service OÜ in 2016, and Fastighetsbolaget TFAB i Tommelilla AB (S) was sold in 2016.

## CONSOLIDATION PRINCIPLES

### (a) Consolidated companies

The consolidated accounts include the parent company Tomra Systems ASA and companies in which the parent company has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries acquired or sold during the course of the year are included in the income statement as of the date that control commenced until the date that control ceased.

### (b) Elimination of shares in subsidiaries

Shares in subsidiaries are eliminated on the basis of the past equity method. The difference between the book value of shares in subsidiaries and book value of the subsidiaries' equity at the time such shares were acquired is analyzed and posted to the balance sheet items to which the excess amounts relate. Goodwill represents the excess of the purchase price paid for acquisitions above net assets acquired and is tested for impairment at least annually.

### (c) Currency translation for foreign subsidiaries

The profit and loss statements for foreign subsidiaries prepared in foreign currencies are translated on the basis of average exchange rates for the year. The balance sheet is converted on the basis of the exchange rates on December 31. Translation differences are shown as a separate item and charged to other comprehensive income (OCI).

When foreign subsidiaries are sold, completely or partially, the associated translation difference is recognized in the profit and loss.

### (d) Non-controlling interest

The non-controlling interest's share of the net profit and equity are classified as separate items in the income statement and balance sheet.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognized on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

### (e) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date when control is transferred to the Group.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit and loss.

For accounting of goodwill see Valuation and Classification principles (f) Goodwill.

### (f) Internal transactions/intercompany items

All purchases and sales between Group companies, intra Group expenses, as well as receivables and liabilities have been eliminated in the consolidated statements.

### (g) Joint Ventures

Joint Ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using the equity method, see note 16.

### (h) Associates

Associates, in which TOMRA has an ownership interest of 20-50% and significant influence over operational and financial decisions, are included in the consolidated accounts based on the equity method. The Group's share of the profit from associates is reported under financial items in the income statement and as operating activities in the statement of cash flow.

## VALUATION AND CLASSIFICATION PRINCIPLES

### Estimations

The preparation of the annual accounts of TOMRA involves the use of estimates. The estimates are based on a number of assumptions and forecasts that, by their nature, involve uncertainty. Various factors could cause TOMRA's actual results to differ materially from those projected in the estimates. This includes, but is not limited to, 1) cash flow forecast from business units supporting the carrying amount of goodwill and deferred tax assets, 2) provisions for warranty and 3) assumptions for calculation of pension obligations.

In performing the impairment test of goodwill, the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates including, but not limited to, estimates of future performance of the CGU's, assumptions of the future market conditions, and discount rate. Changes in circumstances and in management's evaluations and assumptions may give rise to changes in the outcome of impairment testing.

#### **(a) Revenue recognition**

Revenue on product sales and sales-type leases of the company's products is generally recognized at the time of installation. Revenue on service contracts and operating leases of the company's products is recognized over the terms of the related agreements. Other service revenue is recognized when services are provided.

Construction contract revenue has been determined based on the percentage of completion method. The amount of revenue recognized results from the development of sorters for the Group's customers in the Sorting Solution segment. These sorters are constructed based on specifically negotiated contracts with each customer.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit and loss in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed and cost incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognized as incurred unless they create an asset related to future contract activity. An expected loss on a contract is recognized immediately in profit and loss.

#### **(b) Cost recognition**

Costs are expensed in the period that the income to which they relate is recognized. Costs that can not be directly related to income are expensed as incurred.

#### **(c) Expenses**

##### **Operating lease payments**

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense.

#### **Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in the income statement.

Interest income is recognized in the income statement as it accrues, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payments is established. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

#### **Hedge of a net investment in foreign operation**

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Group's currency (NOK).

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in other comprehensive income to the extent that the hedge is effective, and are presented in the translation reserve within equity. The tax effect is charged to equity. To the extent that the hedge is ineffective, such differences are recognized in profit and loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit and loss as part of the gain or loss on disposal.

#### **(d) Derivative financial instruments**

Financial instruments are recognized initially at cost and are subsequently stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit and loss.

#### **(e) Property, plant and equipment**

##### **Owned assets**

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit and loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Land is not depreciated.

If the recoverable amount of an item of property, plant and equipment is lower than carrying amount, the asset will be written down to fair value.

#### **Leased assets**

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

#### **Subsequent costs**

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

#### **(f) Intangible assets**

Intangibles consist of goodwill, development cost, entitlement to trademarks and non-competition agreements.

#### **Goodwill**

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures.

For acquisitions, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognized amount of any non-controlling interests in the acquisition less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit and loss.

Goodwill is allocated to cash-generating units and is tested annually at 31 December for impairment. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Adjustments to estimated contingent consideration are included in the income statement.

#### **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour and overhead costs directly attributable to preparing the asset for use. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Straight-line depreciation is applied over the economic life of the asset.

The company has not received any material government grants.

#### **Other intangibles**

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses. Other intangibles are amortized over the term of the contract. Impairment-testing was performed at year end where there were indications of impairment, see note 10.

Expenditure on internally generated goodwill and brands is recognized in profit and loss as an expense as incurred.

#### **Subsequent expenditure**

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### **(g) Shares**

Shares intended for long-term ownership are recorded in the balance sheet under long-term investments. These are valued at acquisition cost, unless circumstances, which cannot be regarded as of a temporary nature, exist which necessitate a lower valuation.

#### **(h) Inventory**

Inventories of raw materials are valued at the lower of cost of acquisition and fair value. Work in progress and finished products are valued at the lower of cost to manufacture or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and

selling expenses. Spare parts and parts held by service agents are valued at cost. A deduction is made for obsolescence where necessary.

The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**(i) Transactions, receivables and liabilities in foreign currencies**

Receivables and liabilities are booked at the exchange rate at the date of the balance sheet. Transactions in profit and loss are booked at monthly average exchange rates.

Material single transactions are booked at the transaction date exchange rate.

**(j) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, bank deposits, money market funds, and other short-term investments with original maturity of three months or less. The parent company presents total bank deposits in the international cash pool, while the subsidiaries present their share of the international cash pool as intra-group balances.

**(k) Pension obligations  
Defined contribution plans**

Obligations for contributions to defined contribution plans are recognized as employee benefits expenses in profit and loss as the related service is provided.

TOMRA's defined contribution plan also includes the right to a paid up policy, an element of which is a defined benefit. This part of the defined contribution plan is accounted for as a defined benefit plan as described below.

**Defined benefit plans**

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss and presented as a financial item.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss. TOMRA Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**(l) Warranty allocations**

A general provision has been made for future warranty costs based on the previous year's turnover in all Group companies.

**(m) Taxes**

The tax charge in the income statement includes both taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable resulting from the year's activities. Deferred taxes are determined based on the accumulated result, which falls due for payment in future periods. Deferred taxes are calculated on net positive timing differences between accounting and tax balance sheet values, after offsetting negative timing differences and losses carried forward under the liability method. See Note 11.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**(n) Earnings per share**

Earnings per share has been computed based upon the weighted average number of common shares and share equivalents outstanding during each period. Common share equivalent recognizes the potential dilutive effects of future exercises of common share warrants and employee incentive programs payable in company shares.

**(o) Cash flow statement**

The cash flow statement is compiled using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term investments with terms not exceeding three months that can immediately, and with no material exchange rate exposure, be exchanged for cash.

**(p) Impairment**

The carrying amounts of the Group's assets, other than inventory and deferred tax assets (see separate accounting policies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated on an annual basis, see note 10.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units), on a pro rata basis.

**Calculation of recoverable amount**

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Reversals of impairment**

An impairment loss relating to goodwill can not be reversed.

With respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(q) Dividends**

Dividends are recognized as a liability in the period in which they are declared.

**(r) Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

**(s) Provisions**

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Expected incremental legal costs where there is a past obligation event with respect to the underlying claim are accrued for as provisions.

**(t) Trade and other payables**

Trade and other payables are stated at cost.

**(u) Segment reporting**

A segment is a distinguishable component of the Group that is engaged in providing products or services that is subject to risks and rewards that are different from those of other segments.

Segment information is presented in the same format that TOMRA Group's management uses to manage the business.

**(v) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

On initial classification as discontinued operations, non-current assets are classified as held for sale and recognized at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit and loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

### **(w) Share Capital**

#### **Ordinary shares**

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

#### **Repurchase of share capital**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

### **(x) Alternative performance measures**

Alternative performance measures used in this report are defined in the following way:

- **EBITA** is the calculated profit (loss) for the period before (i) income tax expenses, (ii) finance income and expenses and (iii) amortization.
- **Net interest bearing debt** is calculated as the difference between interest-bearing debts and cash and cash equivalents. Interest-bearing debts include loans from financial institutions (current and non-current loans) and cash and cash equivalents include short-term deposits, cash funds and bank accounts.
- **Currency adjusted revenues** is the revised revenues after adjusting for estimated currency effect.
- **Order backlog** is defined as the value of orders received within Tomra Sorting that has not yet been delivered (and consequently not yet taken to P/L).

### **(y) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not effective for the year ended 31 December 2016 and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 9 Financial Instruments  
IFRS 15 Revenue from Contracts with Customers  
IFRS 16 Leases  
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses  
Amendments to 7 – Disclosure Initiative

TOMRA is considering the effects of the future adoption of these standards.

IFRS 15 was issued in May 2014 with effective date 1. January 2018. The standard establishes a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. Under IFRS 15 an entity recognizes revenue when a performance obligation is satisfied, i.e. when control over the goods or services underlying the particular performance obligation is transferred to the customer.

The evaluation of the impact for Tomra Collection Solutions will be completed during 2017, but as the majority of revenues in Tomra Collection Solutions stem from sale of goods and service with only one performance obligation, the implementation of IFRS 15 in Tomra Collection Solutions is not anticipated to significantly impact the financial statements.

The evaluation of the impact for Tomra Sorting Solutions will be completed during 2017, but an impact is expected from the new Revenue recognition standard. A preliminary assessment considers the sale of a sorter and the following installation as one performance obligation, and therefore the revenues can not be recognized until the installation is completed. As it normally takes 3-6 months from delivery of the machine until the installation is complete, revenue recognition is likely to occur at a later point in time with the new standard.

IFRS 16 leases was issued in January 2016 with effective date 1. January 2019. IFRS 16 specifies how to recognize, measure and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The evaluation of the impact for TOMRA has not been completed at this stage, but the implementation of the lease standard is anticipated to increase the balance sheet by 10-15 percent. The implementation will also have a negative impact on key figures using total assets as a variable such as ROCE. The expenses will be presented as depreciations and interest expenses in the income statement, rather than operating lease expenses, and will have a positive effect on EBITDA.

The current assessment of other new and revised standards is that TOMRA does not expect any material effects in the financial statements from the new standards.

## ACCOUNTING PRINCIPLES

### TOMRA SYSTEMS ASA - NGAAP

#### GENERAL

##### BASIC PRINCIPLES

The financial statements, which have been presented in compliance with the Norwegian Companies Act, the Norwegian Accounting Act and Norwegian generally accepted accounting principles, consist of the income statement, balance sheet, cash flow statement and notes to the accounts.

The financial statements have been prepared based on the fundamental principles governing historical cost accounting, comparability, continued operations and congruence. Transactions are recorded at their value at the time of the transaction. Income is recognized at the time of delivery of goods or services sold. Costs are expensed in the period that the income to which they relate is recognized.

Estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the period, are prepared by management based upon their best knowledge at reporting date. Actual results may differ from those estimates.

#### VALUATION AND CLASSIFICATION PRINCIPLES

##### REVENUE RECOGNITION

Revenues for machines and parts are recognized when risk is transferred to the customer. Other service revenue is recognized when services are provided.

Dividend income is recognized in profit and loss when the entity's right to receive payments is established.

##### COST RECOGNITION

Costs are expensed in the period that the income to which they relate is recognized. Costs that can not be directly related to income are expensed as incurred.

##### START-UP AND DEVELOPMENT COSTS

Start-up and research and development costs are expensed as they are incurred.

#### TANGIBLE FIXED ASSETS

Fixed assets are entered in the accounts at original cost, with deductions for accumulated depreciation and write-down. If the fair value of a fixed asset is lower than book value, and the decline in value is not temporary, the fixed asset will be written down to fair value.

Based on the acquisition cost, straight-line depreciation is applied over the economic life of the fixed assets.

#### SHARES

Shares intended for long-term ownership are recorded in the balance sheet under long-term investments. These are valued at acquisition cost unless circumstances, which cannot be regarded as of a temporary nature, exist which necessitate a lower valuation.

#### RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Receivables and liabilities are booked at the exchange rate at the date of the balance sheet.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, bank deposits, money market funds, and other short-term investments with original maturity of three months or less.

Tomra Systems ASA presents total bank deposits in the international cash pool, while subsidiaries present their share of the international cash pool as intra-group balances.

#### PENSION OBLIGATIONS

##### Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as employee benefits expenses in profit and loss as the related service is provided.

Tomra Systems ASA's defined contribution plan also includes the right to a paid up policy, an element of which is a defined benefit. This part of the defined contribution plan is accounted for as a defined benefit plan as described below.

**Defined benefit plans**

Tomra Systems ASA's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to Tomra Systems ASA, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in Equity. Tomra Systems ASA determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit and loss.

Tomra Systems ASA recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

**TAXES**

The tax charge in the profit and loss account includes both taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable resulting from the year's activities. Deferred taxes are determined based on the accumulated result, which falls due for payment in

future periods. Deferred taxes are calculated on net positive timing differences between accounting and tax balance sheet values, after offsetting negative timing differences and losses carried forward under the liability method in accordance with the rules set out in the Norwegian Accounting Standard.

**CASH FLOW STATEMENT**

The cash flow statement is compiled using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term investments with terms not exceeding three months that immediately, and with no material exchange rate exposure, can be exchanged for cash.

## NOTES

### NOTE 1 SEGMENT INFORMATION

TOMRA GROUP- IFRS

| Amounts in NOK million              | Collection<br>Solutions | Sorting<br>Solutions | Group<br>Functions | TOTAL        |
|-------------------------------------|-------------------------|----------------------|--------------------|--------------|
| <b>2015</b>                         |                         |                      |                    |              |
| Nordic                              | 526                     |                      |                    | 526          |
| Europe (ex Nordic) <sup>1)</sup>    | 1,809                   |                      |                    | 1,809        |
| North America <sup>2)</sup>         | 1,393                   |                      |                    | 1,393        |
| Rest of the world                   | 75                      |                      |                    | 75           |
| Europe <sup>1)</sup>                |                         | 1,089                |                    | 1,089        |
| North America <sup>2)</sup>         |                         | 685                  |                    | 685          |
| South America                       |                         | 92                   |                    | 92           |
| Asia                                |                         | 366                  |                    | 366          |
| Oceania                             |                         | 52                   |                    | 52           |
| Africa                              |                         | 56                   |                    | 56           |
| <b>Operating revenues</b>           | <b>3,803</b>            | <b>2,340</b>         | <b>0</b>           | <b>6,143</b> |
| Gross contribution                  | 1,510                   | 1,053                |                    | 2,563        |
| - in %                              | 40 %                    | 45 %                 |                    | 42 %         |
| Operating expenses                  | 749                     | 763                  | 36                 | 1,548        |
| <b>EBITA</b>                        | <b>761</b>              | <b>290</b>           | <b>(36)</b>        | <b>1,015</b> |
| - in %                              | 20 %                    | 12 %                 |                    | 17 %         |
| Amortizations                       | 41                      | 83                   |                    | 124          |
| <b>EBIT</b>                         | <b>720</b>              | <b>207</b>           | <b>(36)</b>        | <b>891</b>   |
| - in %                              | 19 %                    | 9 %                  |                    | 15 %         |
| Share of profit from associates     | 8                       | 0                    | 0                  | 8            |
| Investments                         | 297                     | 105                  | 0                  | 402          |
| Investments in associates           | 69                      | 0                    | 0                  | 69           |
| Assets <sup>3)</sup>                | 2,992                   | 3,793                | 532                | 7,317        |
| Liabilities                         | 1,063                   | 588                  | 1,561              | 3,212        |
| Depreciation and amortization       | 180                     | 119                  | 0                  | 299          |
| Impairment losses recognized in P&L | 4                       | 0                    | 0                  | 4            |
| Other significant non-cash expenses | 0                       | 0                    | 0                  | 0            |

**NOTE 1 SEGMENT INFORMATION (CONT.)**

| Amounts in NOK million              | Collection Solutions | Sorting Solutions | Group Functions | TOTAL        |
|-------------------------------------|----------------------|-------------------|-----------------|--------------|
| <b>2016</b>                         |                      |                   |                 |              |
| Nordic                              | 665                  |                   |                 | 665          |
| Europe (ex Nordic) <sup>1)</sup>    | 1,860                |                   |                 | 1,860        |
| North America <sup>2)</sup>         | 1,474                |                   |                 | 1,474        |
| Rest of the world                   | 66                   |                   |                 | 66           |
| Europe <sup>1)</sup>                |                      | 1,100             |                 | 1,100        |
| North America <sup>2)</sup>         |                      | 805               |                 | 805          |
| South America                       |                      | 80                |                 | 80           |
| Asia                                |                      | 368               |                 | 368          |
| Oceania                             |                      | 115               |                 | 115          |
| Africa                              |                      | 77                |                 | 77           |
| <b>Operating revenues</b>           | <b>4,065</b>         | <b>2,545</b>      | <b>0</b>        | <b>6,610</b> |
| Gross contribution                  | 1,664                | 1,150             |                 | 2,814        |
| - in %                              | 41 %                 | 45 %              |                 | 43 %         |
| Operating expenses                  | 821                  | 822               | 52              | 1,695        |
| <b>EBITA</b>                        | <b>843</b>           | <b>328</b>        | <b>(52)</b>     | <b>1,119</b> |
| - in %                              | 21 %                 | 13 %              |                 | 17 %         |
| Amortizations                       | 48                   | 83                |                 | 131          |
| <b>EBIT</b>                         | <b>795</b>           | <b>245</b>        | <b>(52)</b>     | <b>988</b>   |
| - in %                              | 20 %                 | 10 %              |                 | 15 %         |
| Share of profit from associates     | 4                    | 0                 | 0               | 4            |
| Investments                         | 290                  | 73                | 0               | 364          |
| Investments in associates           | 70                   | 0                 | 0               | 70           |
| Assets <sup>3)</sup>                | 2,786                | 3,712             | 617             | 7,115        |
| Liabilities                         | 643                  | 586               | 1,516           | 2,745        |
| Depreciation and amortization       | 228                  | 113               | 0               | 341          |
| Impairment losses recognized in P&L | 2                    | 0                 | 0               | 2            |
| Other significant non-cash expenses | 0                    | 0                 | 0               | 0            |

1) Includes revenues from Germany of NOK 1,723 million in 2016 (NOK 1,704 million in 2015)

2) Includes revenues from USA of NOK 1,990 million in 2016 (NOK 1,795 million in 2015)

3) NOK 832 million of the assets was located in Norway in 2016 (NOK 757 million in 2015)

TOMRA is organized as two business areas, TOMRA Collection Solutions and TOMRA Sorting Solutions. The split is based upon the risk and return profile of the Group's different activities, also taking into consideration TOMRA's internal reporting structure to the Board and Management Group.

