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 ${\tt Additional\ information\ about\ TOMRA's\ organization\ is\ available\ at\ {\it www.tomra.com}}$ 





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# **KEY FIGURES**

		2010	2009	2008	2007	2006
Operating revenues	NOK million	3,496	3,321	3,622	3,490	3,965
EBITDA	NOK million	687	490	612	606	828
Profit before other items	NOK million	514	292	456	445	655
Ordinary profit before taxes	NOK million	508	391	432	442	656
Net profit	NOK million	114	268	292	292	440
Total assets	NOK million	3,305	3,112	3,594	2,952	3,310
Equity	NOK million	1,832	1,845	2,019	1,624	1,972
Return on equity, ex. other items	%	17.3	12.9	15.3	15.6	20.6
Return on total assets, ex. other items	%	16.5	12.5	14.4	15.2	21.0
Earnings per share	NOK	0.50	1.67	1.82	1.76	2.48
Earnings per share fully diluted	NOK	0.50	1.67	1.82	1.76	2.48
Net cash flow from operating activities	NOK million	525	457	375	526	344
Number of employees as of 31 December		2,027	1,952	2,110	2,040	2,022
Female employees	%	19	18	19	20	18
Female managers (of all managers)	%	19	21	22	19	17
Ethnic minority employees	%	32	32	29	32	35
Number of reportable injuries		137	138	153	167	116
Carbon dioxide emissions	Metric tons	23,300	30,200	26,400	28,900	26,000
Waste generation	Metric tons	1,810	1,685	1,820	1,745	1,585

## CHIEF EXECUTIVE OFFICER'S REVIEW

We delivered strong results in 2010 in all three of our primary business areas - Collection Technology, Material Handling and Industrial Processing Technology. Overall we increased revenues by more than 10% and raised our profit margin from 7% to 15%.

equipment installations from 92 to 97% in 2010. This quality parameter will continue to be a strong focus area going forward, and I am confident we will further improve these results in 2011.

We were also able to reduce COGS by 7.5%, resulting primarily from increased production productivity, supplier negotiations and transfer of production to low cost production in Poland without compromising quality and time to market. Delivery precision was close to 100% in meeting agreed schedules, and flexibility in meeting volume requirements was also very good. Implementation of a new ERP system for TOMRA Technology was started, and is scheduled to be rolled out in April 2011. We look forward to making significant gains in productivity with this new system.



Collection Technology continued its focused drive in R&D to bring new technologies to the market. We renewed our RVM portfolio, which included the release of our new top-end model T-820. The many relevant and valuable benefits facilitated by this new platform have been well received in the market, and sales of this machine exceeded our expectations for the year. The backroom portfolio was also enhanced with new innovations and functional design.

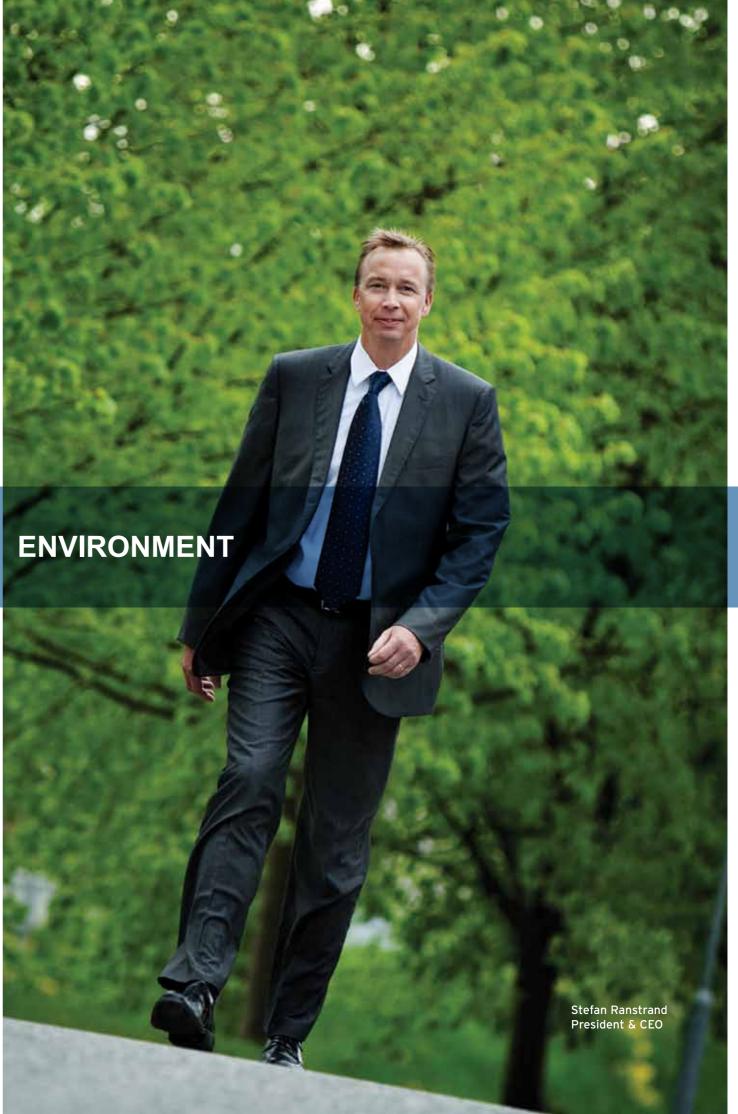
Another major highlight within Collection Technology was the agreement signed with a European retailer for the delivery of reverse vending systems worth approximately 70 million euro over the period 2011-12. We view this major order as a solid indication from the market that our technology and services are meeting expectations in terms of high reliability and performance.

The Operations unit within Collection Technology also contributed well to the year's successes. Due to the significant efforts this unit has put into improving production and testing processes, we increased the number of 100% satisfactory new

TOMRA China was established for sourcing and sales purposes for the TOMRA Group. All necessary licenses were completed, a country manager was hired, and the organization was established with offices in Xiamen, Fujian Province. A build up of the supplier network in China is ongoing, and the delivery of parts from this operation to TOMRA Production in Lier has begun.

In the Material Handling segment, our team in California managed to turn the large negative result in 2009 over to a 10% profit for 2010. This result was helped considerably by increased commodity prices compared to 2009, the reinstatement of the State handling fee, and lower costs due to restructuring efforts. Material Handling activities in the Eastern US and Canada also did well in 2010, and overall the segment turned in a 16% revenue increase for the year.

The Industrial Processing Technology (IPT) business rebounded strongly in 2010, with an increase in revenues of 46% over 2009. This success can be attributed in large part to the improved market conditions enabled by higher commodity prices,



which in turn tend to promote investments in technology. Good progress was achieved in all IPT sectors, and we were able to make particular advances within the mining and metals recycling sectors.

Toward the end of the year we made several acquisitions in line with our overall strategy to expand within sensor-based sorting and further develop market opportunities within Collection Technology and Material Handling. The largest of these was the acquisition of Odenberg, a world leader in food sorting and processing solutions head-quartered in Ireland. Organized within the Industrial Processing Technology segment, Odenberg adds a highly developed platform on which to expand our reach within sensor-based sorting applications.

initiative through participation in the Nordic network and found that the Global Compact provides a useful framework for guiding our corporate responsibility activities. TOMRA will continue to support and promote the principles of the Global Compact during 2011.

We view efforts such as the Global Compact as essential to addressing the critical challenges the world is facing in terms of sustainability. World resources are under unprecedented pressure, and it is clear that resource productivity must be improved substantially to achieve sustainable development. This is where we can and are making a difference – transforming how companies manage the world's resources by providing smart solutions for optimal resource productivity. We have always

Our brand team globally is developing the TOMRA story and strengthening our collaborative connections to businesses and consumers. TOMRA's brand efforts will focus on building meaningful stories that resonate and increase our relevance - stories around innovation and solutions that matter. To ensure that new acquisitions are understood globally and synergies are utilized, the brand team will support the business development group as we merge the new brands and brand these mergers.

With the acquisitions we have made so far we have taken the first steps in positioning TOMRA as a leader in sensor-based sorting applications within the industrial processing segment, an area the market and TOMRA believe will have significant growth.

This allows TOMRA to support the world's emerging needs in terms of resource productivity and efficiency. With our investments and collaborations TOMRA is well positioned to have a meaningful impact at or near the center of future developments, where we can play a vital role in providing resource solutions that minimize harm to the environment. Better business and better environment is at the core of our business, and we are excited about the positive impact we will continue to have on improving business processes, optimizing resource productivity and contributing to a better environment.

Stefan Ranstrand President & CEO

# PROVIDING SMART SOLUTIONS FOR OPTIMAL RESOURCE PRODUCTIVITY

We also acquired two companies in the United States, Can and Bottle Systems Inc. (CBSI) and Returnable Services, Inc. (RSI). CBSI is a RVM manufacturer based in Portland, Oregon, and RSI is a material pick-up and processing provider based in Augusta, Maine. The products and services provided by these two companies will complement and extend TOMRA's capabilities and help solidify our position as a complete solution provider for recycling beverage containers in North America.

TOMRA joined the UN Global Compact at the end of 2009 and this Annual Report serves as our first Communication on Progress as a part of our membership in the Compact. Since joining, we have assessed our existing policies and procedures and rated our performance against the ten principles of the Global Compact to identify what actions need to be taken. We have also learned more about the

thought this way at TOMRA - from equipping the world to more efficiently handle used beverage containers, to providing the world's most innovative sensor-based sorting solutions today.

I am very pleased with what we achieved in 2010, and am confident we will be able to continue to reduce production costs and increase profitability in 2011. To help us realize our goals for growth, we are increasing our investment in design, innovation and technology development. We are also applying greater effort toward the development of our people through a rigorous annual review of employee satisfaction and benchmarking against peer companies as part of the international Great Place to Work program. In addition we have also strengthened our business development and sales resources to support our geographic expansion and to develop new market opportunities.

"World resources are under unprecedented pressure, and it is clear that resource productivity must be improved substantially to achieve sustainable development. This is where we can and are making a difference – transforming how companies manage the world's resources by providing smart solutions for optimal resource productivity."









## **BUSINESS OVERVIEW**

TOMRA was founded on an innovation in 1972 and started out with design, manufacturing and sale of reverse vending machines (RVMs) for automated collection of used beverage containers. Today, the TOMRA Corporation continues to innovate and provides smart solutions for optimal resource productivity within three main business areas: Collection Technology and Material Handling (TOMRA), and Industrial Processing Technology (TITECH, CommodasUltrasort, Odenberg, and Orwak).







**COLLECTION TECHNOLOGY** 

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KEY ACTIVITIES		Sale and service of solutions for automated collection of used beverage containers with deposit in retail stores	sale of optical inspection & sorting solutions for processing of food, waste materials, minerals/mining materials etc. Sale of waste compactors and baling systems for recycled materials.	of used beverage containers and operation of a network of collection sites in California	
	SHARE OF REVENUES (2010)	~ 55%	~ 20%	~ 25%	
	EMPLOYEES	700	400	1100	
	GEOGRAPHIC PRESENCE	Europe, North America (10 states, 1 province), South America, Japan etc.	Global	North America (10 states, 1 province)	

## **OUR IMPACT**

Each year the solutions provided by TOMRA help to efficiently recover tens of billions of waste items and significantly avoid CO<sub>2</sub> emissions. For example:

- > 30 billion used beverage containers are captured annually through our reverse vending machines
- > 450,000 tons of metal are recovered by our installed metal recycling machines each year
- > 1 TITECH sorter can analyze and sort a football field covered with waste in less than 15 minutes
- > Our compactors and vertical balers enable daily savings of 20,000 transport movements, or 150,000 liters of fuel, and up to 50% of customers' waste handling costs
- > Our business directly emits 30 thousand tonnes of CO<sub>2</sub>. However, the results of our cutting-edge technology are avoiding global emissions by around 10 million tonnes of CO<sub>2</sub> each year - equivalent to the annual emissions of 4 million cars driving 15,000 kilometers per year





**DEPOSITS INTO REFUNDS...** 







LIABILITIES INTO ASSETS...



PURPOSE INTO PROFIT... **PROFIT INTO PROGRESS** 















## **DIRECTORS' REPORT 2010**



Chairman Board memi since 2009. Number of TOMRA shares: 0 Other board memberships: Statoil ASA (Chairman), Pharmaq AS (Chairman).



Bjørn M. Wiggen Deputy Chairman Board member since 2008. Number of TOMRA shares: 10,000 Other board memberships: Non



since 2007. SVP, Statoil ASA



Hege Marie Norheim Aniela Gabriela Gjøs Bernd H.J. Bothe
(b. 1967) (b. 1959) Bernd H.J. Bothe since 2008. CEO, Cargo Partner Group AS Number of TOMRA memberships: Dagbladet AS, Stokke AS, Norwegian Logistics and Freight Association.



David Williamson Employee represes Board member since 2008. GmbH Number of TOMRA Number of TOMR*i* shares: 648 shares: 0 Other board Lekkerland AG, Sonae SGPS, SA, Basler Fashio



Employee representative Board member since 2009. Number of TOMRA shares: 2,755

#### **SUMMARY AND HIGHLIGHTS**

- > Despite a somewhat challenging business environment in the beginning of the year, TOMRA rebounded strongly in 2010 with good results and cash flow. The Group ended 2010 with a strong balance sheet and a solid foundation for further growth.
- > Operating revenues in 2010 of NOK 3,496 million represented a growth of five percent compared to 2009. Adjusted for currency effects, the growth was 11 percent. Result from operating activities before other items increased from NOK 292 million in 2009 to NOK 514 million in 2010.
- > Gross margins increased in all segments, with all units operating close to or at all time high levels.
- > TOMRA maintained a strong position in deposit markets. Revenues in Collection Technology decreased from NOK 1,906 million in 2009 to NOK 1.839 million in 2010, but increased three percent measured in local currencies. Increased activity in North America compensated for somewhat lower activity in the European market.
- > The companies within TOMRA's IPT segment experienced higher activity in 2010 than in 2009. Rising commodity prices and better access to capital resulted in better demand for both sorting and compaction solutions. Revenues increased consequently from NOK 550 million in 2009 to NOK 691 million in 2010, equal to an increase of 46 percent adjusted for currency effects and divestments.
- > The volumes handled by TOMRA's material handling operations in the Eastern US and Canada increased in 2010. in relation to 2009, following the deposit expansion in Connecticut and New York.