**Collection Solutions** - two business streams:

**Reverse Vending** - development, production, sale and service of Reverse Vending Machines and related data management systems.

**Material Recovery** - pick-up, transportation and processing of empty beverage containers on behalf of beverage producers/fillers on the US East Coast and in Canada.

**Sorting Solutions** is a provider of advanced optical sorting systems with three business streams; Food, Recycling and Mining.

**Group Functions** consists of corporate functions at TOMRA's head office.

Assets and liabilities are distributed to the different reporting segments. Cash, interest-bearing debt and tax positions are allocated to Group Functions.

There is no material segment revenue from transactions between the business areas.

Revenue from service activities was NOK 2,055 million (2015: NOK 1,803 million) out of total revenue of NOK 6,610 million (2015: NOK 6,143 million).

**NOTE 2 INVENTORY/COST OF GOODS SOLD**

| Tomra Systems ASA<br>NGAAP |              |                                | Group<br>IFRS  |                |
|----------------------------|--------------|--------------------------------|----------------|----------------|
| 2016                       | 2015         | Amounts in NOK million         | 2016           | 2015           |
| <b>COST OF GOODS SOLD</b>  |              |                                |                |                |
| 880.4                      | 910.2        | Cost of goods sold, gross      | 2,897.5        | 2,653.0        |
| -                          | -            | Change in inventory            | (68.2)         | 96.2           |
| <b>880.4</b>               | <b>910.2</b> | <b>Cost of goods sold, net</b> | <b>2,829.3</b> | <b>2,749.2</b> |

Cost of goods sold includes adjustment of inventory write-down of NOK 0.0 million (2015: NOK 0.0 million) for the Parent Company and NOK 15.5 million (2015: NOK 18.5 million) for the Group.

|                  |            |                                                   |                |                |
|------------------|------------|---------------------------------------------------|----------------|----------------|
| <b>INVENTORY</b> |            |                                                   |                |                |
| -                | -          | Raw materials                                     | 544.9          | 558.8          |
| -                | -          | Work in progress                                  | 103.9          | 85.0           |
| 7.4              | 7.5        | Finished goods                                    | 309.1          | 336.1          |
| -                | -          | Spare parts                                       | 169.0          | 229.1          |
| <b>7.4</b>       | <b>7.5</b> | <b>Total inventory</b>                            | <b>1,126.9</b> | <b>1,209.0</b> |
| -                | -          | Inventory stated at fair value less costs to sell | -              | -              |

Inventories are not subject to retention of title clauses.

**NOTE 3 EMPLOYEE BENEFITS EXPENSES**

| Tomra Systems ASA<br>NGAAP |              |                                         | Group<br>IFRS  |                |
|----------------------------|--------------|-----------------------------------------|----------------|----------------|
| 2016                       | 2015         | Amounts in NOK million                  | 2016           | 2015           |
| 154.5                      | 136.3        | Salaries                                | 1,422.0        | 1,326.3        |
| 32.9                       | 27.2         | Social security tax                     | 217.9          | 191.9          |
| 15.1                       | 12.5         | Pension cost                            | 52.2           | 44.5           |
| 6.3                        | 7.4          | Other labor cost                        | 155.3          | 103.5          |
| <b>208.8</b>               | <b>183.4</b> | <b>Total employee benefits expenses</b> | <b>1,847.4</b> | <b>1,666.2</b> |
| 151                        | 144          | Number of man-years                     | 2,645          | 2,475          |

All Norwegian companies in the Tomra Group have chosen to utilize bank guarantee instead of restricted accounts for employee tax deductions.

**NOTE 4 FINANCIAL ITEMS**

| Tomra Systems ASA<br>NGAAP |              |                                        | Group<br>IFRS |             |
|----------------------------|--------------|----------------------------------------|---------------|-------------|
| 2016                       | 2015         | Amounts in NOK million                 | 2016          | 2015        |
| 324.9                      | 155.0        | Dividend from subsidiaries             | -             | -           |
| <b>324.9</b>               | <b>155.0</b> | <b>Dividend from subsidiaries</b>      | <b>-</b>      | <b>-</b>    |
| 20.9                       | 8.7          | Interest income <sup>1)</sup>          | 9.4           | 9.7         |
| 129.0                      | -            | Foreign exchange gain                  | 53.3          | -           |
| <b>149.9</b>               | <b>8.7</b>   | <b>Total financial income</b>          | <b>62.7</b>   | <b>9.7</b>  |
| 8.4                        | 12.6         | Interest expenses <sup>1)</sup>        | 15.9          | 19.5        |
| 23.5                       | 17.3         | Other financial expenses <sup>2)</sup> | 30.6          | 7.9         |
| -                          | 131.0        | Foreign exchange loss                  | -             | 15.1        |
| <b>31.9</b>                | <b>160.9</b> | <b>Total financial expenses</b>        | <b>46.5</b>   | <b>42.5</b> |

1) Interest income and expenses for the Parent Company include interest income and expenses from subsidiaries of NOK 17.5 million (2015: NOK 7.3 million) and NOK 0.1 million (2015: NOK 0.6 million) respectively.

2) Other financial expenses in Tomra Systems ASA includes a NOK 19.9 million write-down of loan to associated company Revive Recycling Pty Ltd.

The foreign exchange gain in Tomra Systems ASA relates mainly to loans in EUR and realized gain on forward exchange contracts. At Group level, these loans are to a large extent hedged against the net assets in EUR exposed subsidiaries.

Borrowing costs are recognized as an expense in the period in which they are incurred.

**NOTE 5 CONTINGENT LIABILITIES****Warranty liabilities**

TOMRA has warranty liabilities of NOK 74.3 million (2015: NOK 94.6 million) for the Parent Company and NOK 187.2 million (2015: NOK 172.2 million) for the Group.

## NOTE 6 INTEREST-BEARING LIABILITIES

| Tomra Systems ASA<br>NGAAP |                |                                                       | Group<br>IFRS |                |
|----------------------------|----------------|-------------------------------------------------------|---------------|----------------|
| 2016                       | 2015           | Amounts in NOK million                                | 2016          | 2015           |
|                            |                | <b>NON-CURRENT LIABILITIES</b>                        |               |                |
| 745.1                      | 1,202.4        | Unsecured bank loans <sup>1)</sup>                    | 745.1         | 1,202.4        |
| -                          | -              | Other non-current interest-bearing liabilities        | 14.6          | 4.0            |
| <b>745.1</b>               | <b>1,202.4</b> | <b>Total non-current interest-bearing liabilities</b> | <b>759.7</b>  | <b>1,206.4</b> |
| 0.0                        | 0.0            | Due more than 5 years after balance sheet date        | 0.0           | 0.0            |
|                            |                | <b>CURRENT LIABILITIES</b>                            |               |                |
| -                          | -              | Current portion of unsecured bank loans               | -             | -              |
| -                          | -              | Other current interest-bearing liabilities            | -             | -              |
| <b>0.0</b>                 | <b>0.0</b>     | <b>Total current interest-bearing liabilities</b>     | <b>0.0</b>    | <b>0.0</b>     |

1) Tomra Systems ASA has a five-year revolving credit facility of EUR 50 million, or NOK/USD equivalent, entered into in December 2015, a five-year revolving credit facility of EUR 60 million, or NOK/SEK/USD equivalent, entered into in April 2014 and a seven-year revolving credit facility of EUR 60 million, or NOK/SEK/USD equivalent, entered into in April 2014. As of 31 December 2016, EUR 82 million was drawn on these three facilities. The loans have floating interest and negative pledge commitment. The loan agreements are conditional upon an equity covenant of at least 30 percent of total assets, measured at the end of each quarter. See also note 19

## NOTE 7 SHORT TERM RECEIVABLES

| Tomra Systems ASA<br>NGAAP |              |                                                   | Group<br>IFRS  |                |
|----------------------------|--------------|---------------------------------------------------|----------------|----------------|
| 2016                       | 2015         | Amounts in NOK million                            | 2016           | 2015           |
| 11.1                       | 18.3         | Trade receivables, gross                          | 1,385.7        | 1,419.7        |
| 252.0                      | 454.1        | Intra group short-term receivables                | -              | -              |
| 24.0                       | 42.1         | Other short-term receivables, gross <sup>1)</sup> | 374.6          | 387.8          |
| (0.2)                      | (0.6)        | Provision for bad debt                            | (64.8)         | (56.3)         |
| <b>286.9</b>               | <b>513.9</b> | <b>Total receivables</b>                          | <b>1,695.5</b> | <b>1,751.2</b> |
| 0.6                        | 0.3          | Provision for bad debt per 1 January              | 56.3           | 34.6           |
| -                          | 0.3          | Provisions made during the year                   | 12.4           | 25.4           |
| (0.4)                      | -            | Provisions used during the year                   | (3.9)          | (3.7)          |
| <b>0.2</b>                 | <b>0.6</b>   | <b>Provision for bad debt per 31 December</b>     | <b>64.8</b>    | <b>56.3</b>    |

1) Other short-term receivables includes forward contracts of NOK 0.0 million.

Bad debt written-off is reported as other operating expenses.

Receivables with due dates more than one year after the balance date are reported as non-current assets.

**NOTE 7** SHORT TERM RECEIVABLES (CONT.)

|                                    |                | Group<br>IFRS  |
|------------------------------------|----------------|----------------|
| <b>Trade receivables fall due:</b> | <b>2016</b>    | <b>2015</b>    |
| <b>Amounts in NOK million</b>      |                |                |
| Not due yet                        | 939.5          | 1,034.8        |
| 0- 30 days                         | 254.2          | 192.4          |
| 31- 60 days                        | 43.6           | 44.4           |
| 61- 90 days                        | 23.0           | 34.5           |
| Older than 90 days                 | 125.4          | 113.6          |
| <b>Total trade receivables</b>     | <b>1,385.7</b> | <b>1,419.7</b> |

**NOTE 8** LONG TERM RECEIVABLES

| Tomra Systems ASA<br>NGAAP |             |                               | Group<br>IFRS |              |
|----------------------------|-------------|-------------------------------|---------------|--------------|
| <b>2016</b>                | <b>2015</b> | <b>Amounts in NOK million</b> | <b>2016</b>   | <b>2015</b>  |
| -                          | -           | Deposits                      | 10.5          | 8.5          |
| -                          | -           | Capital lease                 | 167.6         | 146.5        |
| 2.0                        | 2.0         | Loans to employees            | 2.2           | 2.0          |
| 20.6                       | 18.2        | Other long term receivables   | 91.2          | 88.3         |
| <b>22.6</b>                | <b>20.2</b> | <b>Total receivables</b>      | <b>271.5</b>  | <b>245.3</b> |

Capital lease relates to machines (mainly RVMs in USA and Germany) sold to customers on financial lease contracts.

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT

| GROUP - IFRS<br>Amounts in NOK million                                        | Land &<br>Buildings <sup>3)</sup> | Machinery &<br>Fixtures | Vehicles     | Leasing<br>Equipment | Total          |
|-------------------------------------------------------------------------------|-----------------------------------|-------------------------|--------------|----------------------|----------------|
| <b>Cost</b>                                                                   |                                   |                         |              |                      |                |
| Balance at 1 January 2015                                                     | 327.3                             | 578.7                   | 131.7        | 537.6                | 1,575.3        |
| Other acquisitions                                                            | 14.6                              | 93.7                    | 36.8         | 160.8                | 305.9          |
| Disposals                                                                     | (21.4)                            | (91.4)                  | (16.9)       | (130.1)              | (259.8)        |
| Effect of movements in foreign exchange <sup>1)</sup>                         | 26.7                              | 50.4                    | 20.7         | 111.8                | 209.6          |
| <b>Balance at 31 December 2015</b>                                            | <b>347.2</b>                      | <b>631.4</b>            | <b>172.3</b> | <b>680.1</b>         | <b>1,831.0</b> |
| Balance at 1 January 2016                                                     | 347.2                             | 631.4                   | 172.3        | 680.1                | 1 831.0        |
| Other acquisitions                                                            | 12.2                              | 90.9                    | 14.8         | 132.8                | 250.7          |
| Disposals                                                                     | (10.0)                            | (108.0)                 | (38.1)       | (95.0)               | (251.1)        |
| Effect of movements in foreign exchange <sup>2)</sup>                         | (8.2)                             | (16.9)                  | (5.3)        | (25.4)               | (55.8)         |
| <b>Balance at 31 December 2016</b>                                            | <b>341.2</b>                      | <b>597.4</b>            | <b>143.7</b> | <b>692.5</b>         | <b>1,774.8</b> |
| <b>Depreciation and impairment losses</b>                                     |                                   |                         |              |                      |                |
| Balance at 1 January 2015                                                     | 93.7                              | 383.3                   | 85.8         | 329.6                | 892.4          |
| Depreciation charge for the year <sup>5)</sup>                                | 20.3                              | 66.9                    | 19.0         | 73.1                 | 179.3          |
| Write-down                                                                    | 0.0                               | 0.0                     | 0.0          | 0.0                  | 0.0            |
| Disposals                                                                     | (17.8)                            | (74.8)                  | (14.2)       | (94.4)               | (201.2)        |
| Effect of movements in foreign exchange <sup>1)</sup>                         | 9.1                               | 37.8                    | 12.2         | 63.5                 | 122.6          |
| <b>Balance at 31 December 2015</b>                                            | <b>105.3</b>                      | <b>413.2</b>            | <b>102.8</b> | <b>371.8</b>         | <b>993.1</b>   |
| Balance at 1 January 2016                                                     | 105.3                             | 413.2                   | 102.8        | 371.8                | 993.1          |
| Depreciation charge for the year                                              | 17.7                              | 71.2                    | 20.1         | 102.5                | 211.5          |
| Write-down                                                                    | 0.0                               | 0.0                     | 0.0          | 0.0                  | 0.0            |
| Disposals                                                                     | (4.4)                             | (99.9)                  | (35.3)       | (68.1)               | (207.7)        |
| Effect of movements in foreign exchange <sup>2)</sup>                         | (2.4)                             | (8.8)                   | (3.1)        | (8.5)                | (22.8)         |
| <b>Balance at 31 December 2016</b>                                            | <b>116.2</b>                      | <b>375.7</b>            | <b>84.5</b>  | <b>397.7</b>         | <b>974.1</b>   |
| Depreciation rate <sup>4)</sup>                                               | 2-4%                              | 10-33%                  | 15-33%       | 10-20%               |                |
| Useful life                                                                   | 50 yrs                            | 10 yrs                  | 7 yrs        | 5-10 yrs             |                |
| <b>Carrying amounts</b>                                                       |                                   |                         |              |                      |                |
| 31 December 2015                                                              | 241.9                             | 218.2                   | 69.5         | 308.3                | 837.9          |
| <b>31 December 2016</b>                                                       | <b>225.0</b>                      | <b>221.7</b>            | <b>59.2</b>  | <b>294.8</b>         | <b>800.7</b>   |
| <b>Finance lease carrying amounts (as included in total carrying amounts)</b> |                                   |                         |              |                      |                |
| 31 December 2015                                                              | 0.0                               | 0.0                     | 0.0          | 0.0                  | 0.0            |
| 31 December 2016                                                              | 0.0                               | 0.0                     | 0.0          | 0.0                  | 0.0            |

1) Exchange rates as of 31 December 2015 were used in calculating tangible assets of foreign subsidiaries.

2) Exchange rates as of 31 December 2016 were used in calculating tangible assets of foreign subsidiaries.

3) Including land of NOK 38.3 million as of 31 December 2016.

4) All depreciation plans are linear.