- > In California TOMRA was positively affected by higher aluminum prices, a reinstatement of the State handling fee as well as a positive effect from efficiency initiatives. A loss in 2009 was consequently turned into profit in 2010.
- > TOMRA lost its appeal to the European General Court related to contracts from the period 1998-2002 which were deemed to be incongruent with EU competition law. An accrual of NOK 226 million for the EU fine and accumulated interest was consequently taken in third quarter 2010.
- > TOMRA established in 2010 operations in Xiamen in China - a hub for sourcing and assembly to the Groups production units, as well as center for expansion into the growing Chinese
- > In fourth guarter 2010, TOMRA acquired two US companies, (RSI and CBSI), strengthening TOMRA's geographic presence in the North American market.
- > In December 2010, TOMRA entered into an option agreement with owners of Odenberg Investment Ltd, to acquire the company. Odenberg is a leading provider of advanced sorting and processing technology to the international food sorting industry.
- > Cash flow from operations was strong at NOK 525 million in 2010, up from NOK 457 million in 2009.
- > The share price increased by more than 40 percent during 2010, from NOK 27.70 to NOK 38.80. During 2010 108 million TOMRA shares were traded on the Oslo Stock Exchange, as compared to 124 million in 2009..

#### **FINANCIAL PERFORMANCE 2010**

Operating revenues amounted to NOK 3,496 million in 2010. This represents an increase of five percent in relation to 2009. Adjusted for currency effects, operating revenues increased by 11 percent.

Result from operating activities before other items was NOK 514 million in 2010, up from NOK 292 million in 2009. The figures include write-downs and other one-time charges of NOK 38 million in 2010 and NOK 106 million in 2009.

A stronger NOK measured in USD and EUR throughout 2010 gave a negative effect on the result from operating activities before other items, estimated at about NOK 60 million compared to 2010.

Net financial items went from NOK 99 million in 2009 to minus NOK 7 million in 2010, due to a reduction in gains from currency hedges (from NOK 112 million in 2009 to NOK 4 million in 2010).

Other items in 2010 included a loss of NOK 226 million related to an accrual for the EU fine, as well as a loss of NOK 19 million related to the divestment of Presona AB.

Net profit after taxes was 114 million in 2010, down from NOK 268 million in 2009. Earnings per share in 2010 equaled NOK 0.50 compared to NOK 1.67 in 2009.

Cash flow from operations was strong at NOK 525 million in 2010, up from NOK 457 million in 2009. Cash flow from operations financed investments of NOK 307 million, dividend payments of NOK 81 million, share buy-backs of NOK 4 million and down-payments on net interest-bearing debt inclusive interest, of NOK 146 million.

TOMRA's balance sheet as of 31 December 2010 was NOK 3,305 million. This represents an increase of six percent in relation to the balance at the beginning of the year. The increase is explained by a higher activity level, two acquisitions in 2010 and

investments in the lease machine portfolio in US. Working capital, excluding interest bearing items, was reduced by NOK 13 million, despite a higher activity level. Although 77 percent of TOMRA's balance sheet is denominated in foreign currencies, currency changes had only immaterial net impact on the balance sheet when comparing year-end 2010 versus year-end 2009. The equity ratio was reduced from 61 percent to 58 percent 2010. At the end of 2010 the free equity of the parent company Tomra Systems ASA stood at NOK 679 million.

Tomra Systems ASA had a decrease in operating revenues from NOK 969 million in 2009 to NOK 911 million in 2010. The decrease was explained by a stronger NOK, as more than 90 percent of the sales out of Tomra Systems ASA are denominated in foreign currencies. The operating expenses increased somewhat, going from NOK 712 million to NOK 730 million, mainly as a consequence of higher research and development activities within the Collection Technology segment. Machines are produced by third parties in Sweden and Poland, and at the wholly owned subsidiary Tomra Production AS in Norway. 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 this segment.

The net loss after taxes equaled NOK 95 million in 2010. TOMRA has the ambition to deliver a steady increase in dividend payments from the company, and the Board of Directors recommends a dividend distribution of NOK 0.60 per share, up from NOK 0.55 in 2009. The net loss for 2010 shall be allocated as follows:

Dividend: NOK 88.8 million From retained earnings: NOK 183.7 million Total amount applied: minus NOK 94.9 million

The Board of Directors confirms that the accounts have been prepared on a going concern basis and

in accordance with IFRS for the TOMRA Group companies and NGAAP for Tomra Systems ASA. The Board is of the opinion that the financial accounts give a true and fair view of the company's activities in 2010.

# THE FRAMEWORK GOVERNING TOMRA'S OPERATIONS

TOMRA's reverse vending technology provides an efficient collection and handling system for deposit 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 voluntary or legislatively 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 several years ago 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 established its business segment Industrial Processing Technology (IPT), in which TOMRA

provides efficient industrial solutions for recognizing, sorting and compacting waste and other materials.

After first mainly operating in the market of plastic and paper recycling, TOMRA's IPT segment expanded in 2006 into metal recycling, and then into mining (ore-sorting), where TOMRA technology now increases the efficiency and lifetime of mines. The results of this initiative have been positive, and in 2010 this segment contributed 20 percent of the Group's total operating revenues, up from 17 percent in 2009. The percentage is expected to increase in the years to come, as TOMRA will pursue a strategy of expanding its recognition- and sorting technology and competence into new areas.

By the end of 2010 and in line with this strategy TOMRA took a new step forward with its entry into the food industry, where our proven recognition technology now will be utilized to sort food based on quality, size and other characteristics. TOMRA is consequently in a stage of transformation, where the recycling industry will not be the only industry where TOMRA is present going forward.

Due to this 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 macro trends favoring both the recycling industry and other "machine vision" related industries. These trends include increasing per capita waste levels, higher energy prices, stricter waste recycling regulations, greater environmental awareness, higher food prices and rising demand for commodities.

### **KEY ACTIVITIES**

TOMRA is an international corporation with a presence in more than 45 countries. The company's headquarters are located in Asker, Norway, and its principal markets lie in North America and Europe.

TOMRA's activities are organized within three business segments: Collection Technology, Industrial Processing Technology, and Material Handling. The first two segments are technology divisions that develop, produce and sell technology. In the Material Handling segment, TOMRA carries out the pick-up, transport and processing of used beverage containers in deposit markets in North America.

#### Collection Technology

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. In addition TOMRA provides data administration systems which monitor the volume of collected materials and associated deposit transactions.

In 2010 the revenues within this segment amounted to NOK 1,839 million, down from NOK 1,906 million in 2009. Adjusted for currency changes, revenues

increased by three percent. The gross contribution increased from 45 percent to 47 percent and the result from operating activities before other items decreased from NOK 380 million to NOK 326 million. Profit decreased by two percent when adjusted for currency changes.

TOMRA's customers within this segment are primarily in the food retail industry in Europe and USA, an industry that to only a small degree is affected by financial downturns since the consumption of food and beverages remains pretty stable through economic cycles. Increasingly more food retail chains consider a well-functioning container return system as an important competitive advantage, as consumers to a certain degree choose which store they go to based on the convenience and reliability of a store's return facilities. This applies both in times of economic upturn and downturn. This segment maintained consequently its activity level throughout the financial downturn in 2008-09, and for the same reason did not experience a rebound in 2010.

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TOMRA maintained its position as the leading supplier of automated recycling machines in Europe in 2010. Revenues from the European activities amounted to NOK 1,433 million, down from NOK 1,557 million in 2009. The reduction is related to a weaker EUR and DKK and somewhat lower activity in the Danish and Finnish markets.

In August 2010, a large European retailer signed a contract with TOMRA as its main supplier of reverse vending systems and placed an order which is expected to generate EUR 70 million of revenues 2011 and 2012 combined.

The reduced activity in the European markets was offset by higher activity in North America. Operating revenues increased by 22 percent in local currency, ending at NOK 401 million. 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 is done in Europe; the other is a through-put lease model, where TOMRA maintains ownership of the installed machines and receives payment according to the number of containers handled by the machines.

The installed base for the two models at the end of 2010 was close to 7,000 machines sold and a comparative number on operational leasing. A significant replacement program was executed during 2010, where old Tx2 machines were replaced with the new Tx3 platform. As a consequence, the book value of the lease machine portfolio increased from NOK 112 million to NOK 163 million during 2010.

In fourth quarter 2009, Connecticut and New York expanded their bottle bills by including water bottles. Within these states, most installed reverse vending machines are on through-put leases. As a result the expansions gradually lead to higher

volumes through the existing infrastructure, thereby increasing utilization and revenues during 2010.

The Technology department in Norway was in 2010 working on several projects that targeted reducing product cost and improving our gross margins. As part of these initiatives, TOMRA has also established a hub in Xiamen in China. The entity will give the entire Group access to lower cost sourcing and assembly opportunities, as well as the opportunity to tap into the emerging Chinese market.

In November 2010, TOMRA acquired 100 percent of the assets of Can and Bottle Systems Inc. (CBSI). Founded in 1992 and based in Portland, Oregon, CBSI manufactures, sells and services reverse vending machines (RVMs) for convenience stores and supermarkets. The company operates mainly in Oregon. The purchase price was 5.3 MUSD, paid in cash, plus an earn-out of up to 0.3 MUSD based upon 2011 performance. With this transaction, TOMRA gains access to a deposit state where it previously did not have a presence.

In 2001, the EU Commission performed an investigation of TOMRA's competition law compliance. Based on this investigation, the Commission concluded in March 2006 that TOMRA in their opinion had foreclosed competition in the period 1998 to 2002 in the market for reverse vending machines in Austria, Germany, the Netherlands, Norway and Sweden by implementing an exclusionary strategy. TOMRA appealed the decision to the European General Court in 2006. In September 2010, the Court issued their judgment where they dismissed TOMRA's appeal both on its substance and on the amount of the fine. TOMRA accrued consequently a total of 28.2 MEUR (226 MNOK) for the fine and accumulated interest in the third guarter financial statement. TOMRA has appealed the European General Court decision to the European Court of Justice. This process is expected to take 18-24 months. Reference is also made to note 5 and 24 in the financial statement.

US competitor Envipco filed in November 2010 a complaint against TOMRA for alleged anti-trust violations. The case is at a preliminary stage and it is currently not possible to predict the final outcome. TOMRA's estimated incremental expenses related to the claim have been accrued as of 31 December 2010.

#### Material Handling

TOMRA picks up, transports, processes, and sells used beverage containers on behalf of beverage producers in the eastern United States and in Canada. TOMRA also owns and operates a network of collection centers situated outside retail locations in California.

In 2010 this business segment contributed total revenues of NOK 966 million, an increase of 16 percent from 2009 measured in USD. The EBIT increased from minus NOK 72 million to a profit of NOK 91 million in 2010, positively influenced by higher commodity prices, reinstated handling fees, efficiency gains and higher volumes.

#### Eastern USA and Canada

Revenues in the eastern US and Canada increased by 11 percent measured in USD. Beverage consumption and return rates were essentially flat during 2010, but the implementation on deposit on water bottles in Connecticut and New York increased volumes in those two states.

TOMRA does not take title to the materials that are collected in these markets and therefore is not exposed to swings in commodity prices. EBIT margin increased from nine to 10 percent during 2010, as a consequence of the increase in volumes.

#### alifornia

TOMRA's activities in California are tied to the collection and processing of used beverage containers. Collection occurs through a network of recycling centers which are operated on behalf of food retailers, who have an obligation to ensure that a satisfactory recycling solution is available within a certain proximity to their stores.

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In California TOMRA takes ownership of the material which is collected through its own infrastructure. Consequently TOMRA is exposed to swings in commodity prices, particularly aluminum. Aluminum prices increased significantly in 2010, from an average of 1.675 USD per ton in 2009, to 2.356 USD per ton in 2010. This affected earnings positively by USD 6 million in 2010 compared to 2009.

In order to operate this infrastructure TOMRA receives a handling fee from the State, a figure that is normally around USD 12 million per year. Due to California's difficult economic situation in 2009, the State first cut the handling fee to TOMRA by 85 percent effective 1 July 2009, and then eliminated the remaining 15 percent as of 1 November 2009. From January 2010 the fees were reinstated, and 2010 performance is consequently positively influenced by approximately USD 5 million.

Partly as a response to the difficult business environment in 2009, TOMRA launched a restructuring program in the fall of 2009 with a goal to reduce costs. As part of this restructuring process, two of TOMRA's four processing facilities in the state were outsourced. In addition, 50 recycling centers were closed down and one-third of the administrative staff was laid off. TOMRA now operates a total of 380 recycling centers in California. The effect from the restructuring program combined with the effect from higher aluminum prices and reinstated handling fees, turned a negative EBIT of USD 12 million in 2009 into a profit of USD 7 million in 2010.

## Industrial Processing Technology (IPT)

TOMRA established itself in the waste and material sorting and processing market with the acquisition of TITECH in 2004, the Orwak Group AB in 2005, Commodas GmbH in 2006, and UltraSort in 2008 (the latter two companies were combined in 2009 to form CommodasUltraSort). TITECH's solutions allow large material processing facilities to sort greater amounts of materials such as plastic and paper at a lower cost and with greater precision

than with traditional labor-intensive methods. The solutions provided by CommodasUltraSort enable advanced recognition and sorting of high value materials such as metals, plastic, glass, minerals and gem stones. Together TITECH, CommodasUltraSort, and the recently acquired Odenberg (see below), make up the TITECH Group, the world's leading provider of sensor-based systems for material recognition and sorting. The Group has delivered close to 3,000 systems in 35 countries on all continents.

All the companies within the IPT segment had significant declines in revenues and profits in 2009. The most important customer group in this segment is waste management companies, which have business models that to a certain degree are focused on extracting the commodity value which waste material represents. During times of falling commodity prices, sorting and recycling becomes less profitable and consequently the demand for equipment to execute these tasks also declines. Access to capital also became more difficult for many customers in 2009, which also negatively impacted their ability to invest in equipment.

During 2010, the segment experienced a strong rebound, as commodity prices again climbed. Revenues and EBIT for Industrial Processing Technology in 2010 equaled respectively NOK 691 million (NOK 550 million in 2009), and NOK 113 million (NOK 0 million in 2009). Adjusted for currency changes and divestments, revenues in the segment increased by 46 percent. The order intake has also increased during 2010 and the order book at the end of 2010 was NOK 181 million, up from NOK 130 million at the end of 2009.

The TITECH Group technology platform can be scaled and used toward a wide range of application areas, and this is also the motivation behind the acquisition of Odenberg in January 2011. Odenberg is a leading provider of advanced sorting and processing technology to the international food processing industry. Established in 1968, Odenberg today has 171 people employed across locations in

Dublin (Ireland), Sacramento (California), Pezinok (Slovakia) and Ijsselstein (The Netherlands) and serves several of the world's top 10 food manufacturers. More than 2,000 Odenberg optical sorting systems have been sold worldwide. The company generated in 2010 an EBIT of EUR 4.3 million on total revenue of EUR 37.9 million. Strong, profitable growth is expected going forward.

The acquisition of Odenberg represents another important step towards realizing TITECH's strategy of strengthening its market position and product offering within sensor-based sorting. In addition to representing an interesting growth case on its own, Odenberg is a strong strategic fit with TITECH. Odenberg brings to the table both unique, patented technology and leading market positions in several fast-growing segments of the food sorting and processing industry. Together, TITECH and Odenberg will have a strong market presence and an unrivaled technology base from which to grow further.

In the acquisition of Odenberg, TITECH paid a consideration corresponding to an enterprise value of EUR 55 million. In addition conditional payments of up to EUR 2.5 million might be triggered based on 2011 financial performance. The transaction was settled with cash and financed through TOMRA's current debt facilities.

The market for smaller vertical balers, where Orwak is a key player in Europe, has shown positive momentum and performance improved materially during 2010, also by expanding into new markets. Orwak received in 2010 an order for 262 balers for installation throughout the Spanish supermarket chain Eroski, and the Board views the contract as a good opportunity to improve market presence in the Spanish market.

The markets for large horizontal balers have however been challenging with over-capacity and price pressure. TOMRA signed consequently in April 2010 an agreement to sell 100% of its shares in Presona AB to a group of Norwegian-based investors. The lack of synergies, combined with the

uncertain outlook for the coming years led to the decision to divest the entity. A loss of NOK 19 million was recorded in second quarter 2010.

#### 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, as well as other future-oriented projects, were expensed at NOK 173 million. The comparative figure for 2009 was NOK 144 million. These activities were directed primarily toward the development of automated return systems (Collection Technology) in addition to further development of recognition and sorting technology at TITECH and CommodasUltrasort (Industrial Processing Technology).

#### **FINANCIAL RISK**

The Board of Directors is focused on making sure that there is a systematic and deliberate approach to managing risk within all segments of the corporation, and considers this as a prerequisite for long-term value creation for the company's shareholders, employees, and other stakeholders. Opportunities for growth shall always be weighed up 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. Lower prices for aluminum and plastic would also have a direct impact on the profitability of our activities in California, where TOMRA owns the material that is collected through its recycling centers in this market.

TOMRA's operations are also influenced by political decisions, specifically with regard to deposit

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

TOMRA is exposed to fluctuations in currency exchange rates. With 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 swings in EUR and USD. TOMRA takes advantage of forward exchange contracts to hedge future cash flows in foreign currencies. As of the end of 2010, no hedge accounting was applied to any of TOMRA's contracts.

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 are provided on page 58 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 first Communication on Progress, required annually in the UN Global Compact. Tomra Systems ASA is also certified according to the ISO 14001 standard for environmental leadership. TOMRA's five-year environmental program has been expanded to include other CR topics, with particular focus on corruption and other risk areas. Further details about TOMRA's corporate responsibility targets and impact on the environment are presented on pages 52 and 53 of this report.

#### Organization, Health, and Safety

The number of employees in the TOMRA Group was 2,027 at the end of 2010, up from 1,952 at the end of 2009. In Norway the number of employees went up from 231 at year-end 2009 to 245 at the end of 2010.

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

All of the companies within TOMRA participated in an international survey coordinated by the organization "Great Place to Work" in 2010 which also rates how well employees consider the company lives up to its principles. 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 19 percent of TOMRA's work force and held 19 percent of its management positions at the end of 2010, a change from 18 and 21 percent respectively in 2009. Three of TOMRA's seven board directors are women. The number of employees that are considered ethnic minorities in the countries in which they are employed was unchanged at 32%.

The number of job-related injuries in TOMRA requiring medical attention beyond basic first aid was 137, down slightly from 138 in 2009. Most of these instances occurred within TOMRA's material

handling 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 sickness in Tomra Systems ASA went down from 2.2 percent in 2009 to 1.8 percent in 2010.

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**

TOMRA defines corporate governance as those processes and control structures which 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 policy can be found on TOMRA's website www.tomra.com. In 2010 the Board had seven meetings, with an attendance record of 96 percent.

#### PROSPECTS FOR THE FUTURE

The world experienced in 2009 a global recession, with falling economic activity in many of TOMRA's principal markets. Activity level has increased again in 2010, but going into 2011 the outlook for both the European and North American economies represents a somewhat mixed picture.

There are strong underlying macro trends that are working in favor of TOMRA's business. The amount of waste produced in the world is increasing year by year, the focus on environmental protection is strong, and legislation continues to be introduced that either encourages or requires effective recycling solutions. The longterm outlook for TOMRA should consequently be promising. At the same time, a new recession could in the short term have a negative impact on some of our segments.

#### **Collection Technology**

Almost all supermarkets in the established deposit markets have automated their return of bottles and cans. These markets therefore represent mainly replacement opportunities and significant after-markets with regard to service. The global installed base of approximately 65,000 machines generates a steady income stream with high percentage of recurring revenues.

In addition to this, new markets will from time to time materialize. The timing of this is not possible to predict, as they are heavily dependent upon the outcome of political processes. The Board is currently not aware of any new process that has the potential to generate revenues in 2011, but in a 2-5 year horizon, new markets might open up.

Due to the 70 MEUR order with a European retailer, to be installed in 2011 and 2012, activities are expected to be higher in 2011 than in 2010. measured in local currencies.

#### Material Handling

TOMRA's revenues from its material handling activities in deposit markets in the Eastern United States and Canada are reflected by the level of beverage consumption in these areas. Experience shows that consumption of beverages with deposit remains relatively stable during good and bad economic cycles. Consequently we assume 2011 activity will be similar to what we experienced in 2010.

The development of the business in California is largely dependent on aluminum prices and the handling fee received from the State. A change of 100 USD in the price of aluminum roughly corresponds to change of USD 0.8-1.0 million per year in EBIT.

#### **Industrial Processing Technology**

This segment sells material sorting and processing solutions. Important customer groups include waste management companies, various types of industries (including mining) as well as the retail trade. The business models of our customers vary considerably. Many operate within jurisdictions that have regulated requirements concerning recycling. The key aspect is being able to make recycling as efficient as possible. TOMRA's products are therefore less exposed to a drop in demand in such markets. Other customers operate within systems in which the value of materials taken out of the waste stream

is the most important incentive to conduct recycling. As commodity prices improved in the beginning of 2010, the interest in investing in TOMRA's products also increased. If in 2011 we experience stable commodity prices at levels above 2010, we expect the activity level to continue to increase. The newly acquired entity Odenberg will also contribute to a higher level of activity.

#### Currency

A weaker NOK is positive for TOMRA, both because the Group has significant activities abroad that are denominated in foreign currencies and appear therefore more profitable measured in NOK, and because TOMRA has a certain cost base in NOK tied to development activities and headquarter functions.

By the end of 2010, NOK has again strengthened toward both EUR and USD, negatively influencing the Group's performance, measured in NOK. For a broader review of currency sensitivities, refer to note 19.

#### SHAREHOLDERS AND CAPITAL

The number of TOMRA shareholders was reduced from 8,464 at the end of 2009 to 7,549 at the end of 2010. The amount of shares held by non-Norwegian residents at the end of 2010 was 55 percent, up from 53 percent at the end of 2009. The TOMRA share price rose by 40 percent from NOK 27.70 at the end of 2009 to NOK 38.80 at the end of 2010. A total of 108 million shares were traded in 2010, down from 124 million shares the year before. TOMRA places an emphasis on having a good dialogue with the investor market and has in recent years several times been named the best Nordic and/or Norwegian IR-company in

its class in the annual awards presented by REGI/ Burson-Marsteller (which are based on interviews of analysts and investors).

The face value of each share is NOK 1. The total number of outstanding shares at year-end 2010 was 148,020,079, including 32,883 treasury shares held by TOMRA. TOMRA has during the last five years performed several share buy-back programs, buying back a total of 30 million shares. The buyback program has been financed through cash flow from operations, combined with bank loans.

TOMRA has a revolving credit facility of up to NOK 500 million that expires in October 2011 and an additional NOK 500 million expiring in January 2016. Beyond this the Group has an ongoing credit limit of NOK 50 million on its operating cash account. After the acquisition of Odenberg, TOMRA will have a gearing equal to ~1.3 (Net interest-bearing debt/EBITDA, measured on 2010 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.

The Board wishes to motivate 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.

Asker, 17 February 2011

Svein Rennemo

Bjørn Wiggen

Bernd H.J. Bothe Hege Marie Norheim

Aniela Gjøs

Ingrid Solberg

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## Income Statement

Tomra	a Systems ASA NGAAP				Group IFRS
2010	2009	Amounts in NOK million	Note	2010	2009
910.6	969.1	Operating revenues	1	3,496.2	3,321.3
497.0 149.7 5.5 - 77.4 <b>729.6</b>	537.6 131.4 6.3 - 36.9 <b>712.2</b>	Cost of goods sold Employee benefits expenses Ordinary depreciation Write-down of non-current assets Other operating expenses Total operating expenses	2 3,17 9,10 9,10 7	1,371.0 1,023.8 172.9 - 414.1 <b>2,981.8</b>	1,423.5 1,018.5 162.8 35.5 389.5 <b>3,029.8</b>
181.0	256.9	Operating profit before other items		514.4	291.5
230.8	-	Other items	24	244.6	-
(49.8)	256.9	Operating profit		269.8	291.5
38.0 14.9 <b>23.1</b>	176.3 20.2 <b>156.1</b>	Profit from associates Financial income Financial expenses Net financial items	16 <b>4</b>	3.0 10.6 20.4 (6.8)	3.8 123.8 28.6 <b>99.</b> 0
(26.7)	413.0	Results from operating activities		263.0	390.5
68.2	115.6	Taxes	11	149.5	122.2
(94.9)	297.4	Profit for the period		113.5	268.3
		Attributable to: Shareholders of the parent Non-controlling interest Profit for the period		73.7 39.8 <b>113.5</b>	248.8 19.5 <b>268.3</b>
88.8 (183.7) <b>(94.9)</b>	81.5 215.9 <b>297.4</b>	Allocated as follows: Dividend Other equity Total allocated	21		
		Earnings per share, basic (NOK) Earnings per share, diluted (NOK)	21 21	0.50 0.50	1.67 1.67

# Other comprehensive income

		Group IFRS		
Amounts in NOK million	2010	2009		
Profit for the period	113.5	268.3		
Foreign exchange translation differences  Total other comprehensive income	0.3 <b>0.3</b>	(313.0) ( <b>313.0</b> )		
Total comprehensive income for the period	113.8	(44.7)		
Attributable to: Shareholders of the parent company Non-controlling interest Total comprehensive income for the period	73.2 40.6 <b>113.8</b>	(52.8) 8.1 <b>(44.7)</b>		

## Balance sheet as of 31 December

		Systems ASA GAAP				Group IFRS
	2010	2009	Amounts in NOK million	Note	2010	2009
ASSETS	36.2 - - 8.5 <b>44.7</b>	41.0 - - - 41.0	Deferred tax assets Goodwill Development costs Other intangible assets <b>Total intangible non-current asse</b>	11 10,23 10 10	99.1 777.1 50.6 47.6 <b>974.4</b>	95.6 692.1 48.2 38.9 <b>874.8</b>
	13.2 - <b>13.2</b>	12.8 - <b>12.8</b>	Property, plant and equipment Leasing equipment Total tangible non-current assets	9 9	404.2 163.3 <b>567.5</b>	410.2 111.8 <b>522.0</b>
	1,626.5 376.8 - - 3.1 <b>2,006.4</b>	1,601.7 374.3 - - 2.6 1,978.6	Investment in subsidiaries Loan to subsidiaries Investment in associates Other investments Long term receivables Total financial non-current asset	15,23 15 16 8	31.2 0.8 164.7 <b>196.7</b>	33.7 0.8 182.7 <b>217.2</b>
	2,064.3	2,032.4	Total non-current assets		1,738.6	1,614.0
	0.8 686.4 17.3 <b>704.5</b>	5.3 867.7 10.4 <b>883.4</b>	Inventory  Trade receivables Intra-group receivables Other short-term receivables Total receivables	2	<b>524.3</b> 737.7 - 248.1	<b>505.6</b> 692.0 - 231.8 <b>923.8</b>
	34.9	5.4	Cash and cash equivalents	18	985.8 56.6	68.1
	758.4	922.2	Total current assets	20	1,566.7	1,497.5
	2,822.7	2,954.6	Total assets		3,305.3	3,111.5
LIABILITIES AND EQUITY	148.0 - 918.3 <b>1,066.3</b>	150.0 (1.9) 918.3 <b>1,066.4</b>	Share capital Treasury shares Share premium reserve Paid-in capital		148.0 - 918.3 <b>1,066.3</b>	150.0 (1.9) 918.3 <b>1,066.4</b>
	714.7 - 1,781.0	902.5 - 1,968.9	Retained earnings Non-controlling interest Total equity	21	766.0 68.4 1,900.7	778.4 57.9 1,902.7
	27.6 226.1 - <b>253.7</b>	23.3 350.0 - 373.3	Deferred tax liabilities Pension liabilities Interest-bearing liabilities Other long-term liabilities Total non-current liabilities	11 17 6	29.2 27.6 233.9 2.1 <b>292.8</b>	28.6 23.3 350.0 0.3 <b>402.2</b>
	250.0 17.9 258.1 63.3 21.5 177.2 <b>788.0</b>	25.4 19.9 297.7 93.5 19.0 156.9 <b>612.4</b>	Interest-bearing liabilities Trade payables Intra-group debt Income tax payable Provisions Other current liabilities Total current liabilities	6 11 13 12	250.0 200.8 - 134.5 129.6 396.9 <b>1,111.8</b>	38.9 222.1 - 100.9 115.3 329.4 <b>806.6</b>
	1,041.7 2,822.7	985.7 2,954.6	Total liabilities Total liabilities and equity		1,404.6 3,305.3	1,208.8 3,111.5
	350.1	367.3	Warranty liabilities		353.1	368.7

Asker, 17 February 2011

Svein Rennemo	Bjørn Wiggen	Bernd H.J. Bothe	Hege Marie Norheim	Aniela Gjøs	David Williamson	Ingrid Solberg	Stefan Ranstrand
Chairman	Board member	Board member	Board member	Board member	Employee representative	Employee representative	President & CEO