5) Depreciation includes depreciation from discontinued operations of NOK 0.2 million.

| Minimum lease payments under operational lease | 2016  | 2015  |
|------------------------------------------------|-------|-------|
| Not later than one year                        | 142.2 | 122.9 |
| Between one and five years                     | 373.3 | 326.3 |
| More than five years                           | 356.4 | 339.3 |

TOMRA does not have any major property, plant and equipment purchase commitments as of 31 December 2016.

**NOTE 9** PROPERTY, PLANT AND EQUIPMENT (CONT.)**Leasing equipment**

The companies within TOMRA Group had 8,840 reverse vending machines and 146 sorters leased to customers at the end of 2016. The table below shows the minimum leasing income from today's lease portfolio. In addition to this income, TOMRA will receive income from material handling, service contracts etc.

| <b>Minimum lease income from operating leasing equipment</b> | <b>2016</b> | 2015  |
|--------------------------------------------------------------|-------------|-------|
| Not later than one year                                      | 192.4       | 133.9 |
| Between one and five years                                   | 522.8       | 307.9 |
| More than five years                                         | 179.1       | 0.0   |

| <b>TOMRA SYSTEMS ASA - NGAAP</b>          | <b>Machinery<br/>&amp; Fixtures</b> | <b>Vehicles</b> | <b>Total</b> |
|-------------------------------------------|-------------------------------------|-----------------|--------------|
| <b>Amounts in NOK million</b>             |                                     |                 |              |
| <b>Cost</b>                               |                                     |                 |              |
| Balance at 1 January 2015                 | 60.2                                | 1.2             | 61.4         |
| Acquisitions                              | 7.3                                 | 0.3             | 7.6          |
| Disposals                                 | 0.0                                 | 0.0             | 0.0          |
| <b>Balance at 31 December 2015</b>        | <b>67.5</b>                         | <b>1.5</b>      | <b>69.0</b>  |
| Balance at 1 January 2016                 | 67.5                                | 1.5             | 69.0         |
| Acquisitions                              | 13.3                                | 0.9             | 14.2         |
| Disposals                                 | (34.5)                              | (0.3)           | (34.8)       |
| <b>Balance at 31 December 2016</b>        | <b>46.3</b>                         | <b>2.1</b>      | <b>48.4</b>  |
| <b>Depreciation and impairment losses</b> |                                     |                 |              |
| Balance at 1 January 2015                 | 43.0                                | 0.6             | 43.6         |
| Depreciation charge for the year          | 5.9                                 | 0.2             | 6.1          |
| Disposals                                 | 0.0                                 | 0.0             | 0.0          |
| <b>Balance at 31 December 2015</b>        | <b>48.9</b>                         | <b>0.8</b>      | <b>49.7</b>  |
| Balance at 1 January 2016                 | 48.9                                | 0.8             | 49.7         |
| Depreciation charge for the year          | 6.7                                 | 0.4             | 7.1          |
| Disposals                                 | (33.5)                              | (0.3)           | (33.8)       |
| <b>Balance at 31 December 2016</b>        | <b>22.1</b>                         | <b>0.9</b>      | <b>23.0</b>  |
| Depreciation rate <sup>1)</sup>           | 10-33%                              | 15-33%          |              |
| Useful life                               | 10 yrs                              | 7 yrs           |              |
| <b>Carrying amounts</b>                   |                                     |                 |              |
| 31 December 2015                          | 18.6                                | 0.7             | 19.3         |
| <b>31 December 2016</b>                   | <b>24.2</b>                         | <b>1.2</b>      | <b>25.4</b>  |

1) All depreciation plans are linear.

| <b>Minimum lease payments under operational lease of offices</b> | <b>2016</b> | 2015 |
|------------------------------------------------------------------|-------------|------|
| Not later than one year                                          | 8.1         | 7.8  |
| Between one and five years                                       | 34.8        | 33.6 |
| More than five years                                             | 60.5        | 69.2 |

## NOTE 10 INTANGIBLE ASSETS

| <b>GROUP - IFRS</b><br><b>Amounts in NOK million</b>     | <b>Goodwill</b> | <b>Development costs <sup>6)</sup></b> | <b>Other <sup>4)</sup></b> | <b>Total</b>   |
|----------------------------------------------------------|-----------------|----------------------------------------|----------------------------|----------------|
| <b>Cost</b>                                              |                 |                                        |                            |                |
| Balance at 1 January 2015                                | 2,221.5         | 364.7                                  | 686.8                      | 3,273.0        |
| Acquisitions through business combinations <sup>7)</sup> | 21.8            | 0.0                                    | 43.3                       | 65.1           |
| Other acquisitions / internally developed                | 0.0             | 45.8                                   | 49.7                       | 95.5           |
| Disposals                                                | 0.0             | 0.0                                    | (14.8)                     | (14.8)         |
| Effect of movements in foreign exchange <sup>2)</sup>    | 156.6           | 4.2                                    | 68.2                       | 229.0          |
| <b>Balance at 31 December 2015</b>                       | <b>2,399.9</b>  | <b>414.7</b>                           | <b>833.2</b>               | <b>3,647.8</b> |
| Balance at 1 January 2016                                | 2,399.9         | 414.7                                  | 833.2                      | 3,647.8        |
| Acquisitions through business combinations               | (1.5)           | 0.0                                    | 0.0                        | (1.5)          |
| Other acquisitions / internally developed                | 0.0             | 47.3                                   | 59.8                       | 107.1          |
| Disposals                                                | (5.5)           | 0.0                                    | (34.8)                     | (40.3)         |
| Effect of movements in foreign exchange <sup>3)</sup>    | (104.0)         | (4.1)                                  | (30.8)                     | (138.9)        |
| <b>Balance at 31 December 2016</b>                       | <b>2,288.9</b>  | <b>457.9</b>                           | <b>827.4</b>               | <b>3,574.2</b> |
| <b>Depreciation and impairment losses</b>                |                 |                                        |                            |                |
| Balance at 1 January 2015                                | 170.5           | 279.1                                  | 356.8                      | 806.4          |
| Depreciation charge for the year <sup>5)</sup>           | 0.0             | 30.5                                   | 89.7                       | 120.2          |
| Impairment losses                                        | 0.0             | 3.8                                    | 0.0                        | 3.8            |
| Disposals                                                | 0.0             | 0.0                                    | (15.2)                     | (15.2)         |
| Effect of movements in foreign exchange <sup>2)</sup>    | 17.9            | 2.5                                    | 41.3                       | 61.7           |
| <b>Balance at 31 December 2015</b>                       | <b>188.4</b>    | <b>315.9</b>                           | <b>472.6</b>               | <b>976.9</b>   |
| Balance at 1 January 2016                                | 188.4           | 315.9                                  | 472.6                      | 976.9          |
| Depreciation charge for the year <sup>5)</sup>           | 0.0             | 32.5                                   | 96.6                       | 129.1          |
| Impairment losses                                        | 0.0             | 2.3                                    | 0.0                        | 2.3            |
| Disposals                                                | (5.2)           | 0.0                                    | (34.2)                     | (39.4)         |
| Effect of movements in foreign exchange <sup>3)</sup>    | (2.4)           | (2.6)                                  | (21.9)                     | (26.9)         |
| <b>Balance at 31 December 2016</b>                       | <b>180.8</b>    | <b>348.1</b>                           | <b>513.1</b>               | <b>1,042.0</b> |
| Depreciation rate <sup>1)</sup>                          | 0 %             | 14-33%                                 | 5-33%                      |                |
| Useful life                                              | Indefinite      | 3-7 yrs                                | 3-20 yrs                   |                |
| <b>Carrying amounts</b>                                  |                 |                                        |                            |                |
| 31 December 2015                                         | 2,211.5         | 98.8                                   | 360.6                      | 2,670.9        |
| <b>31 December 2016</b>                                  | <b>2,108.1</b>  | <b>109.8</b>                           | <b>314.3</b>               | <b>2,532.2</b> |

1) All depreciation plans are linear except for customer relations and technology from the purchase price allocation of BEST that have a declining depreciation profile.

2) Exchange rates as of 31 December 2015 were used in calculating intangible assets of foreign subsidiaries.

3) Exchange rates as of 31 December 2016 were used in calculating intangible assets of foreign subsidiaries.

4) Other intangibles comprises patents, software and other intangibles + purchase price allocations from acquisitions (including customer relations, agent network and trademarks).

5) Amortization of intangibles is classified as depreciation in the profit and loss statement.

6) Capitalized development costs comprises mainly salaries to engineers and parts utilized in development projects related to new sorters and reverse vending machines. The carrying amount at 31 December 2016 was NOK 29.6 million for Tomra Sorting and NOK 80.2 million for Tomra Collection.

7) Acquisitions of NOK 21.8 million in Goodwill is related to acquiring the majority stake in the Estonian RVM distributor.

**NOTE 10 INTANGIBLE ASSETS (CONT.)****Impairment tests for cash-generating units containing goodwill**

The following units have significant carrying amounts of goodwill (each area comprises several CGU. Impairment tests are performed at CGU level):

| Amounts in NOK million     | 2016           | 2015           |
|----------------------------|----------------|----------------|
| TOMRA COLLECTION SOLUTIONS |                |                |
| - Reverse vending          | 198.6          | 205.7          |
| - Material recovery        | 111.7          | 114.2          |
| TOMRA SORTING SOLUTIONS    | 1,797.8        | 1,891.6        |
| <b>Total</b>               | <b>2,108.1</b> | <b>2,211.5</b> |

TOMRA tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators. As of 31 December 2016 and 2015 the Group had no intangible assets with infinite useful life, other than goodwill. Property, plant and equipment and other tangible assets with finite useful life are tested if there are indicators that assets might be impaired.

The recoverable amount of the cash-generating units is based on value in use calculations. These calculations use cash flow projections based on actual operating results (EBITA) and a five-year business plan including a residual value.

**Significant assumptions**

Based on an overall assessment, TOMRA has identified the following assumptions as most sensitive to the value in use calculations.

**Growth rate**

TOMRA has experienced significant growth for several years, and both the Sorting segment as well as the Collection segment have grown revenues organically by ~10 percent per year on average over the last 5 years, excluding acquisitions. The growth used in the impairment tests is consequently significantly lower than those experienced historically. In prediction of cash flows, management has utilized a conservative approach, and the predicted development is in general lower than what has been utilized in the strategic plan, as approved by the Board in 2016. It's also lower than the financial targets (more than 4 percent yearly revenue growth in TOMRA Collection and more than 10 percent yearly revenue growth in TOMRA Sorting). The growth in the terminal year is set to 1.5 percent in the analysis.

**Operating profit (EBITA)**

Future operating profit is dependent on a number of factors, but primarily volumes/market growth, and operating expenses/cost of production. In the impairment tests, TOMRA has estimated EBITA based on management's experience, expectations of future market development and the already implemented cost saving initiatives.

**Discount rates**

The discount rates are based on the Weighted Average Cost of Capital (WACC) formula derived from the CAPM model. When calculating the WACC (which has been done individually for each CGU) rates of 6.25 percent to 7.00 percent after tax have been used for the different CGUs.

**Capital expenditure and capital employed**

Capital employed is generally assumed to develop in line with revenues, and sales prices are in general assumed to be stable, following inflation. Capital expenditure is generally equal to depreciation in the calculation of terminal value as it is assumed depreciation equals capital expenditure in the long run.

Below is a further description of the different cash generating units and consideration around the impairment tests.

**Reverse Vending**

The business stream comprises the development, production, sales and service of reverse vending machines and related data management systems in the deposit markets in Europe and USA, in total 20 markets. The main customer group is food retail chains. With a high market share and significant service business, the business stream represents a steady recurring cashflow, with limited risk, as TOMRA has been the global market leader in this business stream for more than 40 years. Terminal growth rate is assumed to be 1.5 percent, and a WACC of 6.25 percent has been utilized.

**NOTE 10 INTANGIBLE ASSETS (CONT.)****Material Recovery**

The business stream comprises the pick-up, transportation and processing of empty beverage containers on behalf of beverage producers/fillers on the US East Coast and in Canada. The activity in the business stream mirrors the drinking consumption in the US deposit states, which is usually stable year over year. TOMRA is the market leader in this business stream in regions where it is present, and has been for over 20 years. Terminal growth rate is assumed to be 1.5 percent, and a WACC of 6.25 percent has been utilized.

**Tomra Sorting**

The business area comprises the development, production, sale and service of sorting and processing technology for different customer segments.

In the Food business stream, the customers are the fresh and processed food industries. TOMRA is the global market leader in sorting mid-sized objects. With main customers being food producing companies, the cyclicality in the business stream is low, due to the global dependency on a steady stream of food. Recurring revenue is however low (as for all Sorting entities), as the installed base is rather new (less replacement sales) and service only accounts for a smaller fraction of revenues. The business has however been growing for many years and still has a significant untapped potential, as many sorting tasks are still performed manually and new technology enables sorting of fragments / sorting with a quality that was not previously possible.

In the recycling business stream, the customers are waste management companies or plant builders operating on behalf of them, where TOMRA provides sorting systems for waste and metal material streams. TOMRA is the global market leader in the business stream and has been for more than 10 years. The business stream experiences some cyclicality due to fluctuations in material prices.

In the mining business stream, the customers are mining companies, where TOMRA provides ore sorting systems. Current penetration in the mining industry is more limited, but with significant potential, as the acceptance of optical

sorting solutions is increasing within the industry.

A terminal growth of 1.5 percent and a WACC of 7.00 percent has been used for TOMRA Sorting.

Due to reorganizations, where synergies are taken out by merging units and technology is cross utilized between previously separate business streams and companies, the allocation of assets and cash flow within TOMRA Sorting has been difficult and in many cases arbitrary. The impairment test in 2013 was the last year performed as a bottom up exercise per business stream, where the allocated goodwill was tested. Further integration and restructuring in 2014 added to this complexity and it is no longer possible to follow the cashflow from each of the initial acquisitions within TOMRA Sorting. Consequently TOMRA Sorting from 2014 has been treated as one CGU. TOMRA Collection has not been influenced by the restructuring and cross utilization of technologies, and the number of cash generating units has consequently not changed within this business area.

**Sensitivity analysis**

In connection with the impairment testing of CGU's containing goodwill, a sensitivity analysis has been performed. A reasonably possible change in key assumptions on which management has based its determination of the unit's recoverable amount would not cause the unit's carrying amount to exceed its recoverable amount.

Neither an interest rate increase of 2 percentage points, nor a reduction in forecasted cashflow of 10 percent would trigger a write-down of goodwill.

Exchange rates as of 31 December 2016 were used in calculating carrying values (see note 19). In calculating the predicted cash flows, the following exchange rates were used EUR/NOK: 9.35, USD/NOK: 8.35.

**Research and development expense**

Research and development expense of NOK 244.4 million has been recognized as an expense (2015: NOK 232.2 million) and NOK 47.3 million has been capitalized (2015: NOK 45.8 million).

## NOTE 10 INTANGIBLE ASSETS (CONT.)

| TOMRA SYSTEMS ASA - NGAAP<br>Amounts in NOK million | Other       | Patents    | Total       |
|-----------------------------------------------------|-------------|------------|-------------|
| <b>Cost</b>                                         |             |            |             |
| Balance at 1 January 2015                           | 25.2        | 4.4        | 29.6        |
| Other acquisitions/internally developed             | 18.7        | 0.0        | 18.7        |
| <b>Balance at 31 December 2015</b>                  | <b>43.9</b> | <b>4.4</b> | <b>48.3</b> |
| Balance at 1 January 2016                           | 43.9        | 4.4        | 48.3        |
| Other acquisitions/internally developed             | 25.8        | 0.0        | 25.8        |
| Disposals                                           | (17.1)      | 0.0        | (17.1)      |
| <b>Balance at 31 December 2016</b>                  | <b>52.6</b> | <b>4.4</b> | <b>57.0</b> |
| <b>Depreciation and impairment losses</b>           |             |            |             |
| Balance at 1 January 2015                           | 14.9        | 0.1        | 15.0        |
| Depreciation charge for the year                    | 4.9         | 0.7        | 5.6         |
| <b>Balance at 31 December 2015</b>                  | <b>19.8</b> | <b>0.8</b> | <b>20.6</b> |
| Balance at 1 January 2016                           | 19.8        | 0.8        | 20.6        |
| Depreciation charge for the year                    | 7.6         | 0.7        | 8.3         |
| Disposals                                           | (17.1)      | 0.0        | (17.1)      |
| <b>Balance at 31 December 2016</b>                  | <b>10.3</b> | <b>1.5</b> | <b>11.8</b> |
| Depreciation rate                                   | 20 %        | 20 %       |             |
| Useful life                                         | 5 yrs       | 5 yrs      |             |
| <b>Carrying amounts</b>                             |             |            |             |
| 31 December 2015                                    | 24.1        | 3.6        | 27.7        |
| <b>31 December 2016</b>                             | <b>42.3</b> | <b>2.9</b> | <b>45.2</b> |

Other consists of investment in ERP systems and web-site.

## NOTE 11 TAXES

| Tomra Systems ASA<br>NGAAP |         |                                       | Group<br>IFRS |        |        |        |
|----------------------------|---------|---------------------------------------|---------------|--------|--------|--------|
| 2016                       | 2015    | Amounts in NOK million                | 2016          |        | 2015   |        |
| TAX BASIS                  |         |                                       |               |        |        |        |
| 715.8                      | 424.2   | Profit before taxes                   |               |        |        |        |
| (324.9)                    | (155.0) | Dividend from subsidiaries            |               |        |        |        |
| (5.4)                      | 12.8    | Permanent differences                 |               |        |        |        |
| 24.1                       | 24.5    | Change in temporary differences       |               |        |        |        |
| 409.6                      | 306.5   | Basis for taxes payable               |               |        |        |        |
| TAXES                      |         |                                       |               |        |        |        |
| 102.4                      | 82.7    | Taxes payable                         | 295.7         |        | 266.7  |        |
| 0.0                        | 11.0    | Adjustment previous years tax         | -             |        | -      |        |
| 0.0                        | 0.0     | Taxes on Group contribution           | -             |        | -      |        |
| 102.4                      | 93.7    | Total taxes payable                   | 295.7         |        | 266.7  |        |
|                            |         |                                       |               |        |        |        |
| 102.4                      | 82.7    | Taxes payable                         | 295.7         |        | 266.7  |        |
| (1.0)                      | 5.4     | Tax over-accrued last year            | -             |        | -      |        |
| 0.9                        | 0.1     | Tax effect of equity transactions     | (14.0)        |        | 24.6   |        |
| (3.7)                      | (11.4)  | Net change in deferred taxes          | (24.8)        |        | (79.7) |        |
| 98.6                       | 76.8    | Tax expense                           | 256.9         |        | 211.6  |        |
|                            |         |                                       |               |        |        |        |
| Effective tax rate         |         |                                       |               |        |        |        |
|                            |         | Taxes based upon actual tax rates     | 243.5         | 24.5 % | 215.9  | 25.1 % |
|                            |         | Tax effect from permanent differences | 13.4          | 1.3 %  | (4.3)  | -0.5 % |
|                            |         | Actual tax expense                    | 256.9         | 25.8 % | 211.6  | 24.6 % |

**NOTE 11 TAXES (CONT.)**

Deferred tax represents the net change in deferred tax assets and liabilities through changes in timing differences and loss carried forward. Deferred tax assets and liabilities are presented net of their respective tax effect using tax rate of the applicable jurisdiction applied to amounts representing future tax deductions or taxes payable and consist of the following as of 31 December.

| Tomra Systems ASA<br>NGAAP |             |                                       | Group<br>IFRS |              |
|----------------------------|-------------|---------------------------------------|---------------|--------------|
| 2016                       | 2015        | Amounts in NOK million                | 2016          | 2015         |
|                            |             | <b>DEFERRED TAX ASSETS</b>            |               |              |
| -                          | 0.5         | Inventory                             | 92.9          | 105.2        |
| 1.0                        | 4.7         | Other current assets                  | 31.5          | 30.9         |
| 23.0                       | 21.3        | Intangible non-current assets         | 38.7          | 38.4         |
| 0.5                        | 0.8         | Tangible non-current assets           | 1.3           | 1.6          |
| -                          | -           | Financial non-current assets          | -             | -            |
| 4.6                        | 3.5         | Provisions                            | 19.6          | 13.6         |
| 13.4                       | 6.6         | Other current liabilities             | 19.4          | 12.9         |
| 13.1                       | 14.5        | Pension reserves                      | 13.3          | 15.1         |
| -                          | -           | Loss carried forward                  | 1.0           | 1.9          |
| <b>55.6</b>                | <b>51.9</b> | <b>Total deferred tax assets</b>      | <b>217.7</b>  | <b>219.6</b> |
|                            |             | <b>DEFERRED TAX LIABILITIES</b>       |               |              |
|                            |             | Inventory                             | (11.5)        | (20.4)       |
|                            |             | Other current assets                  | (25.1)        | (19.6)       |
|                            |             | Intangible non-current assets         | 135.9         | 148.8        |
|                            |             | Tangible non-current assets           | 60.7          | 74.4         |
|                            |             | Financial non-current assets          | (10.9)        | (11.1)       |
|                            |             | Provisions                            | 1.7           | 1.5          |
|                            |             | Current liabilities                   | (42.0)        | (37.5)       |
|                            |             | Pension reserves                      | (11.3)        | (11.9)       |
|                            |             | Loss carried forward                  | -             | -            |
|                            |             | <b>Total deferred tax liabilities</b> | <b>97.5</b>   | <b>124.2</b> |

Negative and positive timing differences, which reverse or may reverse in the same period, are offset. Deferred taxes are calculated on the basis of timing differences and losses carried forward that are offset. Timing differences between different subsidiaries have not been offset. During the period that these differences reverse, the companies will have a taxable net income that is sufficient to realize the deferred tax allowance. The losses carried forward are all in countries where future taxable profits are expected.

There have not been any material effects in either deferred tax or tax expenses for the year that relate to changes in tax rates in the jurisdictions where TOMRA operates.

**NOTE 12 OTHER CURRENT LIABILITIES**

| Tomra Systems ASA<br>NGAAP |              |                                                  | Group<br>IFRS  |              |
|----------------------------|--------------|--------------------------------------------------|----------------|--------------|
| 2016                       | 2015         | Amounts in NOK million                           | 2016           | 2015         |
| 26.1                       | 24.2         | Tax deductions, social security tax, holiday pay | 341.3          | 261.1        |
| -                          | 0.9          | Advances from customers                          | 238.1          | 160.2        |
| 309.8                      | 258.4        | Dividend accruals                                | -              | -            |
| 91.3                       | 96.6         | Non interest-bearing debt <sup>1)</sup>          | 428.6          | 485.7        |
| <b>427.2</b>               | <b>380.1</b> | <b>Total other current liabilities</b>           | <b>1,008.0</b> | <b>907.0</b> |

1) Non interest-bearing debt includes forward contracts of NOK 4.0 million (NOK 22.4 million in 2015).

**NOTE 13 PROVISIONS****TOMRA SYSTEMS ASA - NGAAP**

| Amounts in NOK million              | Warranty    | Other      | Total       |
|-------------------------------------|-------------|------------|-------------|
| Balance at 1 January 2016           | 14.0        | 0.0        | 14.0        |
| Provisions made during the year     | 8.0         | 0.0        | 8.0         |
| Provisions used during the year     | (3.0)       | 0.0        | (3.0)       |
| Provisions reversed during the year | 0.0         | 0.0        | 0.0         |
| <b>Balance at 31 December 2016</b>  | <b>19.0</b> | <b>0.0</b> | <b>19.0</b> |

**GROUP - IFRS**

| Amounts in NOK million              | Warranty     | Other      | Total        |
|-------------------------------------|--------------|------------|--------------|
| Balance at 1 January 2016           | 139.1        | 6.9        | 146.0        |
| Provisions made during the year     | 121.4        | 0.3        | 121.7        |
| Provisions used during the year     | (84.2)       | 0.0        | (84.2)       |
| Provisions reversed during the year | (45.3)       | 0.0        | (45.3)       |
| <b>Balance at 31 December 2016</b>  | <b>131.0</b> | <b>7.2</b> | <b>138.2</b> |

Warranty provisions relate to accruals for service expenses assumed to occur during the period sold machines are covered by warranties given to the customer.

Other provisions comprise of provisions for contractual obligations with business partners.

**NOTE 14 RELATED PARTIES****GROUP - IFRS****Amounts in NOK, unless stated otherwise****Identification of related parties**

The Group has a related party relationship with its subsidiaries and associates (see disclosure note 15 and 16) and with its directors and executive officers. All transactions with related parties are based on arms length principles.

The tables in this note show all benefits that were received by Board members and Group Management for the stated years.

| 2016<br>Board members                                             | Share-<br>holding <sup>1)</sup> | Board<br>fees <sup>4)</sup> | Committee<br>fees <sup>4) 5)</sup> | Salary <sup>6)</sup> | Variable<br>salary <sup>7)</sup> | Other<br>benefits <sup>9)</sup> |
|-------------------------------------------------------------------|---------------------------------|-----------------------------|------------------------------------|----------------------|----------------------------------|---------------------------------|
| Jan Svensson (Chairman and Compensation Committee) <sup>10)</sup> | 7,000                           | 597,500                     | 47,500                             |                      |                                  |                                 |
| Aniela Gabriela Gjøs (Board member and Audit Committee)           | 11,500                          | 425,000                     | 32,500                             |                      |                                  |                                 |
| Pierre Couderc (Board member and Audit Committee)                 |                                 | 425,000                     | 47,500                             |                      |                                  |                                 |
| Bodil Sonesson (Board member and CR Committee)                    |                                 | 425,000                     | 47,500                             |                      |                                  |                                 |
| Linda Bell (Board member and Compensation Committee)              |                                 | 425,000                     | 47,500                             |                      |                                  |                                 |
| Ingrid Solberg (Employee representative)                          | 5,956                           | 225,000                     |                                    | 943,965              | 443,671                          | 30,649                          |
| David Williamson (Employee representative and CR Committee)       | 1,137                           | 225,000                     |                                    | 436,976              | 35,950                           | 13,848                          |
| Tom Knoff (Nomination Committee)                                  |                                 |                             | 65,000                             |                      |                                  |                                 |
| Eric Douglas (Nomination Committee) <sup>11)</sup>                |                                 |                             | 42,500                             |                      |                                  |                                 |
| Hild Kinder (Nomination Committee)                                |                                 |                             | 42,500                             |                      |                                  |                                 |

**NOTE 14 RELATED PARTIES (CONT.)**

| <b>2016<br/>Group Management</b>                                                                       | <b>Share-<br/>holding <sup>1)</sup></b> | <b>Loan <sup>3)</sup></b>           | <b>Salary <sup>6)</sup></b>                | <b>Variable<br/>salary <sup>7)</sup></b> | <b>Pension<br/>premiums <sup>8)</sup></b> | <b>Other<br/>benefits <sup>9)</sup></b> |
|--------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------|--------------------------------------------|------------------------------------------|-------------------------------------------|-----------------------------------------|
| Stefan Ranstrand (President & CEO) <sup>2)</sup>                                                       | 97,698                                  |                                     | 4,789,053                                  | 2,250,550                                | 614,715                                   | 797,807                                 |
| Espen Gundersen (Deputy CEO & CFO)                                                                     | 45,155                                  |                                     | 2,602,746                                  | 1,223,125                                | 877,419                                   | 789,660                                 |
| Håkon Volldal (EVP, Head of Business<br>Area Collection Solutions until June 2016)                     |                                         |                                     | 1,376,847                                  | 0                                        | 320,378                                   | 335,456                                 |
| Volker Rehrmann (EVP and CTO,<br>Head of Business area Sorting Solutions)                              | 13,498                                  |                                     | EUR 310,758                                | EUR 118,088                              |                                           | EUR 20,037                              |
| Harald Henriksen (EVP, Head of<br>Business Area Collection Solutions<br>from June 2016) <sup>12)</sup> | 41,851                                  | 1,400,000                           | 3,179,458                                  | 1,368,564                                | 782,201                                   | 647,654                                 |
| Fredrik Nordh (SVP, Head of<br>Nordic Collection Solutions)                                            | 24,538                                  |                                     | SEK 1,778,210                              | SEK 810,203                              | SEK 445,272                               | SEK 112,570                             |
| Heiner Bevers (SVP, Head of<br>North America Collection Solutions<br>from October 2016) <sup>12)</sup> | 46,553                                  |                                     | EUR 327,016                                | EUR 134,696                              | EUR 6,081                                 | EUR 101,132                             |
| Tom Eng (SVP and Head of<br>Tomra Sorting Solutions, Recycling)                                        | 3,715                                   |                                     | 1,354,414                                  | 386,490                                  | 546,100                                   | 329,032                                 |
| Ashley Hunter (SVP and<br>Head of Tomra Sorting Solutions, Food)                                       | 15,592                                  |                                     | EUR 301,473                                | EUR 132,341                              | EUR 9,572                                 | EUR 17,207                              |
| Frank Höhler (SVP and Head of Central<br>and Eastern Europe Collection Solutions<br>from October 2016) |                                         |                                     | EUR 56,250                                 | EUR 22,500                               |                                           | EUR 1,155                               |
| <b>2015<br/>Board members</b>                                                                          | <b>Share-<br/>holding <sup>1)</sup></b> | <b>Board<br/>fees <sup>4)</sup></b> | <b>Committee<br/>fees <sup>4) 5)</sup></b> | <b>Salary <sup>6)</sup></b>              | <b>Variable<br/>salary <sup>7)</sup></b>  | <b>Other<br/>benefits <sup>9)</sup></b> |
| Jan Svensson (Chairman from April<br>2015 and Compensation Committee) <sup>10)</sup>                   | 5,000                                   | 497,500                             | 62,500                                     |                                          |                                           |                                         |
| Svein Rennemo (Chairman and<br>Compensation Committee until April 2015)                                |                                         | 295,000                             | 23,500                                     |                                          |                                           |                                         |
| Aniela Gabriela Gjøs<br>(Board member and Audit Committee)                                             | 11,500                                  | 415,000                             | 31,500                                     |                                          |                                           |                                         |
| Pierre Couderc<br>(Board member and Audit Committee)                                                   |                                         | 415,000                             | 39,000                                     |                                          |                                           |                                         |
| Bodil Sonesson<br>(Board member and CR Committee)                                                      |                                         | 415,000                             | 46,500                                     |                                          |                                           |                                         |
| Linda Bell (Board member and<br>Compensation Committee)                                                |                                         | 205,000                             | 15,500                                     |                                          |                                           |                                         |
| Ingrid Solberg (Employee representative)                                                               | 5,479                                   | 225,000                             |                                            | 915,370                                  | 185,220                                   | 31,116                                  |
| David Williamson (Employee<br>representative and CR Committee)                                         | 1,137                                   | 225,000                             |                                            | 426,392                                  | 32,109                                    | 18,093                                  |
| Tom Knoff (Nomination Committee)                                                                       |                                         |                                     | 63,000                                     |                                          |                                           |                                         |
| Eric Douglas (Nomination Committee) <sup>11)</sup>                                                     |                                         |                                     | 41,500                                     |                                          |                                           |                                         |
| Hild Kinder (Nomination Committee)                                                                     |                                         |                                     | 41,500                                     |                                          |                                           |                                         |
| <b>2015<br/>Group Management</b>                                                                       | <b>Share-<br/>holding <sup>1)</sup></b> | <b>Loan <sup>3)</sup></b>           | <b>Salary <sup>6)</sup></b>                | <b>Variable<br/>salary <sup>7)</sup></b> | <b>Pension<br/>premiums <sup>8)</sup></b> | <b>Other<br/>benefits <sup>9)</sup></b> |
| Stefan Ranstrand (President & CEO) <sup>2)</sup>                                                       | 81,269                                  |                                     | 4,631,530                                  | 1,892,900                                | 612,289                                   | 783,617                                 |
| Espen Gundersen (Deputy CEO & CFO)                                                                     | 37,714                                  |                                     | 2,520,888                                  | 1,028,750                                | 977,744                                   | 901,028                                 |
| Håkon Volldal (EVP, Head of Business<br>Area Collection Solutions)                                     | 22,533                                  |                                     | 2,259,636                                  | 1,076,625                                | 615,877                                   | 646,319                                 |
| Volker Rehrmann (EVP and CTO,<br>Head of Business area Sorting Solutions)                              | 5,147                                   |                                     | EUR 295,960                                | EUR 108,913                              |                                           | EUR 15,760                              |
| Harald Henriksen (SVP, Head of<br>North America Collection Solutions)                                  | 30,886                                  | 1,400,000                           | 3,523,361                                  | USD 156,200                              | 698,478                                   | 592,423                                 |
| Fredrik Nordh (SVP, Head of Nordic<br>Collection Solutions)                                            | 19,735                                  |                                     | SEK 1,675,972                              | SEK 757,107                              | SEK 445,000                               | SEK 93,381                              |
| Heiner Bevers (SVP, Head of Central and<br>Eastern Europe Collection Solutions)                        | 37,975                                  |                                     | EUR 303,275                                | EUR 140,264                              | EUR 6,066                                 | EUR 20,988                              |
| Tom Eng (SVP and Head of Tomra<br>Sorting Solutions, Recycling)                                        |                                         |                                     | 1,258,911                                  | 544,632                                  | 351,812                                   | 167,867                                 |
| Ashley Hunter (SVP and Head of Tomra<br>Sorting Solutions, Food)                                       | 7,265                                   |                                     | EUR 293,567                                | EUR 122,612                              | EUR 9,566                                 | EUR 19,430                              |

Loans to employees as of 31 December amounted to NOK 2.0 million (2015: NOK 2.0 million) for the parent company and NOK 2.2 million (2015: NOK 2.0 million) for the Group.

**NOTE 14 RELATED PARTIES (CONT.)****1) Shareholding**

The column shows number of shares owned by the Board members, officers and companies controlled by them and their families.

**2) Remuneration CEO**

Stefan Ranstrand could in 2016 earn a variable salary up to 50 percent of his fixed salary, based upon the Group's performance. He also participated in the Long Term Incentive Plan (see below). The CEO is entitled to 12 months salary as severance pay, in the case of dismissal.

**3) Loans to management**

Loans in NOK as of 31 December 2016 and 31 December 2015. The loans are secured by mortgages in real estate, motor vehicles or securities and are interest and installment free.

**4) Board fees**

The Board receives 50 percent of the estimated fees after six months, and the remaining after an additional six months, when the fees have been formally approved by the annual general assembly. The column shows actual payout in 2016.