Paid-in

capital

1,068.3

Translation

reserve

101.9

earnings

849.0

**Group IFRS** 

Amounts in NOK million

Balance per 1 January 2009

#### Profit for the period 248.8 248.8 19.5 268.3 (301.6) Changes in translation differences (301.6)(11.4)(313.0)Total comprehensive income for the period 0.0 (301.6)248.8 (52.8)8.1 (44.7)Transactions with shareholders Disposal of subsidiaries/ dividend non-controlling interest 0.0 (15.4)(15.4)Purchase of own shares (2.0)(47.6)(49.6)(49.6)2.7 (74.7) Own shares sold to employees 0.1 2.6 2.7 (74.7)(74.7)Dividend to shareholders Total transactions with shareholders (1.9)0.0 (119.7)(121.6)(15.4)(137.0)1,844.8 1,902.7 Balance per 31 December 2009 1,066.4 (199.7)978.1 57.9 Profit for the period 73.7 39.8 113.5 73.7 (0.5)Changes in translation differences (0.5)0.8 73.7 113.8 Total comprehensive income for the period 0.0 (0.5)73.2 40.6 Transactions with shareholders Disposal of subsidiaries/ dividend non-controlling interest 0.0 (30.1)(30.1)Purchase of own shares (0.2)(6.5)(6.7)(6.7)Own shares sold to employees 2.3 0.1 2.4 Dividend to shareholders (81.4)(81.4)(81.4)Total transactions with shareholders (0.1)0.0 (85.6)(85.7)(30.1)(115.8)Balance per 31 December 2010 1,066.3 (200.2)966.2 1,832.3 68.4 1,900.7

Total equity attributable to

the owners of

the company

2,019.2

Non-

65.2

Equity

2,084.4

2.4

controlling

Interest

## Cash flow analysis

Tom	nra Systems ASA NGAAP			Group IFRS
2010	2009	Amounts in NOK million	2010	2009
		CASH FLOW FROM OPERATING ACTIVITIES		
(26.7)	413.0	Ordinary profit before taxes	262.9	390.5
(93.5)	(71.9)	Income taxes paid	(119.8)	(164.8)
_	-	(Gains)/losses from sales of fixed assets	27.0	-
5.5	6.3	Depreciations	172.9	162.8
-	-	Write-down non-current assets	_	35.5
14.4	2.0	Net change in inventory	(36.5)	40.2
(2.9)	15.4	Net change in receivables	(45.3)	(10.8)
(2.0)	(0.2)	Net change in payables	(16.6)	17.6
		Difference between booked costs on pension		
4.4	14.4	funds and actual cash payments to these funds	4.4	14.4
-	-	Exchange rate effects	(24.1)	(21.9)
-	-	Profit before tax from affiliated companies	_	(3.8)
-	-	Dividend from affiliated companies	2.9	5.1
246.2	(76.3)	Changes in other balance sheet items	289.6	(19.3)
(18.2)	(32.1)	Interest income/expense	8.0	11.3
127.2	270.6	Net cash flow from operating activities	525.4	456.8
		CASH FLOW FROM INVESTING ACTIVITIES		
-	-	Proceeds from sale of subsidiary	1.0	-
(24.8)	-	Acquisition of subsidiary / Capital infusion	(78.5)	-
(14.4)	(4.2)	Investment in non-current assets	(229.5)	(162.6)
(39.2)	(4.2)	Net cash flow from investing activities	(307.0)	(162.6)
		CASH FLOW FROM FINANCING ACTIVITIES		
125.5	(8.7)	Loan payments (to)/from subsidiaries		
(100.0)	(200.0)	Repayment of long-term loans	(100.0)	(204.5)
_	-	Proceeds from issuance of long term debt	8.7	
-	-	Dividend non-controlling interest	(30.1)	(15.4)
(16.5)	16.5	Net change bank overdraft	(16.5)	15.3
(6.7)	(49.6)	Purchase of treasury shares	(6.7)	(49.6)
2.4	2.7	Sale of treasury shares	2.4	2.7 12.2
30.2	49.4	Interest received	6.5	
(12.0)	(17.3)	Interest paid	(14.6)	(23.5)
(81.4)	(74.7)	Dividend paid	(81.4)	(74.7)
(58.5)	(281.7)	Net cash flow from financing activities	(231.7)	(337.6)
-	-	Currency effect on cash	1.8	(2.6)
29.5	(15.3)	Net change in cash and cash equivalents	(11.5)	(46.0)
5.4	20.7	Cash and cash equivalents per 1 January	68.1	114.1
34.9	5.4	Cash and cash equivalents per 31 December	56.6	68.1

Changes in other balance sheet items consist mainly of the accrual for the fine from the EU-commission, see note 5 and 6 for further description.

## 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 designs and operates cost-effective systems for recovering packaging and other used material for reuse and recycling. 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 2010 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 February 17th 2011, and will be presented for final approval at the general meeting on April 28th 2011. 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 (IFRSs) as adopted by EU, and the additional disclosure requirements of the Norwegian accounting act as at 31 December 2010.

#### (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:
- Financial instruments recognized at fair value through profit and loss.

- Defined benefit obligation recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains 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.

From January 1st 2010 new IFRS 3 Business Combinations and new IAS 27 Consolidation and Separate Financial Statement have been implemented.

The most important change is that 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.

#### 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 (FIN)
Tomra Systems AS (DK)
Tomra Systems AS (DK)
Tomra Systems AS (DK)
Tomra Systems BV (NL)
Tomra Systems GmbH (D)
Tomra Leergutsysteme GmbH (A)
Tomra Systems SA (F)
Tomra Systems NV (BEL)
Tomra Systems NV (BEN)
Tomra Systems Syste

QVision AS (N)
Commodas Mining GmbH (D)
Orwak Group AB (S)
AB Orwak (S)
Presona AB (S)
Morinders Verkstäder AB (S)
Presona GmbH (D)
Orwak Polen ZPZOO (P)
Tomra Systems Ltd. (UK)

#### North America

Tomra of North America Inc. (CT)
Tomra Systems Inc. (CAN)
Tomra Metro LLC (CT, NY)
Mobile Redemp. Inc. (CT, MA)
BICS LLC (72%) (NY)
TNYR LLC (70%) (NY)
Upstate Tomra LLC (55%)
Tomra Mass. (55%) (MA)
Halton System Inc. (ME)
Tomra Quebec Inc. (CAN)
Camco Recycling Inc. (CAN)

Tomra Canada Inc. (CAN)
Tomra Pacific Inc. (CA)
UBCR (51%) (MI)
UltrePET LLC (49%)
Orwak USA LLC (CT)
Commodas Inc. (CAN)
Can and Bottle Systems Inc. (OR)
Returnable Services Inc. (ME)
Terra Vision (CAN)

#### Rest of the world

Titech Japan KK (JAP)
Tomra Japan Ltd. (50%) (JAP)
Titech Visionsort Co., Ltd. (KOR)
Commodas (PTY) Ltd. (South Africa)
UltraSort PTY Ltd. (Australia)
Tomra Environmental Protection Technology
(Xiamen) Co.l.td. (China)

Presona AB (S) was sold in 2010 and Presona GmbH was merged with Tomra Systems GmbH in 2010.

#### CONSOLIDATION PRINCIPLES

#### (a) Consolidated companies

Titech sp. Z.O.O. (P)

The consolidated accounts include the parent company Tomra Systems ASA and companies in which the parent company has a controlling influence. 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 directly to the Group's equity.

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

#### (d) Non-controlling interests

The non-controlling interests' 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. The 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 on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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 proportionate consolidation line by line in the consolidated income statement and balance sheet and statement of cash flow.

#### (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, 3) assumptions for calculation of pension obligation and 4) provisions for legal expenses related to lawsuits.

## (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.

#### (b) Cost recognition

Costs are expensed in the period 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

#### 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.

#### (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 lise 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 lives 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 on or after 1 January 2010, 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 acquire 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 no longer amortized but tested annually for impairment. With respect to associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

For 2010 acquisitions adjustments to estimated contingent consideration are included in the income statement. Previously such adjustments resulted in a corresponding increase or decrease to goodwill.

#### 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 labor 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 amortisation 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.

#### (a) 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 the cost of acquisition and the fair value. Work in progress and finished products are valued at the lower of the 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

Pension obligations related to insured pensions, as well as the pension premium reserve, are included in the balance sheet using the net principle. See Note 17 for further details concerning pension obligations.

#### Defined benefit plans

The Group's net obligation with respect to defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present. value, and any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is approximately equal to the recommendation from the Norwegian Accounting Standards Board, since there are no factors indicating a deviation from the recommendation. The calculation is performed 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 net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit and loss on a straight-line basis over the average period until the benefits become vested. Where the benefits vest immediately, the expense is recognized immediately in profit and loss.

Actuarial gains and losses are required to be recognized when the cumulative unrecognized amount thereof at the beginning of the period exceeds a "corridor". The corridor is 10 percent of the greater of the present value of the obligation and the fair value of the assets. The corridor is calculated separately for each plan.

#### Defined contribution plans

A defined contribution plan is a plan where TOMRA pays a fixed contribution to a pension fund and where TOMRA has no obligation to pay anything more than the contribution. The contribution is recognized as employee benefits expenses in profit and loss.

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 above.

#### (I) 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 "Taxes".

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 have 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 is not 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) Share-based payment transactions

The share option program allows Group employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model based on the Black & Scholes-formula, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### (t) 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.

#### (u) Trade and other pavables

Trade and other payables are stated at cost.

#### (v) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services, which 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.

#### (w) 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.

#### (x) 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.

#### (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 2010, and have not been applied in preparing these consolidated financial statements:

IAS 32 (R 2009) Classification of Rights Issues IFRS 9 Financial Instruments IFRIC 14 (Amended 2009) Prepayments of a

Minimum Funding Requirement IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments IAS 24 (R 2009) Related Party Disclosure IFRS 7 (Amended 2010) Financial instruments:

Disclosures
IAS 12 (Amended 2010) Deferred tax:
Recovery of Underlying Assets

Annual Improvements 2010

TOMRA does not expect any material effects in the financial statement from the new standards.

NOTES

## 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 same period as 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

Machines and parts are sold Ex-works, and revenues are recognized when risk is transferred to the customer. Other service revenue is recognized when services are provided.

#### **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. Long term loans to subsidiaries in foreign currency are considered part of the net investment, and are booked at cost in NOK.

#### 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

Pension obligations related to insured pensions, as well as the pension premium reserve, are included in the balance sheet using the net principle. See note 17.

Actuarial gains and losses are required to be recognized when the cumulative unrecognized amount thereof at the beginning of the period exceeds a

"corridor." The corridor is 10 percent of the greater of the present value of the obligation and the fair value of the assets. The corridor is calculated separately for

#### 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.

#### SHARE-BASED PAYMENTS

The share option program allows Group employees to acquire shares of the Company. The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model based on the Black & Scholesformula, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that yest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

## **NOTE 1 SEGMENT INFORMATION**

TOMRA GROUP - IFRS

Amounts in NOK million	Collection Technology	Material Handling	Industrial Processing Technology	Group Functions	TOTAL
2009					
Nordic	505		56		561
Central Europe & UK	1,044		258		1,302
Rest of Europe	8		94		102
US East & Canada	343	480	35		858
US West		385	41		426
Rest of the world	6		66		72
Operating revenues	1.906	865	550	0	3,321
Gross contribution	849	85	279	0	1.213
- in %	45 %	10 %	51 %		37 %
Operating expenses	469	157	279	16	921
Operating profit	380	(72)	0	(16)	292
- in %	20 %	-8 %	0 %	(=0)	9 %
Share of profit from associates	4	0	0	0	4
Investments	127	49	40	0	216
Investments in associates	2	32	0	0	34
Assets	1,369	657	922	164	3,112
Liabilities	518	72	123	496	1,209
Depreciation	89	55	19	0	163
Impairment losses recognized in P&L	12	0	24	0	36
Other significant non-cash expenses	19	0	0	0	19
2010	470				500
Nordic	473		49		522
Central Europe & UK	956		293		1,249
Rest of Europe	4		65		69
US East & Canada	401	520	100		1,021
US West		446	40		486
Rest of the world	5		144		149
Operating revenues	1,839	966	691	0	3,496
Gross contribution	860	214	357	0	1,431
- in %	47 %	22 %	52 %		41 %
Operating expenses	534	123	244	16	917
Operating profit	326	91	113	(16)	514
- in %	18 %	9 %	16 %		15 %
Share of profit from associates	3	0	0	0	3
Investments	184	77	37	0	298
Investments in associates	2	29			31
Assets	1,484	732	933	156	3,305
Liabilities	554	96	121	634	1,405
Depreciation	91	57	25	0	173
Impairment losses recognized in P&L	0	0	0	0	0
Other significant non-cash expenses	0	0	0	0	0
other organicality from cash expenses	O .	3	3	•	3

TOMRA has divided its primary reporting format into three business segme Collection Technology, Material Handling and ndustrial Processing Technology. In addition the corporate overhead costs are reported in a separate column. The split is based upon the risk and return profile of the Group's different ctivities, also taking into consideration TOMRA's internal reporting structure.

Collection Technology consists of the sale, lease and servicing of RVMs to stores in Europe and North America, and data management systems which monitor container collection volumes and related cash flow.

Material Handling consists of pick-ups. transport and processing of empty beverage containers on behalf of beverage producers/ fillers in US East and Canada. In addition the segment includes the collection activities in California, where TOMRA owns and operates collection centers outside stores.

Industrial Processing Technology consists of TITECH/Commodas and Ultrasort, which produce optical sorting systems, and Orwak Group. a leading provider of compaction solutions for recyclables such as cardboard, paper and

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 including accrual for EU-penalty and tax positions, are allocated to Group

There is no material segment revenue from transactions with other seaments.

The income from service activities was NOK 1,066 million of total NOK 3,496 million in 2010. The income from service activities was NOK 1,049 million in 2009 of total income of NOK 3,321 million.

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Tom	ra Systems ASA NGAAP			Group IFRS
2010	2009	Amounts in NOK million	2010	2009
497.0 - <b>497.0</b>	537.6 - <b>537.6</b>	COST OF GOODS SOLD Cost of goods sold, gross Change in inventory Cost of goods sold, net	1,353.2 17.8 <b>1,371.0</b>	1,527.0 (103.5) <b>1,423.5</b>

Cost of goods sold includes adjustment of inventory write-down of NOK 0.0 million (2009: NOK 0.0 million) for the Parent Company and minus NOK 3.5 million (2009: minus NOK 24.2 million) for the Group.

- 19.0 -	33.4	INVENTORY Raw materials Work in progress Finished goods Spare parts	129.5 11.9 240.3 142.6	128.7 16.6 213.1 147.2
19.0 -	33.4	<b>Total inventory</b> Inventory stated at fair value less costs to sell	524.3 -	505 <b>.</b> 6

Inventories are not subject to retention of title clauses.