**5) Committee fees**

The column contains fees related to participation in the Audit, Compensation, CR and Nomination Committees.

**6) Salary**

The column comprises ordinary salary received in the year.

**7) Variable salary**

The column contains estimated bonus payments for the current year, based upon the current years performance. The amounts do not include payments from the LTIP-program described below.

**8) Pension premiums**

Group Management members participated in the same pension plans as other employees in the jurisdiction they are employed. The CEO does not participate in the defined benefit plan and receives a fixed compensation instead. For further description of the pension plan, see note 17.

**9) Other benefits**

The column comprises the value of other benefits received by Group Management and Board members during the year, including value of interest-free loans, car allowance, health insurance etc.

**10) Shareholding Board member**

Board member Jan Svensson holds the position of CEO in Investment AB Latour that had a holding of 38,311,000 shares in TOMRA at 31 December 2016.

**11) Shareholding Committee member**

Committee member Eric Douglas' family controls Investment AB Latour that had a holding of 38,311,000 shares in TOMRA at 31 December 2016.

**12) Change in positions**

Harald Henriksen was SVP, Head of North America Collection Solutions until August 2016.

Heiner Bevers was SVP and Head of Central and Eastern Europe Collection Solutions until October 2016

**Extract from principles for remuneration of Group Management**

Salary and other employment terms for senior executives shall be competitive to ensure that TOMRA can attract and retain skilled leaders. Salary should include both fixed and variable elements. The fixed salary should reflect the individual's area of responsibility and performance over time. Principles for remuneration shall be allowed to vary in accordance with local conditions. The remuneration structure shall be based on such factors as position, expertise, experience, conduct and performance. The variable salary shall not exceed 50 percent of the fixed annual salary and be based on the achievement of specific performance targets by TOMRA Group and/or the respective manager's unit.

**Long Term Incentive Plans (LTIP)**

The Board established in 2014 an LTIP-plan, where management is incentivized based upon improvements in the Group's reported EPS.

The targets are established as intervals, where the participants can earn from 30 percent (if the minimum target is met) up to 100 percent (if the maximum target is met) of one year's salary. The plan is consequently capped at one year's salary. Twenty five percent of earnings before tax (~fifty percent of earnings after tax) must be invested in TOMRA shares and kept for at least three years. If sold earlier, all proceeds from the sale belong to TOMRA.

For 2016, the actual performance for the fiscal year 2015 and 2016 was measured against the combined targets for the two years. The range where management could gain earnings was from 6.65 NOK (min) to 7.25 NOK (max). As the actual EPS for 2015 and 2016 combined was 8.74 NOK, management gained consequently full earnings under the LTIP-plan in 2016.

The targets for 2017 were established by the end of 2014 (which is a combination of the EPS for the years 2015, 2016 and 2017).

The targets for 2018 were established by the end of 2015 (which is a combination of the EPS for the years 2016, 2017 and 2018).

The targets for 2019 were established by the end of 2016 (which is a combination of the EPS for the years 2017, 2018 and 2019).

**NOTE 14 RELATED PARTIES (CONT.)**

|                                                                                | <b>Earned in 2016</b> | <b>To be invested in shares in 2017</b> |
|--------------------------------------------------------------------------------|-----------------------|-----------------------------------------|
| Stefan Ranstrand (President & CEO)                                             | 4,738,000             | 1,184,500                               |
| Espen Gundersen (Deputy CEO & CFO)                                             | 2,575,000             | 643,750                                 |
| Volker Rehrmann (EVP and CTO, Head of Business area Sorting Solutions)         | EUR 310,758           | EUR 77,690                              |
| Harald Henriksen (SVP, Head of Business Area Collection Solutions)             | 3,106,547             | 776,637                                 |
| Fredrik Nordh (SVP, Head of Nordic Collection Solutions)                       | SEK 1,620,406         | SEK 405,102                             |
| Heiner Bevers (SVP, Head of North America Collection Solutions)                | EUR 325,440           | EUR 81,360                              |
| Tom Eng (SVP and Head of Tomra Sorting Solutions, Recycling)                   | 1,346,480             | 336,620                                 |
| Ashley Hunter (SVP and Head of Tomra Sorting Solutions, Food)                  | USD 310,000           | USD 77,500                              |
| Frank Höhler (SVP and Head of Central and Eastern Europe Collection Solutions) | EUR 75,000            | EUR 18,750                              |

The collective compensation for key management personnel was as follows (20 managers in 2016 and 20 in 2015):

| <b>Amounts in NOK million</b> | <b>2016</b> | <b>2015</b> |
|-------------------------------|-------------|-------------|
| Short-term employee benefits  | 65.1        | 63.9        |
| Severance payments            | 0.0         | 0.0         |
| Post-employment benefits      | 3.7         | 3.8         |
| <b>Total</b>                  | <b>68.8</b> | <b>67.7</b> |

Total remuneration is included in "employee benefit expenses" (see note 3).

**Transactions with subsidiaries**

Transactions between Group companies, which are related parties, have been eliminated in the consolidation and are not disclosed in this note.

**Auditors' fees**

|                               | <b>2016</b>   |              | <b>2015</b>   |              |
|-------------------------------|---------------|--------------|---------------|--------------|
| <b>Amounts in NOK million</b> | <b>Parent</b> | <b>Group</b> | <b>Parent</b> | <b>Group</b> |
| Statutory audit               | 1.1           | 7.9          | 1.1           | 7.7          |
| Other attestation services    | 0.0           | 1.0          | 0.0           | 0.1          |
| Tax consulting                | 0.0           | 1.9          | 0.0           | 2.9          |
| Other services                | 0.0           | 0.2          | 0.0           | 0.1          |
| <b>Total</b>                  | <b>1.1</b>    | <b>11.0</b>  | <b>1.1</b>    | <b>10.8</b>  |

Statutory audit fees to KPMG for the Group were NOK 6.4 million (NOK 6.4 million in 2015), and fees to other auditors were NOK 1.5 million (NOK 1.3 million in 2015).

Non-audit fees to KPMG for the Group were NOK 2.8 million (NOK 3.0 million in 2015), and non-audit fees to other auditors were NOK 0.3 million (NOK 0.1 million in 2015).

**NOTE 14 RELATED PARTIES (CONT.)****TOMRA SYSTEMS ASA - NGAAP****Tomra Systems ASA's transactions with related parties**

Tomra Systems ASA has several transactions with related parties. All transactions are performed as part of ordinary business and executed at arms length principles.

**The significant transactions are as follows:**

Sales of RVMs, spare parts and service manuals/support of NOK 1,452.1 million in 2016 (NOK 1,548.6 million in 2015) to:

Tomra Butikkssystemer AS  
 Tomra Systems AB  
 Tomra Systems AS  
 OY Tomra AB  
 Tomra Systems GmbH  
 Tomra Systems BV  
 Tomra Sorting Technology (Xiamen) Co. Ltd.  
 Tomra Leergutssysteme GmbH  
 Tomra of North America Inc.  
 Tomra Canada Inc  
 Tomra Service OÜ  
 Tomra Systems NV  
 Tomra Systems SA  
 Tomra Systems UAB  
 Tomra Japan Ltd.  
 Tomra Systems d.o.o

Purchase of RVMs and spare parts from Tomra Production AS of NOK 460.3 million in 2016 (NOK 396.4 million in 2015).

Management fee of NOK 6.7 million in 2016 (NOK 5.7 million in 2015).

Interest income on loans of NOK 17.5 million in 2016 (NOK 7.3 million in 2015), and interest expenses on loans of NOK 0.1 million in 2016 (NOK 0.6 million in 2015).

**The Balance sheet includes the following amounts from transactions with related parties:**

| Amounts in NOK million  | 2016           | 2015           |
|-------------------------|----------------|----------------|
| Loans to subsidiaries   | 605.4          | 578.3          |
| Intra-group receivables | 252.0          | 454.1          |
| Loan from subsidiaries  | (145.4)        | (153.9)        |
| Intra-group debt        | (1,061.7)      | (989.1)        |
| <b>Total</b>            | <b>(349.7)</b> | <b>(110.6)</b> |

**NOTE 15 SHARES AND INVESTMENTS****TOMRA SYSTEMS ASA - NGAAP**

| Amounts in NOK million                     | Country        | Year of acquisition | Vote and owner share | Book value     |
|--------------------------------------------|----------------|---------------------|----------------------|----------------|
| Tomra North America Inc                    | USA            | 1992                | 100.0 %              | 1,166.2        |
| Tomra Europe AS                            | Norway         | 1998                | 100.0 %              | 10.0           |
| Tomra Production AS                        | Norway         | 1998                | 100.0 %              | 15.0           |
| Tomra Canada Inc                           | Canada         | 2000                | 100.0 %              | 79.8           |
| Titech Sorting Japan KK                    | Japan          | 2000                | 100.0 %              | 7.0            |
| Tomra Sorting AS                           | Norway         | 2004                | 100.0 %              | 1,817.6        |
| Tomra Systems Ltd. <sup>1)</sup>           | United Kingdom | 2006                | 100.0 %              | -              |
| Tomra Sorting Technology (Xiamen) Co. Ltd. | China          | 2010                | 100.0 %              | 81.4           |
| <b>Total shares in subsidiaries</b>        |                |                     |                      | <b>3,177.0</b> |
| Tomra Japan Ltd.                           | Japan          | 2008                | 50.0 %               | 9.6            |
| Revive Recycling Pty Ltd.                  | Australia      | 2016                | 37.9 %               | 1.6            |
| <b>Total shares in associates</b>          |                |                     |                      | <b>11.2</b>    |

1) The activity in Tomra Systems Ltd. was closed down and the shares were written down to zero in 2014. The company was liquidated in 2015.

**NOTE 16 INVESTMENTS IN ASSOCIATES**

GROUP - IFRS

| Amounts in NOK million                   | Ultratec PET | Tomra s.r.o.   | Tomra Japan Ltd. | Revive Recycling Pty Ltd. | Incom Tomra Recycling Technology Co. Ltd | Total       |
|------------------------------------------|--------------|----------------|------------------|---------------------------|------------------------------------------|-------------|
| Book value 31 December 2015              | 66.3         | -              | 2.2              | -                         | -                                        | 68.5        |
| Profit 2016                              | 1.2          | 3.0            | -                | -                         | -                                        | 4.2         |
| Newly established and acquired companies | -            | -              | -                | 1.6                       | 4.1                                      | 5.7         |
| Dividend                                 | -            | (3.0)          | -                | -                         | -                                        | (3.0)       |
| Currency translation difference          | (5.6)        | -              | -                | -                         | -                                        | (5.6)       |
| <b>Book value 31 December 2016</b>       | <b>61.9</b>  | <b>0.0</b>     | <b>2.2</b>       | <b>1.6</b>                | <b>4.1</b>                               | <b>69.8</b> |
| Equity at date of acquisition            | 41.0         | 0.0            | 0.0              | (9.3)                     | 0.0                                      |             |
| Country                                  | USA          | Czech Republic | Japan            | Australia                 | China                                    |             |
| Year of acquisition                      | 1999         | 1998           | 2008             | 2016                      | 2016                                     |             |
| Vote and share ownership                 | 49 %         | 40 %           | 50 %             | 38 %                      | 49 %                                     |             |

Summary financial information for associates on 100% basis:

| 2016          |       |      |       |       |       | Total |
|---------------|-------|------|-------|-------|-------|-------|
| Assets        | 165.4 | 14.2 | 140.0 | 10.0  | 7.8   | 337.4 |
| Liabilities   | 42.5  | 0.5  | 118.7 | 19.3  | 7.7   | 188.7 |
| Equity        | 122.9 | 13.7 | 21.3  | (9.3) | 0.1   | 148.7 |
| Revenues      | 191.9 | 27.6 | 122.3 | 113.9 | 0.1   | 455.8 |
| Profit/(loss) | (2.9) | 12.1 | 9.2   | 1.8   | (0.4) | 19.8  |
| 2015          |       |      |       |       |       | Total |
| Assets        | 183.0 | 17.8 | 126.2 |       |       | 327.0 |
| Liabilities   | 51.3  | 7.9  | 118.0 |       |       | 177.2 |
| Equity        | 131.7 | 9.9  | 8.2   |       |       | 149.8 |
| Revenues      | 240.3 | 15.3 | 78.8  |       |       | 334.4 |
| Profit/(loss) | 5.2   | 7.3  | 1.8   |       |       | 14.3  |

During 2015 TOMRA increased its ownership in Tomra Baltic. The company is now a subsidiary and fully consolidated.

In accordance with IFRS 11, TOMRA has changed accounting principles for joint arrangements. Tomra Japan Ltd. was proportionally consolidated in the Group accounts until 2013. From 2014, the equity method has been applied. When making the assessment, the structure of the arrangement, the legal form, the contractual terms of the arrangement and other relevant facts and circumstances have been taken into consideration.

## NOTE 17 PENSION AND PENSION OBLIGATIONS

## Total Pension costs and pension liability for Tomra Group

|                                                        |  | GROUP IFRS  |             |
|--------------------------------------------------------|--|-------------|-------------|
| Amounts in NOK million                                 |  | 2016        | 2015        |
| Net pension cost Norwegian plans                       |  | 3.8         | 0.5         |
| Taxes                                                  |  | (0.9)       | (0.1)       |
| <b>Net pension costs in Other Comprehensive Income</b> |  | <b>2.9</b>  | <b>0.4</b>  |
| Pension liability Norwegian plans                      |  | 54.6        | 58.1        |
| Pension liability US plans                             |  | 28.4        | 29.6        |
| <b>Total Pension liability</b>                         |  | <b>83.0</b> | <b>87.7</b> |

## Norwegian plans

| Tomra Systems ASA<br>NGAAP                                                                    |         |                                                               | GROUP<br>IFRS |         |
|-----------------------------------------------------------------------------------------------|---------|---------------------------------------------------------------|---------------|---------|
| 2016                                                                                          | 2015    | Amounts in NOK million                                        | 2016          | 2015    |
| EXPENSE RECOGNIZED IN THE INCOME STATEMENT                                                    |         |                                                               |               |         |
| 11.8                                                                                          | 11.9    | Current service cost                                          | 11.8          | 11.9    |
| 1.3                                                                                           | 1.5     | Interest cost (income)                                        | 1.3           | 1.5     |
| 1.8                                                                                           | 1.9     | Social security tax included in pension cost                  | 1.8           | 1.9     |
| 14.9                                                                                          | 15.3    | Net pension costs in Income Statement                         | 14.9          | 15.3    |
| EXPENSE RECOGNIZED IN OTHER COMPREHENSIVE INCOME                                              |         |                                                               |               |         |
| 1.8                                                                                           | 23.1    | Actuarial loss (gain) - change in discount rate               | 1.8           | 23.1    |
| (1.1)                                                                                         | (18.2)  | Actuarial loss (gain) - change in other financial assumptions | (1.1)         | (18.2)  |
| (1.5)                                                                                         | (8.2)   | Actuarial loss (gain) - experience DBO                        | (1.5)         | (8.2)   |
| 2.3                                                                                           | 1.9     | Loss (gain) - experience Assets                               | 2.3           | 1.9     |
| 1.8                                                                                           | 1.8     | Investment management cost                                    | 1.8           | 1.8     |
| 0.5                                                                                           | 0.1     | Social security tax included in pension cost                  | 0.5           | 0.1     |
| 3.8                                                                                           | 0.5     | Net pension costs in Other Comprehensive Income               | 3.8           | 0.5     |
| FINANCIAL STATUS AS OF 31 DECEMBER                                                            |         |                                                               |               |         |
| 231.9                                                                                         | 218.8   | Present value of funded pension obligations                   | 231.9         | 218.8   |
| (177.3)                                                                                       | (160.7) | Fair value of plan assets                                     | (177.3)       | (160.7) |
| 0.0                                                                                           | 0.0     | Unrecognized actuarial gains & losses                         | 0.0           | 0.0     |
| 54.6                                                                                          | 58.1    | Pension liability                                             | 54.6          | 58.1    |
| BASIS FOR CALCULATION                                                                         |         |                                                               |               |         |
| 2.30 %                                                                                        | 2.50 %  | Discount rate                                                 | 2.30 %        | 2.50 %  |
| 2.25 %                                                                                        | 2.50 %  | Expected wage increase                                        | 2.25 %        | 2.50 %  |
| 2.00 %                                                                                        | 2.25 %  | Expected increase of base amount                              | 2.00 %        | 2.25 %  |
| 2.30 %                                                                                        | 2.50 %  | Expected return on plan assets 31 December                    | 2.30 %        | 2.50 %  |
| 11 yrs                                                                                        | 12 yrs  | Average remaining service period                              | 11 yrs        | 12 yrs  |
| MOVEMENTS IN NET LIABILITY FOR DEFINED BENEFIT OBLIGATIONS AS RECOGNIZED IN THE BALANCE SHEET |         |                                                               |               |         |
| 58.1                                                                                          | 57.5    | Net liability at 1 January                                    | 58.1          | 57.5    |
| (22.2)                                                                                        | (15.2)  | Contributions received                                        | (22.2)        | (15.2)  |
| 3.8                                                                                           | 0.5     | Remeasurement recognized in Other Comprehensive Income        | 3.8           | 0.5     |
| 14.9                                                                                          | 15.3    | Expense recognized in the Income Statement (*)                | 14.9          | 15.3    |
| 54.6                                                                                          | 58.1    | Net liability at 31 December                                  | 54.6          | 58.1    |
| (*) The expense is recognized in the following line item in the income statement              |         |                                                               |               |         |
| 14.9                                                                                          | 15.3    | Employee benefits expenses defined benefit plan               | 14.9          | 15.3    |
| 6.5                                                                                           | 4.1     | Employee benefits expenses defined contribution plan          | 37.3          | 29.2    |
| 21.4                                                                                          | 19.4    | Total employee benefits expenses <sup>1)</sup>                | 52.2          | 44.5    |

**NOTE 17 PENSION AND PENSION OBLIGATIONS (CONT.)**

1) NOK 6.3 million of total employee benefits for Tomra Systems ASA was charged to subsidiaries in 2016 (2015: NOK 6.9 million), and the interest of NOK 1.3 million is classified as employee benefits. The cost of the defined benefit plan includes a premium for the right to a paid up defined contribution policy based on an actuarial valuation.

Total employee benefits expenses for the Group is split as NOK 15.8 million in the Sorting Solutions segment (2015 NOK 11.6 million) and NOK 36.4 million in the Collection Solutions segment (2015 NOK 32.9 million).

TOMRA's best estimate of contributions expected to be paid into the plan for 2017 is NOK 17.1 million.

The discount rate is set to 2.3 percent, which was the best estimate of the rate at the time the basis for the calculation was set in October 2016. The effect of the increase in the long term interest rates towards the end of this year and the new guidelines at 31 December 2016, have been considered immaterial.

Due to the financial turmoil in Europe, the 10 year state bond interest has been unnaturally low. For this reason, Norsk Regnskapsstiftelse (NRS) in their 2015 and 2016 guidelines has recommended that the interest used for pension calculations should be set based upon preference bonds with sufficient liquidity (known as OMF-bonds). Over time it's assumed that the wage increase should not exceed the discount rate. TOMRA has consequently since 2013 calculated its pension liabilities based upon the implicit interest in OMF-bond.

**GROUP - IFRS**

Until the end of 2006 all employees in Norway were covered by a collective pension plan, where the insured pension plans covered employees in permanent positions of at least 50 percent of full time employment and below an age of 57 years at the employment date. The pension plan was structured as a retirement net agreement in that it guaranteed a supplement to the State benefits. There have not been any agreements for compensation of reductions in State benefits. The plan gives a right to defined future benefits (defined benefit plan). The benefit is mainly dependent upon years within the plan, salary at date of retirement and compensation from the State. The obligations are covered through Storebrand insurance company. The plan should ensure that employees would get a pension of about 65 percent of salary, if they had full contribution time, limited upwards to 12G.

In 2007, TOMRA established a defined contribution plan, where TOMRA contributes 5% of salary between 1 and 6G and 8% of salary between 6 and 12G. The old defined benefit plan for salary up to 12G was at the same time closed for new members, so all new employees from January 2007 are members of the defined contribution plan instead.

Employees that were members of the defined benefit plan, could choose if they wanted to stay in this plan or join the new defined contribution plan. Employees that chose to change pension plan got a paid up policy for the benefit they had earned under the old plan. In total 65 employees chose to change pension plan.

In addition TOMRA had a separate pension plan for benefits over 12G, with the same coverage as the plan up to 12G. Until the end of 2006 the pension premium for such plans was not taxable for the receiver, but it would be taxable when the pension was paid out. The pension premium was not tax deductible for the company.

Due to changes in the tax regulations the pension premium paid is taxable from 1 January 2007 for the employee, while only the return of the pension is taxable when it is paid out. The pension premium is also tax deductible for the company.

To eliminate the effect of the changes in tax regulation for employees, the pension plan was adjusted to keep the benefit after tax unchanged for the employee. This was done by adjusting the pension premium down to a level where the employee would get the same benefit after tax as under the former pension plan. In addition TOMRA compensates the employee's tax on the pension premium.

The pension plans have been treated for accounting purposes in accordance with IAS 19. The parent company's plan, which also covers employees in Tomra Butikkssystemer AS, Tomra Production AS and Tomra Sorting AS includes 95 employees and 43 retirees at year-end 2016.

Actual return on plan assets was NOK 7,6 million in 2015.

The table above shows total pension cost of defined benefit plans for the parent company and the Group, and total pension obligations at 31 December for the parent company and the Group's defined benefit plans and defined contribution plans. Net pension obligations at 31 December 2016 are split between net pension obligations for the defined benefit plans of NOK 45.5 million, and net pension obligations for the defined contribution plans of NOK 9.1 million.

**NOTE 17 PENSION AND PENSION OBLIGATIONS (CONT.)****Life expectancy**

Assumptions regarding future mortality have been based on published statistics and mortality tables K2013BE.

The current life expectancy underlying the values of the defined benefit obligation at the reporting date were as follows.

|                                         | Men  | Women |
|-----------------------------------------|------|-------|
| Life expectancy currently aged 65       | 21.0 | 24.1  |
| Life expectancy at 65 currently aged 40 | 23.2 | 26.5  |

**Plan assets comprise of**

|                  | 2016           | 2015           |
|------------------|----------------|----------------|
| Shares           | 9.5 %          | 7.9 %          |
| Short-term bonds | 28.3 %         | 13.4 %         |
| Credit           | 5.5 %          | 24.0 %         |
| Long-term bonds  | 37.9 %         | 39.0 %         |
| Property         | 14.0 %         | 11.5 %         |
| Other            | 4.8 %          | 4.2 %          |
| <b>Total</b>     | <b>100.0 %</b> | <b>100.0 %</b> |

**Change in plan assets**

| Amounts in NOK million                     | 2016         | 2015         |
|--------------------------------------------|--------------|--------------|
| Fair value of assets at beginning of year  | 160.7        | 149.1        |
| Expected return on plan assets             | 3.7          | 4.1          |
| Remeasurement                              | (4.1)        | (3.8)        |
| Acquisition                                | -            | -            |
| Employer contribution                      | 19.5         | 13.6         |
| Benefits paid                              | (2.5)        | (2.3)        |
| <b>Fair value of assets at end of year</b> | <b>177.3</b> | <b>160.7</b> |

**SENSITIVITY ANALYSIS**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would change the amounts shown below.

| Basis for calculation            | Assump-<br>tions<br>2016 | Assump-<br>tions<br>2015 | Discount<br>rate<br>+0.5 | Discount<br>rate<br>-0.5 | Wage<br>increase<br>+0.5 | Wage<br>increase<br>-0.5 | Pension<br>regulation<br>+0.5 |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------------|
| Discount rate                    | 2.30 %                   | 2.50 %                   | 2.80 %                   | 1.80 %                   | 2.30 %                   | 2.30 %                   | 2.30 %                        |
| Expected wage increase           | 2.25 %                   | 2.50 %                   | 2.25 %                   | 2.25 %                   | 2.75 %                   | 1.75 %                   | 2.25 %                        |
| Expected increase of base amount | 2.00 %                   | 2.25 %                   | 2.00 %                   | 2.00 %                   | 2.00 %                   | 2.00 %                   | 2.00 %                        |
| Expected pension regulation      | 0.00 %                   | 0.00 %                   | 0.00 %                   | 0.00 %                   | 0.00 %                   | 0.00 %                   | 0.50 %                        |
| Expected return on plan assets   | 2.30 %                   | 2.50 %                   | 2.30 %                   | 2.30 %                   | 2.30 %                   | 2.30 %                   | 2.30 %                        |

**Results****Amounts in NOK million**

|                                |       |       |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Service costs                  | 8.2   | 8.1   | 7.3   | 9.3   | 8.9   | 7.6   | 7.7   |
| Accumulated benefit obligation | 123.9 | 118.6 | 111.2 | 138.5 | 123.9 | 123.9 | 119.7 |
| Present benefit obligation     | 202.5 | 198.6 | 183.3 | 224.6 | 215.5 | 190.5 | 199.4 |
| Total benefit obligation       | 256.7 | 252.2 | 227.7 | 290.3 | 280.2 | 234.9 | 244.0 |
| Plan assets                    | 163.4 | 163.4 | 163.4 | 163.4 | 163.4 | 163.4 | 163.4 |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**NOTE 17 PENSION AND PENSION OBLIGATIONS (CONT.)****US plans**

Tomra North America participates in two multi-employer pension plans in the US, the “TNYR-plan” and the “Metro-plan”. Both plans are Defined Benefit plans (DB) under IAS 19. As there has been limited financial information available for these pension plans, TOMRA applied Defined Contribution plan (DC) accounting for both plans up until 31 December 2012.

The TNYR-plan comprises 45 TOMRA employees, out of approximately 2,300 participants. Similar to prior years, there is still not sufficient financial information available in order to account for this plan as a DB plan. Consequently, Tomra continues to account for this plan as a DC plan by direct expensing of premiums paid. Premiums paid in 2016 amounts to USD 253,304 compared to USD 204,166 in 2015. Received information from the plan indicates an underfunding of USD 4.1 million on TOMRA’s part. TOMRA is jointly and severally liable for the plans underfund with other participants within the plan.

The Metro plan comprises 51 TOMRA employees. In 2013 the Metro-plan was restructured, and the fund provided TOMRA with information about TOMRA’s net liabilities

under the plan. TOMRA entered into an agreement with the fund to settle the underfunding in the plan through annual payments of USD 0.2 million per year over 25 years period. Consequently, a net pension liability of USD 3.5 million (net present value) was recognized in other comprehensive income as a change in estimate in 2013. The agreement with the fund also included a re-entry into the restructured DB-plan based on direct attribution, where TOMRA is responsible for funding of liabilities directly attributable to TOMRA employees only. The premium paid under this plan was USD 154,411 in 2015 and USD 155,665 in 2016.

**TOMRA SYSTEMS ASA - NGAAP**

From 1 January 2006 Tomra Systems ASA was obliged to have a pension plan for its employees, and its pension plan meets this requirement.

TOMRA has applied IAS 19 under NRS 6 since the Group’s conversion to IFRS in 2004. Tomra Systems ASA changed to IAS 19R in 2013 following the same approach and consideration as described above for the Group.

**NOTE 18 CASH AND CASH EQUIVALENTS**

| Tomra Systems ASA<br>NGAAP |      |                                                                        | Group<br>IFRS |       |
|----------------------------|------|------------------------------------------------------------------------|---------------|-------|
| 2016                       | 2015 | Amounts in NOK million                                                 | 2016          | 2015  |
| 109.9                      | 0.2  | Cash and cash equivalents                                              | 399.2         | 312.9 |
| 109.9                      | 0.2  | Cash and cash equivalents in the statement of cash flows <sup>1)</sup> | 399.2         | 312.9 |

1) Includes restricted bank deposits totaling NOK 3.2 million for the Parent company and NOK 11.2 million for the Group.

Tomra Systems ASA and its fully owned subsidiaries participate in an international multi-currency cash-pool, operated by DNB. All the subsidiaries deposit to and withdraw from the pool through the cash-pool agreement as an Intra-Group receivable/payable against Tomra Systems ASA, and the transactions are classified as such in the financial statements.

**NOTE 19 FINANCIAL INSTRUMENTS**

The responsibility for funding, cash management and financial risk management is handled centrally by the finance department in Tomra Systems ASA. Guidelines for the finance activities are determined by the financial strategy, which is reviewed and approved by the Board. The central treasury department acts as the corporate bank and is responsible for all external borrowing and hedging transactions in interest rates and currencies. TOMRA aims to limit its exposure to financial risk.

**Interest rate risk**

TOMRA's surplus cash is primarily used to reduce the loan amount on the revolving credit facilities. It may also be placed in NOK with short maturities. In accordance with the adopted financial strategy, the duration of the portfolio should not exceed six months.

Non-current interest-bearing liabilities relates to a five-year revolving credit facility of EUR 50 million or NOK/USD equivalent (established in December 2015), a five-year revolving credit facility of EUR 60 million, or NOK/SEK/USD equivalent (established in April 2014) and a seven-year revolving credit facility of EUR 60 million, or NOK/SEK/USD equivalent (established in April 2014). On the EUR 50 million revolving credit facility, interest is payable at a rate of NIBOR/EURIBOR/LIBOR plus a margin, dependent on TOMRA's NIBD/EBITDA ratio. On the EUR 60 million five-year revolving credit facility, interest is payable at a rate of NIBOR/EURIBOR/LIBOR/STIBOR plus a margin dependent on TOMRA's NIBD/EBITDA and leverage ratio. On the EUR 60 million seven-year revolving credit facility, interest is payable at a rate of NIBOR/EURIBOR/LIBOR/STIBOR plus a margin dependent on TOMRA's NIBD/EBITDA and leverage ratio. In addition TOMRA has an overdraft facility of NOK 50 million. A change in the interest rate of 100 basis points, calculated on the loan amount as per 31 December 2016, increases/decreases the annual financial costs by NOK 7.5 million. At year end cash and cash equivalents had a duration of zero (mainly bank holdings), and the duration of the three loan facilities was 3.5 years.

**Capital management**

TOMRA's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. TOMRA monitors return on capital as well as the level of dividends to shareholders. TOMRA seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantage and security afforded by a sound capital position. TOMRA's target is to achieve a high return on capital and an equity ratio above 30 percent.

**Credit risk**

Credit risk is the risk of loss that may arise on outstanding contracts should a counterparty default on its obligations. Historically the Group has limited bad debt on receivables. The Group has sufficient routines for credit checks on clients and credit risk is not considered to be significant on outstanding receivables as of 31 December 2016. However, TOMRA's customers include the largest retail chains in the world, as well as large scrap material processors and food producers, where outstanding receivables globally can be significant. In a situation where one of these systems collapses, TOMRA could be exposed. The maximum exposure to credit risk at year-end equaled total receivables in the balance sheet plus any unrealized gain on financial contracts.

In accordance with the Group's financial strategy, placement of surplus cash requires the counterpart to have a strong rating, with investments limited to NOK 100 million per bank. Surplus liquidity can also be placed in certificates issued by states or municipalities, as well as in short term security markets that require a safe investment structure.

TOMRA's main bank is DNB Bank, where TOMRA's EUR 50 million, or NOK/USD equivalent, credit facility is located in addition to the international cash pool. The two EUR 60 million credit facilities are provided by DNB and SEB. In order to have a full cash management solution, TOMRA has a few additional banks in some local markets. The tables below show TOMRA's outstanding loan per 31 December and respective counterpart's credit rating.

|                    | 31 December 2016             |                |                         | 31 December 2015             |                |                         |
|--------------------|------------------------------|----------------|-------------------------|------------------------------|----------------|-------------------------|
|                    | Credit limit                 | Loan balance   | Rating<br>Moody/<br>S&P | Credit limit                 | Loan balance   | Rating<br>Moody/<br>S&P |
| DNB Bank           | EUR 50 million <sup>2)</sup> | EUR 4 million  | A1/A+                   | EUR 50 million <sup>2)</sup> | EUR 15 million | A1/A+                   |
| DNB Bank ASA & SEB | EUR 60 million <sup>1)</sup> | EUR 18 million | A1/A+                   | EUR 60 million <sup>1)</sup> | EUR 50 million | A1/A+                   |
| DNB Bank ASA & SEB | EUR 60 million <sup>1)</sup> | EUR 60 million | A1/A+                   | EUR 60 million <sup>1)</sup> | EUR 60 million | A1/A+                   |

1) or NOK/SEK/USD equivalent

2) or NOK/USD equivalent

**NOTE 19 FINANCIAL INSTRUMENTS (CONT.)****Liquidity risk**

Liquidity risk is the risk that TOMRA will not be able to meet its financial obligations as they fall due. TOMRA has a limited exposure to liquidity risk on the basis of a strong cash flow in addition to a solid balance sheet, 61.4 percent equity ratio at 31 December 2016, that will enable a higher debt ratio if necessary. Liquidity per 31 December 2016 was NOK 1,249 million (including unused credit lines).

**Commodity risk**

The volatility of raw materials impacts both TOMRA's income and costs.

**Income**

TOMRA is indirectly exposed to fluctuations in commodity prices in the business area Sorting Solutions; for customers within waste-management, the value of the material that TOMRA scanners sort out is a source of income. When commodity prices increase, the income to customers in this segment is affected, which affects the willingness to invest positively. Same effect applies in the Mining segment, where customers are very exposed to fluctuations in commodity prices, which again influences their willingness to invest.

**Costs**

The increase in fuel prices is negative for TOMRA due to higher transportation costs. First and foremost, this applies to material handling operations, where an increase of USD 1 per gallon diesel decreases operating profit by USD 1.3 million a year. TOMRA uses a variety of

raw materials in production, however, the volume of material components is not so significant that it has a material impact on profitability.

**Foreign currency risk**

TOMRA is exposed to changes in the value of NOK relative to other currencies. With ~96 percent of its income in foreign currencies, a strengthening of NOK will lead to reduced earnings for the Group when measured in NOK. The most significant risk is associated with fluctuations in EUR and USD. In accordance with the financial strategy, TOMRA can secure up to 12 months of expected future net cash flow. TOMRA primarily uses forward contracts as an economic instrument to hedge the cash flow. TOMRA has not applied hedge accounting in accordance with IAS39 for the cash flow.

**Hedge accounting under IAS 39**

In order to reduce the profit and loss volatility arising from currency fluctuations, a portion of TOMRA's EUR denominated debts amounting to EUR 170 million is designated as hedge of the net investment in European subsidiaries. The fair value of the borrowing at 31 December 2016 was EUR 82 million (NOK 745.1 million), which represents less than the net investment. The hedge has been highly effective for the period (100%). The foreign exchange gain of NOK 59.6 million on translating the borrowing to functional currency at the end of the reporting period is recognized in retained earnings, in shareholders' equity.