#### **NOTE 3** EMPLOYEE BENEFITS EXPENSES

Tomr	ra Systems ASA NGAAP	Group IFRS		
2010	2009	Amounts in NOK million	2010	2009
113.8 20.1 11.4 4.4 <b>149.7</b>	94.5 17.8 15.7 3.4 <b>131.4</b>	Salary Social security tax Pension cost Other social expenses <b>Total employee benefits expenses</b>	840.4 132.9 26.8 23.7 <b>1,023.8</b>	831.4 133.3 34.6 19.2 1,018.5
125	122	Number of man-years	2 041	2 029

#### NOTE 4 FINANCIAL ITEMS

Tomra Systems ASA NGAAP				Group IFRS
2010	2009	Amounts in NOK million	2010	2009
30.3 7.7 <b>38.0</b>	49.4 126.9 <b>176.3</b>	Interest income <sup>1)</sup> Foreign exchange gain <b>Total financial income</b>	6.5 4.1 <b>10.6</b>	12.2 111.6 <b>123.8</b>
11.9 3.0 <b>14.9</b>	17.3 2.9 <b>20.2</b>	Interest expenses <sup>1)</sup> Other financial expenses <b>Total financial expenses</b>	14.4 6.0 <b>20.4</b>	23.5 5.1 <b>28.6</b>

1) Interest income and expenses for the Parent Company, include interest income and expenses from subsidiaries of NOK 29.2 million (2009: NOK 47.8 million) and NOK 0.0 million (2009: 0.0 million) respectively.

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

## NOTE 5 CONTINGENT LIABILITIES

#### **EU Commission**

In 2001, the EU Commission performed an investigation of TOMRA's competition law compliance. Based on this investigation, the Commission concluded in March 2006 that TOMRA in their opinion had foreclosed competition in the period 1998 to 2002 in the market for reverse vending machines in Austria, Germany, the Netherlands, Norway and Sweden by implementing an exclusionary strategy. TOMRA appealed the decision to the European General Court in 2006. In September 2010, the Court issued their judgment where they dismissed TOMRA's appeal both on the substance and on the amount of the fine. TOMRA consequently accrued EUR 28.2 million (NOK 226.1 million) for the fine and accumulated interest in the third quarter financial statement. The accrual is reported as long term interest bearing debt. TOMRA has appealed to the European Court of Justice. A verdict is expected in 2012 or 2013.

#### Envipco law suit

US competitor Envipco filed in November 2010 a complaint against TOMRA for alleged anti-trust violations. The case is at a preliminary stage and it's currently not possible to predict any outcome. TOMRA's estimated incremental expenses related to this claim have been accrued as of 31 December 2010.

Sale of Tomra South America SA Tomra Systems ASA has in connection to the sale of Tomra South America SA in 2005 given warranties in line with what is normal in such transactions. If the warranties are breached, Tomra Systems ASA has to indemnify buyer up to a USD 5 million limit. At the end of 2010 there were four pending cases regarding VAT that possibly could result in a payment for TOMRA. This is accrued for under provisions, see disclosure

#### **NOTE 6** INTEREST-BEARING LIABILITIES

Tomra Systems ASA NGAAP				Group IFRS 2009	
	2010	2009	Amounts in NOK million	2010	2009
	219.6 6.5 <b>226.1</b>	350.0 - - 350.0	NON-CURRENT LIABILITIES Unsecured bank loans <sup>1)</sup> EU-penalty <sup>2)</sup> Other non-current interest-bearing liabilities Total non-current interest-bearing liabilities	219.6 14.3 <b>233.9</b>	350.0 - - 3 <b>50.0</b>
	0.0	0.0	Due more than 5 years after balance sheet day	0.0	0.0
	250.0 - <b>250.0</b>	25.4 <b>25.4</b>	CURRENT LIABILITIES Current portion of unsecured bank loans <sup>1)</sup> Other current interest-bearing liabilities Total current interest-bearing liabilities	250.0 - <b>250.0</b>	38.9 <b>38.9</b>

1) In October 2006, Tomra Systems ASA established a revolving bilateral five-year credit facility of NOK 500 million. In June 2008 an additional NOK 250 million credit facility was established, with the same maturity date as the first credit facility. As of 31 December 2010, NOK 250 million was drawn on these facilities. The loan has a floating rate of interest, and has been given with a negative pledge commitment. The loan agreement is conditional upon an equity covenant of at least 40% of total assets, as measured at the end of each quarter. In January 2011 TOMRA entered into a NOK 500 million, 5 year revolving credit facility. This loan facility replaced the NOK 250 million facility.

2) 100% of the penalty from the EU-commission was accrued as of 31 December 2010. The penalty is interest-bearing at 3.82% per year, until eventually paid. See note 5.

#### **NOTE 7** SHORT TERM RECEIVABLES

Tomi	ra Systems ASA NGAAP			Group IFRS
2010	2009	Amounts in NOK million	2010	2009
0.8 769.2 17.3 (82.8) <b>704.5</b>	5.3 937.3 10.4 (69.6) <b>883.4</b>	Trade receivables, gross Intra group short-term receivables Other short-term receivables, gross <sup>1)</sup> Provision for bad debt <b>Total receivables</b>	774.2 - 248.1 (36.5) <b>985.8</b>	718.5 - 231.9 (26.6) <b>923.8</b>
69.6 13.6 (0.4) <b>82.8</b>	82.6 (13.0) - <b>69.6</b>	Provision for bad debt per 1 January Provisions made during the year Provisions used during the year <b>Provision for bad debt per 31 December</b>	26.6 17.4 (7.5) <b>36.5</b>	14.6 12.0 - <b>26.6</b>

1) Other short-term receivables includes forward contracts of NOK 2.0 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.

Trade receivables fall due: Amounts in NOK million	2010	2009
Not due yet	503.3	512.3
0 - 30 days	169.5	131.2
31- 60 days	32.5	23.6
61 - 90 days	15.2	18.6
Older than 90 days	53.7	32.8
Total trade receivables	774.2	718.5

## NOTE 8 LONG TERM RECEIVABLES

Tomra Systems ASA NGAAP				Group IFRS		
2010	2009	Amounts in NOK million	2010	2009		
3.0 0.1 <b>3.1</b>	- 2.6 - <b>2.6</b>	Deposits Capital lease Loans to employees Other long term receivables Total receivables	13.0 124.7 3.0 24.0 <b>164.7</b>	16.5 132.3 2.6 31.3 182.7		

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

#### NOTE 9 PROPERTY, PLANT AND EQUIPMENT

GROUP - IFRS Amounts in NOK million	Land & Buildings <sup>3)</sup>	Machinery & Fixtures	Vehicles	Leasing Equipment	Total
Cost	200.6	720.0	126.0	F27.6	1.612.1
Balance at 1 January 2009 Acquisitions through business combinations	209.6 0.0	739.0 0.0	126.9 0.0	537.6 0.0	1,613.1 0.0
Other acquisitions	11.7	76.5	7.5	86.8	182.5
Disposals	(21.7)	(93.1)	(25.8)	(74.4)	(215.0)
Effect of movements in foreign exchange <sup>1)</sup>	(21.4)	(84.4)	(19.1)	(98.0)	(222.9)
Balance at 31 December 2009	178.2	638.0	89.5	452.0	1,357.7
Balance at 1 January 2010	178.2	638.0	89.5	452.0	1,357.7
Acquisitions through business combinations	0.0	2.4	0.0	0.0	2.4
Other acquisitions	9.9	57.2	11.7	117.2	196.0
Disposals	(5.9)	(42.9)	(5.7)	(56.4)	(110.9)
Effect of movements in foreign exchange <sup>2)</sup>	1.4	7.7	0.3	4.6	14.0
Balance at 31 December 2010	183.6	662.4	95.8	517.4	1,459.2
Depreciation and impairment losses					
Balance at 1 January 2009	57.6	447.2	79.4	427.0	1,011.2
Depreciation charge for the year	8.6	69.6	12.9	47.2	138.3
Writedown	0.0	0.0	0.0	0.0	0.0
Disposals	(18.6)	(75.7) (45.2)	(21.6)	(61.3)	(177.2) (136.6)
Effect of movements in foreign exchange <sup>1)</sup> Balance at 31 December 2009	(6.4) <b>41.2</b>	(45.2) <b>395.9</b>	(12.3) <b>58.4</b>	(72.7) <b>340.2</b>	835.7
Balance at 31 December 2009	41.2	395.9	58.4	340.2	835.1
Balance at 1 January 2010	41.2	395.9	58.4	340.2	835.7
Depreciation charge for the year	8.8	68.8	12.1	57.0	146.7
Writedown	0.0	0.0	0.0	0.0	0.0
Disposals	(3.3)	(39.7)	(4.5)	(47.6)	(95.1)
Effect of movements in foreign exchange <sup>2)</sup>	0.2	(0.4)	0.1	4.5	4.4
Balance at 31 December 2010	46.9	424.6	66.1	354.1	891.7
Depreciation rate <sup>4)</sup>	2-4%	10-33%	15-33%	10-20%	
Useful life	50 yrs	10 yrs	7 yrs	5-10 yrs	
Carrying amounts					
31 December 2009	137.0	242.1	31.1	111.8	522.0
31 December 2010	136.7	237.8	29.7	163.3	567.5
Finance leases carrying amounts (as included in tot					
31 December 2009	0.0	0.0	0.0	0.0	0.0
31 December 2010	0.0	0.0	0.0	0.0	0.0

1) Exchange rates as of 31 December 2009 are used in calculating tangible assets of foreign subsidiaries.
2) Exchange rates as of 31 December 2010 are used in calculating tangible assets of foreign subsidiaries.
3) Including land of NOK 19.7 million as of 31 December 2010.

4) All depreciation plans are linear.

Minimum lease payments under operational lease of offices	2010	2009
Not later than one year	55.2	47.9
Between one and five years	123.4	129.8
More than five years	111.7	83.8

#### Leasing equipment

The companies within the TOMRA Group had 6,972 reverse vending machines leased to customers at the end of 2010. 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.

Minimum lease income from leasing equipment	2010	2009
Not later than one year	40.6	41.2
Between one and five years	77.3	77.4
More than five years	0.0	0.0

TOMRA SYSTEMS ASA – NGAAP Amounts in NOK million	Machinery & Fixtures	Vehicles	Total
Cost			
Balance at 1 January 2009	119.1	2.3	121.4
Acquisitions	4.4	0.0	4.4
Disposals	(1.1)	(0.3)	(1.4)
Balance at 31 December 2009	122.4	2.0	124.4
Balance at 1 January 2010	122.4	2.0	124.4
Acquisitions	5.9	0.0	5.9
Disposals	0.0	0.0	0.0
Balance at 31 December 2010	128.3	2.0	130.3
Depreciation and impairment losses			
Balance at 1 January 2009	105.6	0.9	106.5
Depreciation charge for the year	5.9	0.4	6.3
Disposals	(1.1)	(0.1)	(1.2)
Balance at 31 December 2009	110.4	1.2	111.6
Balance at 1 January 2010	110.4	1.2	111.6
Depreciation charge for the year	5.1	0.4	5.5
Disposals	0.0	0.0	0.0
Balance at 31 December 2010	115.5	1.6	117.1
Depreciation rate <sup>1)</sup>	10-33%	15-33%	
Useful life	10 yrs	7 yrs	
Carrying amounts			
31 December 2009	12.0	0.8	12.8
31 December 2010	12.9	0.5	13.2

1) All depreciation plans are linear.

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Minimum lease payments under operational lease of offices	2010	2009
Not later than one year	8.5	8.2
Between one and five years	36.6	35.5
More than five years	30.4	40.0

#### **NOTE 10 INTANGIBLE ASSETS**

GROUP - IFRS Amounts in NOK million	Goodwill	Development costs	Patents	Other	Total
Cost Balance at 1 January 2009 Acquisitions through business combinations Other acquisitions –internally developed Disposals Effect of movements in foreign exchange <sup>3)</sup> Balance at 31 December 2009	913.5	182.7	32.2	90.8	1,219.2
	0.0	0.0	0.0	0.0	0.0
	0.0	28.2	5.4	0.0	33.6
	0.0	0.0	0.0	(32.5)	(32.5)
	(38.2)	(0.8)	0.0	(16.1)	(55.1)
	<b>875.3</b>	<b>210.1</b>	37.6	<b>42.2</b>	<b>1,165.2</b>
Balance at 1 January 2010	875.3	210.1	37.6	42.2	1,165.2
Acquisitions through business combinations	65.3	0.0	0.6	0.0	65.9
Other acquisitions –internally developed	0.4	20.0	0.1	13.2	33.7
Disposals	(7.9)	(3.8)	0.0	0.0	(11.7)
Effect of movements in foreign exchange <sup>4)</sup>	16.0	0.3	2.7	1.5	20.5
Balance at 31 December 2010	<b>949.1</b>	<b>226.6</b>	<b>41.0</b>	<b>56.9</b>	<b>1,273.6</b>
Depreciation and impairment losses Balance at 1 January 2009 Depreciation charge for the year Impairment losses <sup>1)</sup> Disposals Effect of movements in foreign exchange <sup>3)</sup> Balance at 31 December 2009	171.7	134.8	7.3	64.2	378.0
	0.0	16.6	4.0	3.9	24.5
	24.1	11.4	0.0	(0.0)	35.5
	0.0	0.0	0.0	(8.0)	(8.0)
	(12.6)	(0.9)	0.3	(30.8)	(44.0)
	<b>183.2</b>	<b>161.9</b>	<b>11.6</b>	<b>29.3</b>	<b>386.0</b>
Balance at 1 January 2010 Depreciation charge for the year Impairment losses <sup>1)</sup> Disposals Effect of movements in foreign exchange <sup>4)</sup> Balance at 31 December 2010	183.2	161.9	11.6	29.3	386.0
	0.0	17.6	4.6	4.0	26.2
	0.0	0.0	0.0	0.0	0.0
	(7.9)	(3.8)	0.0	0.0	(11.7)
	(3.3)	0.3	0.5	0.3	(2.2)
	172.0	176.0	<b>16.7</b>	<b>33.6</b>	<b>398.3</b>
Depreciation rate <sup>2)</sup>	0 %	14-33%	10 %	5-33%	
Useful life	Indefinite	3-7 yrs	10 yrs	3-20 yrs	
Carrying amounts 31 December 2009 31 December 2010	692.1 <b>777.1</b>	48.2 <b>50.6</b>	26.0 <b>24.3</b>	12.9 <b>23.3</b>	779.2 <b>875.3</b>

Impairment losses are specified as a separate line item in the profit and loss. Impairment losses consist of R&D projects that are no longer in production, and no longer provide inflow to the Group. For impairment loss on Goodwill see below.
 All depreciation plans are linear.
 3) Exchange rates as of 31 December 2009 are used in calculating intangible assets of foreign subsidiaries.
 Exchange rates as of 31 December 2010 are used in calculating intangible assets of foreign subsidiaries.

Other intangible assets mainly consist of capitalized customer relations from aquisitions of businesses and investments in software.