**The split of revenues and the balance sheet as of 31 December in currencies, was distributed as follows:**

|       | Revenues |      | Assets |      |
|-------|----------|------|--------|------|
|       | 2016     | 2015 | 2016   | 2015 |
| USD   | 32 %     | 30 % | 25 %   | 27 % |
| EUR   | 46 %     | 45 % | 54 %   | 54 % |
| NOK   | 4 %      | 4 %  | 13 %   | 10 % |
| OTHER | 18 %     | 21 % | 8 %    | 9 %  |

**The split of the balance sheet as of 31 December in currencies was distributed between the balance lines as follows:**

|                                     | 2016        |             |             |            |
|-------------------------------------|-------------|-------------|-------------|------------|
|                                     | USD         | EUR         | NOK         | OTHER      |
| Total intangible non-current assets | 15 %        | 75 %        | 2 %         | 8 %        |
| Total tangible non-current assets   | 42 %        | 39 %        | 10 %        | 9 %        |
| Total financial non-current assets  | 73 %        | 2 %         | 17 %        | 8 %        |
| Inventory                           | 26 %        | 47 %        | 14 %        | 13 %       |
| Total receivables                   | 30 %        | 51 %        | 13 %        | 6 %        |
| Cash and cash equivalents           | 0 %         | 0 %         | 100 %       | 0 %        |
| <b>Total assets</b>                 | <b>25 %</b> | <b>53 %</b> | <b>13 %</b> | <b>9 %</b> |
| Total non-current liabilities       | 9 %         | 86 %        | 4 %         | 1 %        |
| Total current liabilities           | 15 %        | 32 %        | 39 %        | 14 %       |
| <b>Total liabilities</b>            | <b>13 %</b> | <b>52 %</b> | <b>26 %</b> | <b>9 %</b> |

**NOTE 19 FINANCIAL INSTRUMENTS (CONT.)**

|                                     | 2015        |             |             |            |
|-------------------------------------|-------------|-------------|-------------|------------|
|                                     | USD         | EUR         | NOK         | OTHER      |
| Total intangible non-current assets | 19 %        | 71 %        | 2 %         | 8 %        |
| Total tangible non-current assets   | 46 %        | 35 %        | 9 %         | 10 %       |
| Total financial non-current assets  | 75 %        | 2 %         | 15 %        | 8 %        |
| Inventory                           | 26 %        | 51 %        | 14 %        | 9 %        |
| Total receivables                   | 28 %        | 54 %        | 6 %         | 12 %       |
| Cash and cash equivalents           | 0 %         | 0 %         | 100 %       | 0 %        |
| <b>Total assets</b>                 | <b>27 %</b> | <b>54 %</b> | <b>10 %</b> | <b>9 %</b> |
| Total non-current liabilities       | 6 %         | 90 %        | 4 %         | 0 %        |
| Total current liabilities           | 17 %        | 32 %        | 39 %        | 12 %       |
| <b>Total liabilities</b>            | <b>12 %</b> | <b>58 %</b> | <b>23 %</b> | <b>7 %</b> |

A 10 percent weaker/stronger NOK would normally lead to a 9-13 percent increase/decrease in operating profit.

Currency fluctuations would in addition affect the book value of assets and liabilities in TOMRA's foreign subsidiaries.

A 10 percent weakening/strengthening in the value of the NOK would have increased/decreased equity by ~NOK 400 million as per balance 31 December 2016. (This analysis assumes all other variables remain constant). Such changes in value would however only have limited P/L impact as they are mainly booked as translation differences against equity.

**Sensitivity analysis - isolated currency rate changes' impact on operating profit before other items:**

| Amounts in NOK million      | 2016   |       | 2015   |       |
|-----------------------------|--------|-------|--------|-------|
|                             | Income | Cost  | Income | Cost  |
| 10% currency change USD/NOK | 210    | (182) | 187    | (161) |
| 10% currency change EUR/NOK | 302    | (275) | 277    | (259) |

**Sensitivity analysis - isolated currency rate changes' impact on equity:**

| Amounts in NOK million      | 2016     |         | 2015     |         |
|-----------------------------|----------|---------|----------|---------|
|                             | Increase | Decline | Increase | Decline |
| 10% currency change USD/NOK | 144      | (144)   | 160      | (160)   |
| 10% currency change EUR/NOK | 233      | (233)   | 204      | (204)   |

The following exchange rates were applied during the year <sup>1)</sup>:

|         | Average rate (P/L rate) |       | Reporting date rate (Balance rate) |       |
|---------|-------------------------|-------|------------------------------------|-------|
|         | 2016                    | 2015  | 2016                               | 2015  |
| USD/NOK | 8.401                   | 8.064 | 8.620                              | 8.809 |
| EUR/NOK | 9.293                   | 8.941 | 9.086                              | 9.619 |
| SEK/NOK | 0.982                   | 0.956 | 0.951                              | 1.048 |
| AUD/NOK | 6.245                   | 6.059 | 6.225                              | 6.447 |

1) Exchange rates distributed by the Norwegian Central Bank

The fair value of forward contracts is calculated at the end of each period, and at 31 December 2016 the value was recognized in other current liabilities at NOK 4.0 million (per 31 December 2015: NOK 3.7 million in other short term receivables and NOK 22.4 million in other current liabilities). Changes in fair value of forward contracts were recognized in the income statement in 2016. Change in fair value of forward contracts and currency gain on cash flows in 2016 amounted to a gain of NOK 53.3 million (see note 4). Currency contracts are accounted for at fair value according to IFRS 7, level 2. IFRS 13 has been applied effective 1 January 2013.

**NOTE 19 FINANCIAL INSTRUMENTS (CONT.)****Outstanding forward foreign exchange contracts, as of 31 December:**

| Amount forward (sold) / bought | 2016                             |           |          | 2015                             |           |          |
|--------------------------------|----------------------------------|-----------|----------|----------------------------------|-----------|----------|
|                                | Currency (million) <sup>1)</sup> | Exch.rate | Due date | Currency (million) <sup>1)</sup> | Exch.rate | Due date |
| EUR/NOK                        | (84.0)                           | 9.111     | 2017     | (91.0)                           | 9.449     | 2016     |
| GBP/NOK                        | 0.5                              | 10.669    | 2017     | 0.6                              | 13.072    | 2016     |
| JPY/NOK                        | (320.0)                          | 0.077     | 2017     | (427.0)                          | 0.071     | 2016     |
| SEK/NOK                        | (17.0)                           | 0.925     | 2017     | (25.0)                           | 1.028     | 2016     |
| AUD/NOK                        | (9.0)                            | 6.352     | 2017     | (5.9)                            | 6.278     | 2016     |
| ZAR/NOK                        | (36.6)                           | 0.609     | 2017     | (36.6)                           | 0.578     | 2016     |
| USD/NOK                        | (4.0)                            | 8.474     | 2017     | 7.0                              | 8.582     | 2016     |
| DKK/NOK                        | 7.0                              | 1.224     | 2017     | (2.0)                            | 1.274     | 2016     |
| KRW/NOK                        | (750.0)                          | 0.007     | 2017     | (750.0)                          | 0.007     | 2016     |
| PLN/NOK                        | (5.6)                            | 2.067     | 2017     | (14.3)                           | 2.189     | 2016     |
| CAD/NOK                        | (0.8)                            | 6.399     | 2017     | 5.3                              | 6.323     | 2016     |
| NZD/NOK                        | (10.0)                           | 5.848     | 2017     |                                  |           |          |
| NZD/USD                        | 35.0                             | 0.695     | 2017     |                                  |           |          |

1) Face value

TOMRA has not entered into any commodity contracts as of 31 December 2016.

**Overview of financial assets and liabilities - carrying and fair values:**

| Amounts in NOK million             | 2016            |              | 2015            |              |
|------------------------------------|-----------------|--------------|-----------------|--------------|
|                                    | Carrying amount | Fair value   | Carrying amount | Fair value   |
| Long term receivables              | 271.5           | 271.5        | 245.3           | 245.3        |
| Receivables                        | 1,320.9         | 1,320.9      | 1,363.4         | 1,363.4      |
| Cash and cash equivalents          | 399.2           | 399.2        | 312.9           | 312.9        |
| Forward exchange contracts         | (4.0)           | (4.0)        | (18.7)          | (18.7)       |
| Finance lease liabilities          | 0.0             | 0.0          | 0.0             | 0.0          |
| Unsecured bank facilities          | (745.1)         | (745.1)      | (1,202.4)       | (1,202.4)    |
| Other interest-bearing liabilities | (14.6)          | (14.6)       | (4.0)           | (4.0)        |
| Payables                           | (440.5)         | (440.5)      | (498.8)         | (498.8)      |
| <b>Total</b>                       | <b>787.4</b>    | <b>787.4</b> | <b>197.7</b>    | <b>197.7</b> |

The following summarizes the major methods and assumptions used in estimating the fair values of financial instruments in the table:

**Cash and cash equivalents**

The carrying amounts of cash and cash equivalents equaled the fair value due to their short maturities.

**Financial derivatives**

The fair value of forward currency contracts represented quoted market price, i.e. the exchange rate at 31 December 2016 and the interest points obtained from the different market institutions.

**Interest-bearing loans and borrowings**

The fair value of the unsecured bank loan was based on loan amounts and accrued interest per 31 December 2016. Future interest payments and repayments with a time to maturity of more than one year are discounted.

**Receivables/payables**

For receivables/payables with a remaining life of less than one year, the notional amount was deemed to reflect the fair value. All other receivables/payables were discounted to determine the fair value.

There has not been any transfer of assets between the different valuation levels in 2016 compared to 2015.

**NOTE 19 FINANCIAL INSTRUMENTS (CONT.)**

| <b>Interest rates used for determining fair value</b> | <b>2016</b> | <b>2015</b> |
|-------------------------------------------------------|-------------|-------------|
| Loans and borrowings                                  | 1.8 %       | 1.8 %       |
| Receivables/payables                                  | 1.3 %       | 1.3 %       |

**Financial assets and liabilities per 31 December 2015 - maturity analysis (discounted values) using nominal cash flows:**

| <b>Amounts in NOK million</b>      | <b>Carrying amount</b> | <b>Quarter 1 2017</b> | <b>Quarter 2-4 2017</b> | <b>2018</b>  | <b>2019+</b>   |
|------------------------------------|------------------------|-----------------------|-------------------------|--------------|----------------|
| Long term receivables              | 271.5                  |                       |                         | 108.6        | 162.9          |
| Receivables                        | 1,320.9                | 1,320.9               |                         |              |                |
| Cash and cash equivalents          | 399.2                  | 399.2                 |                         |              |                |
| Forward exchange contracts         | (4.0)                  | (4.0)                 |                         |              |                |
| Unsecured bank facilities          | (745.1)                |                       |                         |              | (745.1)        |
| Other interest-bearing liabilities | (14.6)                 |                       |                         |              | (14.6)         |
| Payables                           | (440.5)                | (440.5)               |                         |              |                |
| <b>Total</b>                       | <b>787.4</b>           | <b>1,275.6</b>        | <b>0.0</b>              | <b>108.6</b> | <b>(596.8)</b> |

**NOTE 20 SHARE-BASED PAYMENTS****GROUP - IFRS****Share Purchase Program**

In 2008 TOMRA established a share purchase program for permanent employees. In this program TOMRA invites employees to buy shares in TOMRA at market price and receive one bonus share per five invested shares, provided the shares are kept for at least one year and the employee is still employed by TOMRA. The employee can buy shares up to a maximum of 30 percent of his/her gross salary. The share purchase program uses own shares acquired by TOMRA as authorized by the Annual General Meeting. The shares are purchased on the Oslo Stock Exchange.

|                                                                             | <b>2016</b> | <b>2015</b> |
|-----------------------------------------------------------------------------|-------------|-------------|
| Number of shares purchased by employees                                     | 225,147     | 84,949      |
| Share price (closing market share price, the day before the allotment date) | 84.24       | 68.56       |
| Number of bonus shares, distributed one year after investment               | 16,989      | 18,654      |
| Total expenses recognized                                                   | 3.9 mill    | 1.5 mill    |

**NOTE 21 EQUITY****TOMRA SYSTEMS ASA - NGAAP**

| <b>Amounts in NOK million</b>       | <b>Share capital</b> | <b>Treasury shares</b> | <b>Share premium</b> | <b>Paid-in capital</b> | <b>Retained earnings</b> | <b>Total equity</b> | <b>Number of shares</b> |
|-------------------------------------|----------------------|------------------------|----------------------|------------------------|--------------------------|---------------------|-------------------------|
| <b>Balance per 1 January 2015</b>   | <b>148.0</b>         | <b>(0.2)</b>           | <b>918.3</b>         | <b>1,066.1</b>         | <b>321.1</b>             | <b>1,387.2</b>      | <b>148,020,078</b>      |
| Profit for the period               |                      |                        |                      |                        | 343.7                    | 343.7               |                         |
| Pensions                            |                      |                        |                      |                        | (0.4)                    | (0.4)               |                         |
| Purchase of own shares              |                      | (0.3)                  |                      | (0.3)                  | (22.5)                   | (22.8)              |                         |
| Own shares sold to employees        |                      | 0.1                    |                      | 0.1                    | 7.0                      | 7.1                 |                         |
| Dividend to shareholders            |                      |                        |                      |                        | (258.4)                  | (258.4)             |                         |
| <b>Balance per 31 December 2015</b> | <b>148.0</b>         | <b>(0.4)</b>           | <b>918.3</b>         | <b>1,065.9</b>         | <b>390.5</b>             | <b>1,456.4</b>      | <b>148,020,078</b>      |
| Profit for the period               |                      |                        |                      |                        | 617.2                    | 617.2               |                         |
| Pensions                            |                      |                        |                      |                        | (2.9)                    | (2.9)               |                         |
| Purchase of own shares              |                      | (0.3)                  |                      | (0.3)                  | (31.0)                   | (31.3)              |                         |
| Own shares sold to employees        |                      | 0.2                    |                      | 0.2                    | 20.2                     | 20.4                |                         |
| Dividend to shareholders            |                      |                        |                      |                        | (310.2)                  | (310.2)             |                         |
| <b>Balance per 31 December 2016</b> | <b>148.0</b>         | <b>(0.5)</b>           | <b>918.3</b>         | <b>1,065.8</b>         | <b>683.8</b>             | <b>1,749.6</b>      | <b>148,020,078</b>      |

Share par value is 1 NOK.

In 2016 Tomra Systems ASA purchased 350,000 own shares at an average price of NOK 89.24 per share.

Total shareholding of treasury shares was 498,946 as of year end 2016.

## NOTE 21 EQUITY (CONT.)

## GROUP - IFRS

| Amounts in NOK million                               | Paid-in capital | Translation reserve | Remeasurements of defined benefit liability (assets) | Retained earnings | Total equity attributable to the owners of the company | Non-controlling Interest | Total Equity   |
|------------------------------------------------------|-----------------|---------------------|------------------------------------------------------|-------------------|--------------------------------------------------------|--------------------------|----------------|
| <b>Balance per 1 January 2015</b>                    | <b>1,066.1</b>  | <b>325.2</b>        | <b>(37.1)</b>                                        | <b>1,889.8</b>    | <b>3,244.0</b>                                         | <b>115.4</b>             | <b>3,359.4</b> |
| Profit for the period                                |                 |                     |                                                      | 600.8             | 600.8                                                  | 46.9                     | 647.7          |
| Changes in translation differences                   |                 | 330.8               |                                                      |                   | 330.8                                                  | 21.4                     | 352.2          |
| Remeasurements of defined benefit liability (assets) |                 |                     | (0.4)                                                |                   | (0.4)                                                  |                          | (0.4)          |
| <b>Total comprehensive income for the period</b>     | <b>0.0</b>      | <b>330.8</b>        | <b>(0.4)</b>                                         | <b>600.8</b>      | <b>931.2</b>                                           | <b>68.3</b>              | <b>999.5</b>   |
| <b>Transactions with shareholders</b>                |                 |                     |                                                      |                   |                                                        |                          |                |
| Dividend non-controlling interest                    |                 |                     |                                                      |                   | 0.0                                                    | (43.9)                   | (43.9)         |
| Purchase of own shares                               | (0.3)           |                     |                                                      | (22.5)            | (22.8)                                                 |                          | (22.8)         |
| Own shares sold to employees                         | 0.1             |                     |                                                      | 7.0               | 7.1                                                    |                          | 7.1            |
| Minority new consolidated companies                  |                 |                     |                                                      |                   | 0.0                                                    | 20.6                     | 20.6           |
| Dividend to shareholders                             |                 |                     |                                                      | (214.4)           | (214.4)                                                |                          | (214.4)        |
| <b>Total transactions with shareholders</b>          | <b>(0.2)</b>    | <b>0.0</b>          | <b>0.0</b>                                           | <b>(229.9)</b>    | <b>(230.1)</b>                                         | <b>(23.3)</b>            | <b>(253.4)</b> |
| <b>Balance per 31 December 2015</b>                  | <b>1,065.9</b>  | <b>656.0</b>        | <b>(37.5)</b>                                        | <b>2,260.7</b>    | <b>3,945.1</b>                                         | <b>160.4</b>             | <b>4,105.5</b> |
| Profit for the period                                |                 |                     |                                                      | 691.2             | 691.2                                                  | 47.1                     | 738.3          |
| Changes in translation differences                   |                 | (171.4)             |                                                      |                   | (171.4)                                                | (4.0)                    | (175.4)        |
| Remeasurements of defined benefit liability (assets) |                 |                     | (2.9)                                                |                   | (2.9)                                                  |                          | (2.9)          |
| <b>Total comprehensive income for the period</b>     | <b>0.0</b>      | <b>(171.4)</b>      | <b>(2.9)</b>                                         | <b>691.2</b>      | <b>516.9</b>                                           | <b>43.1</b>              | <b>560.0</b>   |
| <b>Transactions with shareholders</b>                |                 |                     |                                                      |                   |                                                        |                          |                |
| Dividend non-controlling interest                    |                 |                     |                                                      |                   | 0.0                                                    | (29.8)                   | (29.8)         |
| Purchase of own shares                               | (0.3)           |                     |                                                      | (31.0)            | (31.3)                                                 |                          | (31.3)         |
| Own shares sold to employees                         | 0.2             |                     |                                                      | 20.2              | 20.4                                                   |                          | 20.4           |
| Minority new consolidated companies                  |                 |                     |                                                      |                   | 0.0                                                    | 4.0                      | 4.0            |
| Dividend to shareholders <sup>1)</sup>               |                 |                     |                                                      | (258.8)           | (258.8)                                                |                          | (258.8)        |
| <b>Total transactions with shareholders</b>          | <b>(0.1)</b>    | <b>0.0</b>          | <b>0.0</b>                                           | <b>(269.6)</b>    | <b>(269.7)</b>                                         | <b>(25.8)</b>            | <b>(295.5)</b> |
| <b>Balance per 31 December 2016</b>                  | <b>1,065.8</b>  | <b>484.6</b>        | <b>(40.4)</b>                                        | <b>2,682.3</b>    | <b>4,192.3</b>                                         | <b>177.7</b>             | <b>4,370.0</b> |

1) Dividend payment was NOK 1.75 per share in 2016, as proposed in the 2015 financial statements.