Specification of goodwill impairment losses	2010	2009
Presona	-	20.3
California	_	3.8
Total impairment losses recognized	0.0	24.1

Impairment tests for cash-generating units containing goodwill The following units have significant carrying amounts of goodwill:

2010	2009
85.1	52.2
16.7	16.1
64.2	66.5
95.4	63.1
	281.0
163.1	142.1
71.8	71.1
777.1	692.1
	85.1 16.7 64.2 95.4 280.8 163.1

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 and the five–year business plan including a residual value. A pre–tax discount rate of 12.9 percent was used in both 2010 and 2009. A growth rate has not been used on the predicted cash flows. Ultrasort has a higher predicted cash flow in the terminal year than previous years to reflect the long term perspective of this purchase, where the cash flows are expected to materialize over a longer time period once the technology for sensor based ore–sorting gets a breakthrough.

Exchange rates as of 31 December 2010 were used in calculating carrying values (see note 19). In calculating the predicted cash flows, the following exchange rates were used EUR/NOK: 8.10 – USD/NOK: 5.60 – SEK/NOK: 0.85 – AUD/NOK 4.60.

All goodwill in Presona was written down in 2009. This resulted in an impairment loss of NOK 20.3 million.

An interest rate increase of 2 percent points would not trigger a writedown of goodwill. A reduction in forecasted cashflows of 10 percent would not trigger a writedown of goodwill.

Research and development expenditure
Research and development expenditure of NOK 172.8 million has been recognized as an expense (2009: NOK 144.1 million) and NOK 20.0 million has been capitalized (2009: NOK 28.2 million).

Other
0.0 0.0 <b>0.0</b>
0.0 8.5 <b>8.5</b>
0.0 0.0 <b>0.0</b>
0.0 0.0 <b>0.0</b>
20 % 5 yrs
0.0 <b>8.5</b>

Other intangible consist of investment in a new ERP system, that will be implemented in 2011.

	Systems ASA IGAAP			Group IFRS
2010	2009	Amounts in NOK million	2010	2009
(26.7) - 270.2 (17.2) <b>226.3</b>	413.0 - (0.5) (78.7) <b>333.8</b>	TAX BASIS Profit before taxes Dividend from subsidiaries Permanent differences Change in temporary differences Basis for taxes payable		
63.4 - 4.8 <b>68.2</b>	93.5 0.1 22.0 <b>115.6</b>	TAXES Taxes payable Over accrued tax last year Net change in deferred taxes Tax expense	152.4 - (2.9) <b>149.5</b>	127.3 (5.1) 122.2
		Effective tax rate Taxes based upon actual tax rates Tax effect from permanent differences Actual tax expense	82.9 66.6 <b>149.5</b>	31.5 % 94.6 24.2 % 25.3 % 27.6 7.1 % <b>56.9 % 122.2 31.3 %</b>

The actual tax rate is higher than previous years, due to the EU-penalty which is not tax deductible.

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 which represent future tax deductions or taxes payable and consist of the following as of 31 December.

	Systems ASA IGAAP			Group IFRS
2010	2009	Amounts in NOK million	2010	2009
1.6 0.3 18.3 2.5 (16.2) 6.0 16.0 7.7	0.8 18.2 20.5 2.6 (17.4) 5.3 4.5 6.5	DEFERRED TAX ASSETS Inventory Other current assets Intangible non-current assets Tangible non-current assets Financial non-current assets Provisions Other current liabilities Pension reserves Loss carried forward Total tax advantage	64.3 10.4 (21.4) (14.5) (9.8) 10.1 47.0 7.7 5.3	51.5 28.4 (13.0) (12.9) (10.3) 10.6 14.2 6.5 20.6 <b>95.6</b>
		DEFERRED TAX LIABILITIES Inventory Other current assets Intangible non-current assets Tangible non-current assets Financial non-current assets Provisions Current liabilities Pension reserves Total deferred tax liabilities	0.3 2.0 20.5 3.4 - 1.9 1.2 (0.1)	1.6 2.2 20.9 2.1 - 1.9 - (0.1) <b>28.6</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 which 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, related to changes in tax rates in the jurisdictions where

#### **NOTE 12** OTHER CURRENT LIABILITIES

	Systems ASA IGAAP			Group IFRS
2010	2009	Amounts in NOK million	2010	2009
17.7 0.7 88.8 70.0 <b>177.2</b>	16.5 13.3 81.5 45.6 <b>156.9</b>	Tax deductions, social security tax, holiday pay Advances from customers Dividend accruals Non interest-bearing debt <sup>1)</sup> <b>Total other current liabilities</b>	200.7 52.6 - 143.6 <b>396.9</b>	141.7 58.8 - 128.9 <b>329.4</b>

1) Non interest-bearing debt includes forward contracts of NOK 2.8 million.

#### **NOTE 13 PROVISIONS**

#### TOMRA SYSTEMS ASA - NGAAP

Amounts in NOK million	Warranty	Other	Total
Balance at 1 January 2010	15.1	3.9	19.0
Provisions made during the year	6.9	2.0	8.9
Provisions used during the year	(4.5)	(0.1)	(4.6)
Provisions reversed during the year	(1.8)	0.0	(1.8)
Balance at 31 December 2010	15.7	5.8	21.5

#### GROUP - IFRS

Amounts in NOK million	Warranty	Other	Total
Balance at 1 January 2010	102.1	13.2	115.3
Provisions made during the year	64.1	19.3	83.4
Provisions used during the year	(61.5)	(0.0)	(61.5)
Provisions reversed during the year	(6.3)	(1.3)	(7.6)
Balance at 31 December 2010	98.4	31.2	129.6

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

Other provisions comprise of provisions for contractual obligations with business partners, and provisions for known claims covered by TOMRA in connection with the sale of its Brazilian operations in 2005 and Presona AB in 2010. Other provisions also comprise of an obligation for a lease agreement of an office building in Germany, that is only partially used by the TOMRA Group, and an accrual of TOMRA's estimated incremental expenses related to the Envipco claim.

#### **NOTE 14** RELATED PARTIES

#### Amounts in NOK, unless stated otherwise

#### Identification of related parties

ationship with its subsidiaries and associates (see disclosure note 15 and 16) and with its directors and o

2010 Board members	Share- holding <sup>1)</sup>	Board fees <sup>4)</sup>	Committee fees <sup>5)</sup>	Salary <sup>6)</sup>	Variable salary <sup>7)</sup>	Other benefits <sup>91</sup>
Svein Rennemo (Chairman and						
Compensation Comittee)		500,000	45,000			
Bjørn M. Wiggen (Deputy chairman and Audit Comittee) <sup>10)</sup>	10.000	205.000	4E 000			
Hege Marie Norheim (Board member,	10,000	385,000	45,000			
Audit- and CR Comittee)	14,350	385,000	60,000			
Aniela Gabriela Gjøs (Board member,	14,550	303,000	00,000			
Compensation – and Audit Comittee)	10,000	385,000	60,000			
Bernd H.J. Bothe (Board member						
and CR Comittee from 21 April 2010)						
ngrid Solberg (Employee representative)	2,755	225,000		747,599	110,000	23,642
David Williamson (Employee representative						
and CR Comittee)	648	225,000		363,138	29,338	8,589
Tom Knoff (Nomination Comittee)	2.500		45,000			
Die Dahl (Nomination Comittee)	3,500		30,000			
Hild Kinder (Nomination Comittee)	_		30,000			
Jørgen Randers (Board member, Compensation and CR Comittee until 21 April 2010)	n/a	385,000	75,000			
illa Cit Collittee ulitii 21 April 2010)	117 a	303,000	15,000			
2010	Share-			Variable	Pension	Other
Group Management	holding <sup>1)</sup>	Loan <sup>3)</sup>	Salary <sup>6)</sup>	Salary <sup>7)</sup>	premiums8)	benefits9
Stefan Ranstrand (President/CEO) <sup>2)</sup>	50,000		3,710,743	680,427	518,784	728,084
Michael Liess (President, Tomra US East)			USD 333,300	USD 166,650		USD 57,516
Espen Gundersen (SEVP/CFO)	35,000		2,069,746	990,000	412,730	460,152
Harald Henriksen (SVP Technology)	29,600	1,400,000	1,693,821	810,000	331,812	429,209
redrik Nordh (VP, Tomra Nordic)	5,000		SEK 1,325,000		SEK 581,977	SEK 51,018
Heiner Bevers (MD, Tomra Systems GmbH)	11,089		EUR 262,890	EUR 127,000	EUR 5,258	EUR 7,131
Rune Marthinussen (MD, TITECH) Fon Klumper (VP, Tomra Western	16,000		1,737,538	831,000	249,030	251,274
and Eastern Europe)	31,200	EUR 31,649	EUR 196,650	EUR 95,000	EUR 102,755	EUR 29,187
Håkon Volldal (SVP Business Development)	31,200	1,000,000	1,515,852	750,000	184,298	639,585
Stefan Ek (MD, Orwak Group)	3,397	1,000,000	SEK 1,212,000	SEK 198,000	SEK 362,360	SEK 386,537
Amund Skarholt (President/CEO	0,000.		0211 2/222/000	0211 270,000	0211002,000	0211 000,001
intil 10 August 2009)	n/a		208,901		141,750	1,460,000
2009	Share-	Board	Committee		Variable	Other
Board members	holding <sup>1)</sup>	fees <sup>4)</sup>	fees <sup>5)</sup>	Salary <sup>6)</sup>	Salary <sup>7)</sup>	benefits9
Svein Rennemo (Chairman and Compensation Comittee)						
Bjørn M. Wiggen (Deputy chairman						
and Audit Comittee)	10,000	385,000	45,000			
Jørgen Randers (Board member,						
Compensation— and CR Comittee)	32,100	385,000	75,000			
Hege Marie Norheim (Board member,						
Audit- and CR Comittee)	14,350	385,000	60,000			
Aniela Gabriela Gjøs (Board member,	10.000	205.000	60.000			
Compensation – and Audit Comittee)	10,000	385,000	60,000	701 ///	100.000	16.000
ngrid Solberg (Employee representative)	1,511			721,444	100,000	16,328
David Williamson (Employee representative	(10	225.000		252 200	20.404	10 220
and CR Comittee)	648	225,000	4E 000	353,299	28,484	10,328
om Knoff (Namination Comittee)			45,000 30,000			
Tom Knoff (Nomination Comittee)	2 600					
Die Dahl (Nomination Comittee)	2,600					
Die Dahl (Nomination Comittee) Hild Kinder (Nomination Comittee)	2,600		30,000			
Dle Dahl (Nomination Comittee) Hild Kinder (Nomination Comittee) Jo Olav Lunder (Chairman and Compensation	,	500 000	30,000			
Die Dahl (Nomination Comittee) Hild Kinder (Nomination Comittee)	2,600 n/a	500,000				

Rafell Michelet (Elliployee representative						
until 21 April 2009)	n/a	140,625		388,295	31,310	13,397
2009	Share-			Variable	Pension	Other
Group Management	holding1)	Loan <sup>3)</sup>	Salary <sup>6)</sup>	Salary <sup>7)</sup>	premiums8)	benefits9)
Stefan Ranstrand (President/CEO) <sup>2)</sup>			1,500,500		207,680	286,781
Michael Liess (President, Tomra US East)			USD 82,500			USD 4,443
Espen Gundersen (SEVP/CFO)	17,250		1,980,000	447,975	349,630	533,392
Harald Henriksen (SVP Technology)	14,600	1,400,000	1,620,000	588,000	284,265	484,901
Fredrik Nordh (VP, Tomra Nordic)			SEK 1,043,400	SEK 250,000	SEK 228,362	SEK 95,910
Heiner Bevers (MD, Tomra Systems GmbH)	7,082		EUR 254,000	EUR 127,000	EUR 5,038	EUR 7,131
Rune Marthinussen (MD, TITECH)	16,000		1,662,000	489,000	321,249	298,144
Ton Klumper (VP, Tomra Western and						
Eastern Europe)	28,600		EUR 190,000	EUR 95,000	EUR 79,992	EUR 20,120
Håkon Volldal (SVP Business Development)		1,000,000	1,415,100	297,193	279,440	312,156
Stefan Ek (MD, Orwak Group)	3,059		SEK 1,020,000	SEK 510,000	SEK 353,583	SEK 109,471
Amund Skarholt (President/CEO						
until 10 August 2009)	n/a		2,110,400	787,857	403,242	1,481,271
Gregory Knoll (President, BU North America						
until 30 June 2009)	n/a		USD 260,200			USD 858,511
Håkan Erngren (VP, Tomra Nordic						
until 31 October 2009)	n/a		SEK 1,470,000	SEK 882,000	SEK 380,092	SEK 2,981,314

Loans to employees as of 31 December amount to NOK 3.0 million (2009: NOK 2.6 million) for the parent company and NOK 3.3 million (2009: NOK 2.6 million) for the Group.

#### 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 2010 earn a variable salary up to 50% 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 2010 and 31 December 2009. The loans are secured by mortgages in real estate or motor vehicles and are interest and installment free.

#### 4) Board fees

The column comprises Board member fees paid out in the year for the previous year.

#### 5) Committee fees

The column contains fees related to participation in the Audit, Compensation, CR and Nomination Comittees paid out in the year for the previous year.

**6) Salary** The column comprises ordinary salary received in the year.

7) Variable salary
The column contains bonus payments received at the start of the year, based upon the previous years performance. The amounts do not include payments from the LTIP-program, described below.

#### 8) Pension premiums

The Group Management members participated in the same pension plans as other employees in the jurisdiction they were employed. The CEO was not included in the defined benefit plan and received a fixed compensation instead. For further description of the pension plan, see disclosure note 17

#### 9) Other benefits

rhe 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. Severance payments are also included here.

#### 10) Shareholding Board member

In September 2010 Board member Bjørn M. Wiggen was appointed President and CEO of Orkla, which held 23,000,000 shares in TOMRA at 31 December 2010.

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

Salary should include both a fixed and a variable part. The variable salary may amount to a maximum of 50% of the fixed salary. Fringe benefits should be moderate and only account for a limited part of the remuneration package. There should be no special pension plans for Group Management members. In 2006 the option program in TOMRA was replaced by a long term incentive plan for Group Management members (see below). The entire principles for remuneration of Group Management are found under the Corporate Governance section of the annual report.

#### Long Term Incentive Plans (LTIP)

At the end of 2005 TOMRA established a long-term, cash-based incentive plan, where managers receive bonuses based upon annual growth in the Group's and local unit's profit and performance. The bonus for each year was placed in an interest—bearing account in a virtual bonus bank, from which individual holdings were paid over a period of three years. This plan expired in 2010, and the remaining balances were paid out in the beginning of

In April 2010, a new plan for Group Management members was established, where a bonus is earned only if the TOMRA share outperformes the Nasdaq index. The bonus is dependant upon the size of the over-performance, but is capped at base salary. The TOMRA share outperformed Nasdaq by 31% in the period April 2010 to December 2010, and Management consequently earned full bonus under this plan in 2010. As long as the shareholding of each manager is below 75% of base salary, 25% (~50% after tax) of the earnings under this plan has to be invested in TOMRA shares, which must be kept for at least three years.

		OLD PLAN				PLAN
	Balance	Paid out	Earned	Balance	Earned	To be invested
	31.12.2009	2010	2010	31.12.2010	2010	in shares *
Stefan Ranstrand (President/CEO)	164,000	82,084	2,014	83,930	3,900,000	975,000
Espen Gundersen (SEVP/CFO)	2,237,873	1,479,103	17,070	775,840	2,049,300	512,325
Harald Henriksen (SVP Technology)	2,237,873	1,479,103	17,070	775,840	1,676,700	419,175
Fredrik Nordh (VP, Tomra Nordic)	SEK 324,000	SEK 324,000	0	0	SEK 1,325,000	SEK 331,250
Heiner Bevers (MD, Tomra Systems						
GmbH)	EUR 274,408	EUR 182,382	EUR 2,042	EUR 94,068	EUR 262,890	EUR 65,723
Rune Marthinussen (MD, TITECH)	2,237,872	1,479,103	17,070	775,840	1,720,170	430,043
Ton Klumper (VP, Tomra Western						
and Eastern Europe)	EUR 208,875	EUR 116,849	EUR 2,042	EUR 94,068	EUR 196,650	EUR 49,163
Håkon Volldal (SVP Business Developm	nent) 1,315,936	838,052	10,752	488,636	1,575,000	393,750
Michael Liess (President, Tomra US Ea	ast) USD 16,965	USD 8,521	USD 269	USD 8,713	USD 333,300	USD 83,325
Stefan Ek (MD, Orwak Group)	0	0	0	0	SEK 1,212,000	SEK 303,000

<sup>\*</sup> As long as shareholding < 75% of base salary

The collective compensation for key management personnel is as follows (21 managers in 2010 and 25 in 2009):

Amounts in NOK million	2010	2009
Short-term employee benefits	41.6	52.7
Severance payments	1.8	9.0
Post-employment benefits	3.4	3.5
Total	46.8	65.2

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

#### Transactions with subsidiaries

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

Additors rees				
	2	010	200	)9
Amounts in NOK million	Parent	Group	Parent	Group
Statutory audit	1.1	6.2	1.1	5.6
Other attestation services	_	0.9	-	0.4
Tax consulting	_	1.9	-	3.4
Other services	_	2.0	-	0.9
Total	1.1	11.0	1.1	10.3

Statutory audit fees to KPMG for the Group were NOK 4.6 million (NOK 4.7 million in 2009), and fees to other auditors were NOK 1.5 million

## **NOTE 15** SHARES AND INVESTMENTS

#### TOMRA SYSTEMS ASA - NGAAP

		Year of	Vote and	
Amounts in NOK million	Country	acquisition	owner share	Book value
Tomra North America Inc	USA	1992	100.0 %	1,166.2
Tomra Systems Inc	Canada	1988	100.0 %	42.5
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 %	37.3
Titech Japan KK	Japan	2000	100.0 %	0.0
Tomra Japan Ltd. 1)	Japan	2008	50.0 %	9.6
Orwak Group AB	Sweden	2005	100.0 %	132.4
TiTech AS	Norway	2004	100.0 %	208.2
Tomra Systems Ltd.	United Kingdor	n 2006	100.0 %	2.3
Tomra China	China	2010	100.0 %	3.0
Total shares in subsidiaries				1,626.5

1) Tomra Systems ASA owns 50% of Tomra Japan Ltd. The company is a joint venture and is proportionately consolidated in the Group. TOMRA's share of the joint venture accounts for less than 1% of the total capital of the Group.

Long term loan to the subsidiary Tomra North America Inc of NOK 374 million/USD 54 million, is treated as part of net investments in the parent company. In the parent company it is booked at cost and reported under loans to subsidiaries.

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#### **NOTE 16 INVESTMENTS IN ASSOCIATES**

#### GROUP - IFRS

Amounts in NOK million	Ultre- PET	Tomra s.r.o.	Tomra Baltic	Total
Book value 31 December 2009	31.9	-	1.8	33.7
Profit 2010	-	3.0	-	3.0
Dividends and equity infusions	-	(3.0)	-	(3.0)
Currency translation difference	(2.4)	-	(0.1)	(2.5)
Book value 31 December 2010	29.5	0.0	1.7	31.2
Equity at date of acquisition	41.0	0.0	0.0	
Country	USA	Czech Republic	Estonia	
Year of acquisition	1999	1998	2005	
Vote and share ownership	49 %	40 %	40 %	

#### Summary financial information for associates on 100% basis:

2010				Total
Assets	78.1	9.9	7.7	95.7
Liabilities	27.6	2.1	3.4	33.1
Equity	50.5	7.8	4.3	62.6
Revenues	178.1	12.9	9.6	200.6
Profit/(loss)	0.0	6.2	0.0	6.2
2009				Total
Assets	84.1	10.4	11.4	105.9
Liabilities	28.5	1.0	7.0	36.5
Equity	55.6	9.4	4.4	69.4
Revenues	162.2	22.5	14.2	198.9
Profit/(loss)	0.0	8.1	0.4	8.5

#### **NOTE 17 PENSION AND PENSION OBLIGATIONS**

Tom	nra Systems ASA			Group
2010	NGAAP 2009	Amounts in NOK million	2010	IFRS 2009
10.4 5.5 (4.9) (0.0) 1.5 <b>12.5</b>	14.3 6.0 (6.1) 2.0 2.3 <b>18.5</b>	EXPENSE RECOGNIZED IN THE INCOME STATEMENT Current service cost Interest cost of pension obligations Expected return on plan assets Actuarial gains and losses Social security tax included in pension cost Net pension costs	10.4 5.5 (4.9) (0.0) 1.5 <b>12.5</b>	14.3 6.0 (6.1) 2.0 2.3 18.5
146.1 (101.3) (17.2) <b>27.6</b>	128.5 (96.1) (9.1) <b>23.3</b>	FINANCIAL STATUS AS OF 31 DECEMBER Present value of funded pension obligations Fair value of plan assets Unrecognized actuarial gains & losses Pension liability	146.1 (101.3) (17.2) <b>27.6</b>	128.5 (96.1) (9.1) <b>23.3</b>
3.60 % 4.00 % 3.75 % 4.60 %	4.40 % 4.25 % 4.00 % 5.60 %	BASIS FOR CALCULATION Discount rate Expected wage increase Expected increase of base amount Expected return on plan assets 31 December	3.60 % 4.00 % 3.75 % 4.60 %	4.40 % 4.25 % 4.00 % 5.60 %
23.3 (8.2) 12.5 <b>27.6</b>	8.9 (4.1) 18.5 <b>23.3</b>	MOVEMENTS IN THE NET LIABILITY FOR DEFINED BENEFIT OBLIGATIONS AS RECOGNIZED IN THE BALANCE SHEET Net liability at 1 January Contributions received Expense recognized in the Income Statement (*) Net liability at 31 December	23.3 (8.2) 12.5 <b>27.6</b>	8.9 (4.1) 18.5 <b>23.3</b>
		(*) The expense is recognized in the following line item in the income statement		
12.5 3.8 <b>16.3</b>	18.5 2.9 <b>21.4</b>	Employee benefits expenses defined benefit plan Employee benefits expenses defined contribution plan <b>Total employee benefits expenses</b> <sup>2)</sup>	12.5 14.3 <b>26.8</b>	18.5 16.1 <b>34.6</b>

1) NOK 4.9 million of total employee benefits for Tomra Systems ASA was charged to subsidiaries in 2010 (2009: NOK 5.7 million). 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.

TOMRA's best estimate of contributions expected to be paid to the plan for 2011 is NOK 11.0 million.

The discount rate used for 2010 was the best estimate of the rate at the time the basis for the calculation was set in October 2010.

#### 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 has 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 the employees would get a pension of about 65% 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 benefit 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 Butikksystemer AS, Tomra Production AS, TITECH AS and QVision AS include 135 employees and 28 retirees at

Actual return on plan assets was NOK 5.0 million in 2009.

The life expectancy table K2005 has been used.

The table above shows total pension cost for the parent company and the Group's defined benefit plans, 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 2010 are split between net pension obligations for the defined benefit plans of NOK 25.2 million, and net pension obligations for the defined contribution plans of NOK 2.4 million.

#### Historical information

Amounts in NOK million Present value of the defined benefit obligation Fair value of plan assets Deficit / (surplus) in the plan	2010	2009	2008	2007
	146.1	128.5	166.3	127.6
	(101.3)	(96.1)	(105.1)	(106.0)
	44.8	<b>32.4</b>	<b>61.2</b>	<b>21.6</b>
Experience adjustments arising on plan liabilities	1.8	(60.8)	5.1	(15.2)
Experience adjustments arising on plan assets	6.3	19.9	9.6	2.5

#### SENSITIVITY ANALYSIS

The sensitivity analysis below shows how changes in the basis for calculation will affect the numbers.

Basis for calculation							
Discount rate	3.60 %	4.10 %	3.10 %	3.60 %	3.60 %	3.60 %	3.60 %
Expected wage increase	4.00 %	4.00 %	4.00 %	4.00 %	4.00 %	4.50 %	3.50 %
Expected increase of base amount	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %
Expected pension regulation	0.50 %	0.50 %	0.50 %	0.75 %	0.25 %	0.50 %	0.50 %
Interest	3.08 %	3.58 %	2.59 %	2.83 %	3.34 %	3.08 %	3.08 %
Expected return on plan assets	4.60 %	4.60 %	4.60 %	4.60 %	4.60 %	4.60 %	4.60 %
Results Amounts in NOK million							
Service costs	11.6	10.3	13.1	11.9	11.3	13.1	10.2
Accumulated benefit obligation	95.9	87.5	105.5	98.7	93.2	95.9	95.9
Present benefit obligation	140.5	126.5	156.7	144.6	136.7	153.2	128.7
Total benefit obligation	309.4	272.3	353.1	318.2	301.0	350.6	270.9
Plan assets	101.3	101.3	101.3	101.3	101.3	101.3	101.3

#### **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 in accordance with NRS 6A.3 used the option to convert to IAS 19 for its pensions. The change was implemented with effect from 1 January 2004, and unrecognized actuarial gains and losses have been reset.

#### NOTE 18 CASH AND CASH EQUIVALENTS

Tomra	a Systems ASA NGAAP			GROUP IFRS
2010	2009	Amounts in NOK million	2010	2009
34.9	5.4	Cash and cash equivalents	56.6	68.1
34.9	5.4	Cash and cash equivalents in the statement of cash flows1)	56.6	68.1

1) Includes restricted bank deposits totaling NOK 5.4 million for the Parent company and NOK 5.7 million for the Group.

Tomra Systems ASA and its fully owned subsidiaries participate in an international multi-currency cash-pool, operated by DnB NOR. 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 statement.

#### NOTE 19 FINANCIAL INSTRUMENTS

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 at least once a year. 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 cash surplus is primarily placed in NOK with short maturities. In accordance with the adopted financial strategy, the duration of the portfolio should not exceed six months

Interest-bearing liabilities are primarily related to a revolving, bilateral credit facility of NOK 750 million which was established in October 2006 (NOK 500 million) and June 2008 (NOK 250 million). Interest is payable on the two facilities at a rate of NIBOR (Norwegian Interbank Offered Rate) plus 27 basis points and NIBOR plus 80 basis points respectively. The balance as of December 2010 was NOK 250 million. The credit facilities mature in October 2011. 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 pr 31 December 2010, increases/decreases the annual financial costs by NOK 2.5 million. At year end cash and cash equivalents had a duration of zero (mainly bank holdings), and the average duration of the credit facility was two months.

In January 2011 TOMRA entered into a NOK 500 million, 5 year revolving credit facility. This loan facility replaced the NOK 250 million facility.

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Credit risk is the risk of loss that may arise on outstanding contracts should a counter party 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 2010. However, TOMRA's customers include the largest retail chains in the world, as well as large scrap material processors, 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.

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 which require a safe investment structure.

TOMRA's main bank is DnB NOR, where TOMRA's short- and long-term loan facilities are located in addition to the international cash pool. TOMRA also has a few local banks for a full cash management solution. The tables below show the balance at TOMRA's main bank DnB NOR ASA which has a credit rating of Aa3 from Moody's and A+ from S&P.

31 December 2009
Credit limit Amount withdrawn 31 December 2010
Credit limit Amount withdrawn NOK 750 million NOK 750 million NOK 250 million NOK 350 million **NOTE 19** FINANCIAL INSTRUMENTS (cont.)

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 - 58% equity ratio at 31 December 2010 - that will enable a higher debt ratio if necessary. Liquidity per 31 December 2010 was NOK 607 million (including unused credit lines).

#### Commodity risk

Prices of a number of raw materials have increased in 2010. This affects both TOMRA's income and costs.

In California TOMRA owns the materials collected through its recycling centers. Accordingly, it is exposed to fluctuations in commodity prices, particularly aluminum. An increase in USD 100/mt in LME (aluminium price) on an annual basis will entail an increase of USD 0.8 - 1 million in operating profit. In addition TOMRA is indirectly exposed to fluctuations in commodity prices in the IPT-segment; 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 positively affects the willingness to invest positively

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 were not large enough for changes in commodity prices to significantly impact the results.

#### Foreign currency risk

TOMRA is exposed to changes in the value of NOK relative to other currencies. With 95 percent of its income in foreign currencies, a strengthening of the Norwegian crown will lead to reduced earnings for the Group when measured in NOK. The most significant risk is associated with fluctuations in the EUR and USD. In accoordance with the financial strategy, TOMRA can secure up to 12 months of expected future net cash flow. The Group primarily uses forward contracts as an economic hedging instrument.