**NOTE 21 EQUITY (CONT.)****Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company.

See also comment on IAS 39 Hedge accounting under disclosure note 19.

**Dividends**

After the balance sheet date the following dividends were proposed by the directors:

| Amounts in NOK million                         | 2016  | 2015  |
|------------------------------------------------|-------|-------|
| NOK 2.10 per qualifying share (2015: NOK 1.75) | 309.8 | 258.4 |

The dividend has not yet been provided for and there are no income tax consequences.

| Earnings per share - Group                                       | 2016        | 2015        |
|------------------------------------------------------------------|-------------|-------------|
| Average number of shares                                         | 148,020,078 | 148,020,078 |
| Average number of shares, adjusted for own shares                | 147,779,501 | 147,821,972 |
| Average number of shares, adjusted for own shares, fully diluted | 147,779,501 | 147,821,972 |
| Majority equity 31 December (MNOK)                               | 4,192.3     | 3,945.1     |
| Equity per share (NOK)                                           | 28.37       | 26.69       |
| Net profit attributable to the shareholders of the parent (MNOK) | 691.2       | 600.8       |
| Earnings per share, basic                                        | 4.68        | 4.06        |
| Earnings per share, fully diluted                                | 4.68        | 4.06        |

**Purchase of own shares**

TOMRA was granted authority to acquire treasury shares at the annual general meeting 25 April 2016, limited to a total of 500,000 shares. At the end of 2016, 350,000 shares had been purchased under this proxy.

**NOTE 22 SHAREHOLDERS**

The amounts shown are based upon information from Verdipapirsentralen.

On nominee accounts, information regarding beneficial ownership has been collected and presented where possible.

| Registered at 31 December 2016                      | Number of shares   | Ownership       |
|-----------------------------------------------------|--------------------|-----------------|
| 1 Investment AB Latour                              | 38,311,000         | 25.88 %         |
| 2 Folketrygdfondet                                  | 9,529,819          | 6.44 %          |
| 3 SEB Investment Management AB                      | 7,883,486          | 5.33 %          |
| 4 APG Asset Management N.V.                         | 7,526,441          | 5.08 %          |
| 5 Nordea Investment Management AB (Swe + DK + Nor)  | 5,798,422          | 3.92 %          |
| 6 Lannebo Fonder AB                                 | 4,290,784          | 2.90 %          |
| 7 Danske Capital AS (Sweden + Denmark + Norway)     | 4,022,539          | 2.72 %          |
| 8 The Vanguard Group, Inc.                          | 3,150,975          | 2.13 %          |
| 9 Alfred Berg Kapitalforvaltning AS                 | 3,009,140          | 2.03 %          |
| 10 Impax Asset Management (AIFM), LTD               | 2,602,734          | 1.76 %          |
| 11 Odin Forvaltning AS                              | 2,280,188          | 1.54 %          |
| 12 DNB Asset Management AS                          | 2,231,246          | 1.51 %          |
| 13 BMO Global Asset Management (U.K.)               | 2,215,536          | 1.50 %          |
| 14 Dimensional Fund Advisors, L.P.                  | 1,767,740          | 1.19 %          |
| 15 Templeton Investment Counsel, LLC                | 1,730,438          | 1.17 %          |
| 16 Sundt AS                                         | 1,625,500          | 1.10 %          |
| 17 Statoils Pensjonskasse                           | 1,414,398          | 0.96 %          |
| 18 Storebrand Asset Management AS                   | 1,388,110          | 0.93 %          |
| 19 Jupiter Asset Management, LTD (U.K.)             | 1,335,406          | 0.90 %          |
| 20 Handelsbanken Asset Management (Sweden + Norway) | 1,224,125          | 0.82 %          |
| <b>Total 20 largest shareholders</b>                | <b>103,338,027</b> | <b>69.81 %</b>  |
| Other shareholders                                  | 44,682,051         | 30.19 %         |
| <b>Total (5,595 shareholders)</b>                   | <b>148,020,078</b> | <b>100.00 %</b> |
| Shares owned by Norwegian residents                 | 39,453,563         | 26.65 %         |
| Shares owned by others                              | 108,566,515        | 73.35 %         |
| <b>Total</b>                                        | <b>148,020,078</b> | <b>100.00 %</b> |

**NOTE 23 DISCONTINUED OPERATIONS**

| <b>Amounts in NOK million</b>                                  | <b>2016</b>   | <b>2015</b>  |
|----------------------------------------------------------------|---------------|--------------|
| TOMRA Compaction                                               | (12.9)        | (6.7)        |
| <b>Total loss from discontinued operations</b>                 | <b>(12.9)</b> | <b>(6.7)</b> |
| Earnings per share from discontinued operations, basic (NOK)   | (0.08)        | (0.05)       |
| Earnings per share from discontinued operations, diluted (NOK) | (0.08)        | (0.05)       |

**TOMRA Compaction (ORWAK)**

TOMRA signed 12 December 2014 an agreement with San Sac Nordic AB to sell 100 percent of the shares in TOMRA Compaction Group AB for a consideration of SEK 110 million (free of cash and interest bearing debt). Closing took place 30 January 2015. TOMRA has given representations and warranties in line with what's considered normal in such transactions. TOMRA Compaction was a separate business stream within the TOMRA Collection business area and was defined as a separate CGU. The profit and loss figures are reported as discontinued operations. In the balance sheet, the assets and liabilities related to the Collection business at the end of 2014 were classified as "held for sale".

As part of the transaction, TOMRA should for a period of up to two years remain distributor in up to 5 markets.

The 2015 and 2016 revenues and expenses relate to this activity.

**Analysis of the loss on sale of discontinued operation**

| <b>Amounts in NOK million</b>                                       | <b>2016</b>   | <b>2015</b>  |
|---------------------------------------------------------------------|---------------|--------------|
| <b>Operating revenues</b>                                           | <b>31.3</b>   | <b>50.6</b>  |
| Cost of goods sold                                                  | 31.0          | 44.4         |
| Employee benefits expenses                                          | 10.3          | 11.9         |
| Ordinary depreciations                                              | -             | -            |
| Other operating expenses                                            | 2.9           | 3.5          |
| <b>Total operating expenses</b>                                     | <b>44.2</b>   | <b>59.8</b>  |
| <b>EBITA</b>                                                        | <b>(12.9)</b> | <b>(9.2)</b> |
| Amortizations                                                       | -             | -            |
| <b>EBIT</b>                                                         | <b>(12.9)</b> | <b>(9.2)</b> |
| Taxes                                                               | -             | (2.5)        |
| <b>Profit from discontinued operations (before divestment loss)</b> | <b>(12.9)</b> | <b>(6.7)</b> |
| After tax loss on divestment                                        | -             | -            |
| <b>Total discontinued operations</b>                                | <b>(12.9)</b> | <b>(6.7)</b> |
| Net cashflow from operating activities                              | (12.9)        | (6.7)        |
| Net cashflow from investing activities                              | -             | -            |
| <b>Net cashflow for the year</b>                                    | <b>(12.9)</b> | <b>(6.7)</b> |

**NOTE 24 ACQUISITIONS - COMPAC**

On 11 October 2016, TOMRA Sorting AS (a wholly owned subsidiary of Tomra Systems ASA) signed an agreement with the owners of Compac Holding Ltd (Compac) for 100 per cent of the shares in the company. Closing of the transaction took place 31 January 2017, after obtaining approval from the New Zealand Overseas Investment Office. Based on this, and the control definitions in IFRS 3 Business combinations and IFRS 10 Consolidated financial statements, TOMRA has determined that the acquisition date was 31 January 2017. Compac will be consolidated into TOMRA Group accounts starting 1 February 2017.

Compac is a New Zealand-based provider of post-harvest solutions and services to the global fresh produce industry. The company designs, manufactures, sells and services packhouse automation systems that sort fresh produce based on weight, size, shape, color, surface blemishes and internal quality. The main purpose with the acquisition of Compac is for TOMRA to reinforce its leading position within the food segment and TOMRA will be the first player to offer its customers both lane and bulk sorting of fresh and processed food.

TOMRA has at closing paid a consideration of NZD 70 million, free of cash and interest bearing debt. In addition to the initial purchase price, the sellers are entitled to an earn-out linked to the combined EBIT for the period July 2016 to June 2019. The earn-out is capped at NZD 230 million, which is reached at a combined EBIT for the three year period of NZD 84 million. There will be progress payments after Fiscal year 2017 (ending June 2017), Fiscal year 2018 (ending June 2018) and Fiscal year 2019 (ending June 2019), if certain interim targets are met. If the combined EBIT during the period is below NZD 20 million, no additional earn-out will be paid (somewhat dependent upon the distribution of EBIT between the three years).

| <b>Accounting year July-June</b> | <b>FY14</b>   | <b>FY15</b>   | <b>FY16</b>   | <b>FY17*</b> |
|----------------------------------|---------------|---------------|---------------|--------------|
| <b>Amounts in NZD million</b>    |               |               |               |              |
| <b>Profit and loss</b>           |               |               |               |              |
| Revenues                         | 75            | 105           | 152           | 72           |
| EBITDA                           | 8             | (1)           | 3             | (3)          |
| <b>EBIT</b>                      | <b>7</b>      | <b>(2)</b>    | <b>(1)</b>    | <b>(5)</b>   |
| <b>Balance sheet</b>             |               |               |               |              |
|                                  | <b>June14</b> | <b>June15</b> | <b>June16</b> | <b>Dec16</b> |
| Intangible non-current assets    | 1             | 8             | 14            | 11           |
| Tangible non-current assets      | 6             | 10            | 12            | 14           |
| Inventory                        | 17            | 17            | 24            | 23           |
| Receivables                      | 8             | 22            | 19            | 17           |
| Cash                             | 4             | 4             | 4             | 9            |
| <b>Total assets</b>              | <b>36</b>     | <b>61</b>     | <b>73</b>     | <b>74</b>    |
| Equity                           | 5             | 5             | 4             | (5)          |
| Interest bearing debt            | 8             | 23            | 29            | 39           |
| Other liabilities                | 23            | 23            | 38            | 40           |
| <b>Total debt and equity</b>     | <b>36</b>     | <b>61</b>     | <b>73</b>     | <b>74</b>    |

\* 6 months

FY15, FY16 and FY17 (6months) are extracted from management accounts and adjusted for one-off income and expenses, and are not harmonized with TOMRA accounting principles. Comparable FY16 (six month) revenues were ~NZD 64 million.

TOMRA has also provided interim funding to Compac of NZD 10 million. This is to be deducted from the purchase price at closing.

The figures include a Spanish subsidiary, which had revenues of ~ NZD 12 million in FY16 (and ~ NZD 8 million in FY17 (6months), which was divested at closing.

TOMRA has expensed NOK 12 million in acquisition related costs in the 2016 consolidated financial statements.

TOMRA gained control on 31 January 2017. Due to the lack of sufficient detailed financial information it is impractical to present full disclosures in accordance with IFRS 3. Consequently, as of the reporting date, no purchase price allocation for the acquisition has been performed.

## DIRECTORS' RESPONSIBILITY STATEMENT

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Today, the Chief Executive Officer and the Board of Directors reviewed and approved the Board of Directors' Report and the consolidated and separate annual financial statements for Tomra Systems ASA as of 31 December 2016 (annual report 2016).

### To the best of our knowledge;

- the consolidated financial statements are prepared in accordance with IFRS and IFRIC as adopted by the EU and additional Norwegian disclosure requirements in the Norwegian Accounting act, that were effective as of 31 December 2016.
- the separate financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31 December 2016.
- the Board of Directors' Report for the Group and the Parent Company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no. 16, as of 31 December 2016.
- the consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 31 December 2016 for the Group and the Parent Company.
- the Board of Directors' Report for the Group and the Parent Company includes a true and fair view of;
  - the development and performance of the business and the position of the Group and the Parent Company.
  - the principal risks and uncertainties the Group and the Parent Company face.

### Asker, 22 February 2017

**Jan Svensson**  
Chairman

**Aniela Gjøs**  
Board member

**Bodil Sonesson**  
Board member

**Pierre Couderc**  
Board member

**Linda Bell**  
Board member

**David Williamson**  
Employee representative

**Ingrid Solberg**  
Employee representative

**Stefan Ranstrand**  
President & CEO



KPMG AS  
Serkedalsveien 6  
Postboks 7000 Majorstuen  
0306 Oslo

Telephone +47 04063  
Fax +47 22 60 96 01  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

To the Annual Shareholder's Meeting of Tomra Systems ASA

## Independent Auditor's Report

### Report on the Audit of the Financial Statements

#### Opinion

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We have audited the financial statements of Tomra Systems ASA. The financial statements comprise:

- The financial statements of the parent company Tomra Systems ASA (the "Company"), which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
- The consolidated financial statements of Tomra Systems ASA and its subsidiaries (the "Group"), which comprise the balance sheet as at 31 December 2016, the income statement, statement of other comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

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We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

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Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



### Goodwill Impairment

Refer to the accounting policies section *Valuation and Classification Principles* point (f) and (p) and Note 10 in the consolidated financial statements.

| The Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As at 31 December 2016, the Group carries NOK 2 108 million of goodwill on the balance sheet. NOK 1 798 million of the goodwill relates to acquisitions in the Sorting segment completed in prior periods. There is a risk of non-recoverability because of the inherent uncertainty of whether future cash flows are sufficient. These cash flows form the basis for management's assessment of the goodwill recoverability.</p> <p>An impairment test of goodwill is performed annually by the Group, assessing the value in use of individual cash generating units. The key assumptions used in the assessment of the carrying value of goodwill are determined with reference to the management's assessment and view on judgmental factors, such as determination of cash generating units and estimation of expected future financial performance, growth rate, profitability and discount rate. There is a risk that the judgements used are inappropriate and goodwill is overstated.</p> | <p>We critically assessed management's key assumptions forming the basis for the Group's value in use calculation. Our procedures included:</p> <ul style="list-style-type: none"> <li>• evaluating the Group's assessment and determination of cash generating units;</li> <li>• involving our own valuation specialist and thereby challenging the inputs and methodology used to determine the applied discount rate, assessing the inputs used in determining the discount rate by reference to market data, recalculating the sensitivities applied, and assessing the mathematical and methodological integrity of management's impairment models;</li> <li>• considering the historical accuracy of the Group's assumptions in budgets and forecasts, by comparing actual numbers to budgets and forecasts in prior periods;</li> <li>• agreeing the applied revenues, profit and growth rates with the Group's most recent budget and long term plans as approved by management, and;</li> <li>• challenging the key assumptions used in the discounted cash flow model.</li> </ul> <p>We also considered whether the disclosures regarding key assumptions and sensitivities appropriately described the Group's exposure to impairments should future key assumptions deviate from management's forecasts.</p> |

### Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the notes and our audit opinion.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director ("Management") are responsible for the preparation and fair presentation of the financial statements of the Company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial



**Auditor's Report - 2016**  
Tomra Systems ASA

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### Opinion on the Board of Directors' report

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Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the reports on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

### Opinion on Registration and Documentation

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Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 9 March 2017  
KPMG AS

Øyvind Skorgevik  
State Authorized Public Accountant

**LEADING THE RESOURCE REVOLUTION**



**Tomra Systems ASA**

Drengsrudhagen 2  
P.O. Box 278  
1372 Asker  
NORWAY

Tel: +47 66 79 91 00  
Fax: +47 66 79 91 11  
info@tomra.com  
www.tomra.com