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

		Revenues		Balance sheet	
	2010	2009	2010	2009	
USD	36 %	34 %	42 %	40 %	
EUR	40 %	42 %	18 %	22 %	
SEK	7 %	8 %	5 %	5 %	
NOK	5 %	5 %	23 %	22 %	
OTHER	12 %	11 %	12 %	11 %	

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

			2010		
	USD	EUR	NOK	SEK	OTHER
Total intangible non-current assets	18 %	4 %	55 %	3 %	20 %
Total tangible non-current assets	75 %	8 %	6 %	4 %	7 %
Total financial non-current assets	59 %	28 %	2 %	0 %	11 %
Inventory	27 %	31 %	27 %	8 %	7 %
Total receivables	57 %	25 %	5 %	6 %	7 %
Cash and cash equivalents	-3 %	74 %	-13 %	14 %	28 %
Total assets	43 %	18 %	23 %	5 %	12 %
Total non-current liabilities	0 %	1 %	94 %	2 %	3 %
Total current liabilities	22 %	19 %	45 %	7 %	7 %
Total liabilities	18 %	15 %	55 %	6 %	6 %
			2009		
	USD	EUR	NOK	SEK	OTHER
Total intangible non-current assets	13 %	5 %	59 %	3 %	20 %
Total tangible non-current assets	71 %	7 %	10 %	5 %	7 %
Total financial non-current assets	63 %	27 %	3 %	O %	7 %
Inventory	32 %	41 %	9 %	10 %	8 %
Total receivables	50 %	33 %	5 %	4 %	8 %
Cash and cash equivalents	O %	46 %	32 %	14 %	8 %
Total assets	40 %	22 %	22 %	5 %	11 %
Total non-current liabilities	O %	O %	97 %	2 %	1 %
Total current liabilities	23 %	21 %	35 %	10 %	11 %
Total liabilities	15 %	14 %	<b>57</b> %	7 %	7 %

A 10 percent weaker/stronger NOK would normally lead to a 15–25 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 193 million as per balance 31 December 2010. (This analysis assumes all other variable remain constant.) Such changes in value would however not have a P/L impact as they are booked as translation differences against equity.

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

	20	2010		
Amounts in NOK million	Income	Cost	Income	Cost
10% currency change USD/NOK	126	(98)	112	(91)
10% currency change EUR/NOK	141	(74)	139	(99)
10% currency change SEK/NOK	26	(21)	27	(34)

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

	20	10	20	09	
Amounts in NOK million	Increase	Decrease	Increase	Decrease	
10% currency change USD/NOK	116	(116)	106	(106)	
10% currency change EUR/NOK	38	(38)	52	(52)	
10% currency change SEK/NOK	8	(8)	6	(6)	

The following exchange rates were applied during the year $^{\! 1)}\!\!:$	Average rate (P/L rate)		Reporting date rate (Balance rate)		
	2010	2009	2010	2009	
USD/NOK	6.044	6.290	5.856	5.777	
EUR/NOK	8.007	8.730	7.813	8.315	
SEK/NOK	0.839	0.822	0.871	0.810	
AUD/NOK	5.553	4.937	5.961	5.192	

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 2010 the value was recognized in other short-term receivables at NOK 2.0 million and in other current liabilities at NOK 2.8 million (per 31 December 2009: NOK 6.0 million and NOK 1.6 million respectively). Changes in fair value of forward contracts were recognized in the income statement in 2010. Change in fair value of forward contracts and currency gains on cash flows in 2010, amounted to 4.1 million (see note 4).

## Outstanding forward foreign exchange

contracts, as of 31 December:		2010		2009		
Amount forward (sold) / bought	Currency (million)	Exch.rate	Due date	Currency (million)	Exch.rate	Due date
EUR/NOK	13.0	7.814	2011	(26.5)	8.315	2010
GBP/NOK	(3.0)	9.070	2011	(5.5)	9.317	2010
JPY/NOK	(1,337.5)	0.072	2011	(1,230.0)	0.063	2010
SEK/NOK	(10.0)	0.871	2011	(55.0)	0.810	2010
AUD/NOK	(11.7)	5.952	2011	(18.0)	5.192	2010
ZAR/NOK	(21.0)	0.882	2011	(2.3)	0.783	2010
USD/NOK	(4.0)	5.857	2011	11.0	5.777	2010
DKK/NOK	26.0	1.048	2011	16.0	1.117	2010
KRW/NOK	(3.167.5)	0.005	2011	_	_	_

TOMRA had not entered into any commodity contracts as of 31 December 2010.

Tomra Systems ASA has not applied hedge accounting in 2010 for the cash flow in accordance with IAS39.

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

	201	2010		09
Amounts in NOK million	Carrying amount	Fair value	Carrying amount	Fair value
Long term receivables	164.7	163.2	182.7	177.9
Receivables	737.7	737.7	692.0	692.1
Cash and cash equivalents	56.6	56.6	68.1	68.1
Forward exchange contracts	(0.8)	(0.8)	4.4	4.4
Finance lease liabilities	0.0	0.0	0.0	0.0
Unsecured bank facilities	(250.0)	(251.2)	(350.0)	(351.6)
Other interest-bearing liabilities	(233.9)	(215.9)	0.0	0.0
Payables	(200.8)	(200.8)	(222.1)	(222.1)
Total	273.5	288.8	375.1	368.8

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.

#### Financial derivatives

The fair value of forward currency contracts represented quoted market price, ie the exchange rate at 31 December 2010 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 31.12.2010. 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.

Interest rates used for determining fair value	2010	2009
Loans and borrowings	4.0 %	4.0 %
Receivables/payables	3.0 %	3.0 %

#### Financial assets and liabilities per 31 December 2010 - maturity analysis:

	Carrying	Quarter 1	Quarter 2-4		
Amounts in NOK million	amount	2011	2011	2012	2013 -
Long term receivables	164.7			123.5	41.2
Receivables	737.7	737.7			
Cash and cash equivalents	56.6	56.6			
Forward exchange contracts	(0.8)	(8.0)			
Finance lease liabilities	0.0				
Unsecured bank facilities <sup>1)</sup>	(250.0)	(225.0)	(25.0)		
Other interest-bearing liabilities	(233.9)			(6.9)	(227.0)
Payables	(200.8)	(200.8)			
Total	273.5	367.7	(25.0)	116.6	(185.8)

1) Total bank loans in the balance sheet per 31.12.2010 were redeemed within five months in 2011. TOMRA has not taken up the option of carrying the loan forward, neither entirely nor in part.

#### NOTE 20 SHARE-BASED PAYMENTS

#### GROUP - IFRS

#### Share option plans for employees

TOMRA previously had a share bonus program for all employees in wholly-owned TOMRA companies. Under the plan, all employees were granted up to 1,200 options each year with a strike price equal to the market price at the beginning of the respective year. Share options were granted under a service condition and a non-market performance condition in the form of entities achieving the agreed budget. The vesting period was one year. Vested options could be kept up to five years after vesting. No options have been granted under this plan since 2005.

8,917 employee options were exercised in November 2010, and a cash compensation was paid out equal to NOK 8,917.

The terms and conditions of vested options still not expired:

		Remaining		
Plan	Strike	number of options	Vested	Termination
2005–2010 Employees <sup>1)</sup>	33.30	136,136	February 2006	February 2011

Share option plans for management

TOMRA also had a share bonus program for management where

vesting conditions were tied to specific non–market performance targets (variable plans) in addition to service conditions. Vesting period

was one year. Vested options could be exercised up to two years after vesting. The strike price was based upon the average closing price on the Oslo Stock Exchange the three days following granting of the

options. The share bonus program included about 110 managers and other key personnel in the Group, with an average of about 20,000

share options per manager each year. No options have been granted under this plan since 2005. All management options expired in 2008.

1) Vesting conditions: One year of service and entity achieving the agreed budget. Contractual life of options: 5 years.

The number and weighted average exercise prices of share options for employees are as follows:

	2010		200	9
	Weighted average strike price	Number of options	Weighted average strike price	Number of options
Outstanding at the beginning of the period	35.13	322,630	40.22	658,692
Forfeited during the period	36.63	(177,577)	45.10	(336,062)
Exercised during the period	33.30	(8,917)	_	-
Granted during the period	n/a	-	n/a	-
Outstanding and exercisable at the end of the period	33.30	136,136	35.13	322,630

The options outstanding at 31 December 2010 have a strike price of NOK 33.30 and a remaining contractual life of 0.2 year.

#### TOMRA SYSTEMS - NGAAP

The share option program for employees in Tomra Systems ASA is identical to those for the rest of the Group, and has been calculated using the same principles under IFRS described above.

The number and weighted average exercise prices of share options for employees are as follows:

	2010		2009	9
	Weighted average strike price	Number of options	Weighted average strike price	Number of options
Outstanding at the beginning of the period	33.30	60,399	40.24	146,624
Forfeited during the period	33.30	(16,080)	45.10	(86,225)
Exercised during the period	33.30	(2,294)	_	-
Granted during the period	n/a	-	n/a	-
Outstanding and exercisable at the end of the period	33.30	42,025	33.30	60,399

The options outstanding at 31 December 2010 have a strike price of NOK 33.30 and a remaining contractual life of 0.2 year. Total expense recognized as employee cost in 2010 is NOK zero.

#### NOTE 20 SHARE-BASED PAYMENTS (cont.)

#### 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 that 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% of his/her gross salary. The share purchase program uses own shares aquired by TOMRA as authorized by the Annual General Meeting. The shares are purchased on the Oslo Stock Exchange.

Number of shares purchased by employees	<b>2010</b> 73,305	2009 69,557
Share price (closing market share price, the day before the allotment date)	28.00	23.20
Number of bonus shares, distributed one year after investment	14,661	13,911
Total expenses recognized	0.5 mill	0.4 mill

#### NOTE 21 EQUITY

#### TOMRA SYSTEMS ASA - NGAAP

TOMRA SYSTEMS ASA - NGAAP	01		<b>6</b> 1	Bald to	B. f. day of	T. 6 - 1	No. of Control
Amounts in NOK million	Share capital	Treasury shares	Share premium	Paid-in capital	Retained earnings	Total equity	Number of shares
Balance per 1 January 2009	155.0	(5.0)	918.3	1,068.3	731.2	1.799.5	155,020,078
Balance per 1 Gandar y 2007	155.0	(3.0)	710.0	2,000.0	10112	1,17710	100/020/010
Profit for the period					297.4	297.4	
Deleted shares	(5.0)	5.0				0.0	(5,000,000)
Purchase of own shares		(2.0)		(2.0)	(47.6)	(49.6)	
Own shares sold to employees		0.1		0.1	2.6	2.7	
Dividend received on own shares					0.4	0.4	
Dividend to shareholders					(81.5)	(81.5)	
Balance per 31 December 2009	150.0	(1.9)	918.3	1,066.4	902.5	1,968.9	150,020,078
Profit for the period	(0.0)	0.0			(94.9)	(94.9)	(0.000.000)
Deleted shares	(2.0)	2.0		(0.2)	(C F)	0.0	(2,000,000)
Purchase of own shares		(0.2)		(0.2)	(6.5)	(6.7)	
Own shares sold to employees Dividend received on own shares		0.1		0.1	2.3	2.4 0.1	
Dividend to shareholders					0.1 (88.8)	(88.8)	
Dividend to Shareholders					(8.8)	(88.8)	
Balance per 31 December 2010	148.0	(0.0)	918.3	1,066.3	714.7	1,781.0	148,020,078

Shares par value is 1 NOK. Free equity at the end of 2010 equaled NOK 678.5 million. In 2010 Tomra Systems ASA purchased 239,000 own shares at an average price of NOK 28.12 per share. At shareholders meeting on 21 April 2010, it was decided to amortize 2,000,000 treasury shares. The amortization took place after the notification period expired in July 2010. Total shareholding of treasury shares was 32,883 as of year end 2010.

GROUP - IFRS	Paid-in	Translation	Retained	Total equity attributable to the owners of	Non- controlling	Total
Amounts in NOK million	capital	reserve	earnings	the company	Interest	Equity
Balance per 1 January 2009	1,068.3	101.9	849.0	2,019.2	65.2	2,084.4
Profit for the period			248.8	248.8	19.5	268.3
Changes in translation differences		(301.6)		(301.6)	(11.4)	(313.0)
Total comprehensive income for the period	0.0	(301.6)	248.8	(52.8)	8.1	(44.7)
Transactions with shareholders						
Disposal of subsidiaries/dividend non-controlling in	nterest			0.0	(15.4)	(15.4)
Purchase of own shares	(2.0)		(47.6)	(49.6)		(49.6)
Own shares sold to employees	0.1		2.6	2.7		2.7
Dividend to shareholders			(74.7)	(74.7)		(74.7)
Total transactions with shareholders	(1.9)	0.0	(119.7)	(121.6)	(15.4)	(137.0)
Balance per 31 December 2009	1,066.4	(199.7)	978.1	1,844.8	57.9	1,902.7
Profit for the period			73.7	73.7	39.8	113.5
Changes in translation differences		(0.5)		(0.5)	0.8	0.3
Total comprehensive income for the period	0.0	(0.5)	73.7	73.2	40.6	113.8
Transactions with shareholders						
Disposal of subsidiaries/dividend non-controlling in	nterest			0.0	(30.1)	(30.1)
Purchase of own shares	(0.2)		(6.5)	(6.7)		(6.7)
Own shares sold to employees	0.1		2.3	2.4		2.4
Dividend to shareholders			(81.4)	(81.4)		(81.4)
Total transactions with shareholders	(0.1)	0.0	(85.6)	(85.7)	(30.1)	(115.8)
Balance per 31 December 2010	1,066.3	(200.2)	966.2	1,832.3	68.4	1,900.7

1) Dividend payment was NOK 0.55 per share in 2010, as proposed in the 2009 financial statements.

#### 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.

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

Amounts in NOK million	2010	2009
NOK 0.60 per qualifying share (2009: NOK 0.55)	88.8	81.5

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

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Earnings per share	2010	2009
Average number of shares	148,975,634	153,088,571
Average number of shares, adjusted for own shares	148,011,226	148,992,122
Average number of shares, adjusted for own shares, fully diluted	148,011,226	148,992,122
Majority equity 31 December (MNOK) Equity per share (NOK)	1,832.3 12.38	1,844.8 12.38
Net profit after non–controlling interest (MNOK) Earnings per share Earnings per share, fully diluted	73.7 0.50 0.50	248.8 1.67 1.67

31 December 2010 there were 136,136 options that were "in the money" as of that day, ref note 20.

#### Purchase of own shares

TOMRA was granted authority to acquire treasury shares at the annual general meeting 21 April 2010, limited to a total of 10,000,000 shares. At the end of 2010 no shares had been purchased under this proxy.

#### Share purchase program

To motivate employees to become long term owners in TOMRA, the board established a share purchase program in 2008, where employees could buy shares at market price. For every five shares the employee bought, TOMRA would give one bonus share after a year, provided that the employee was still employed by TOMRA and had kept the shares for the entire year. In 2010 73,305 shares were sold to employees as part of this share purchase program, and 13,791 shares were given to employees as a result of the 2009 program.

#### 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.

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18.	Nordea Investment Management (Norway) Orbis Investment Management Ltd. Dimensional Fund Advisors, Inc. Odey Asset Management LLP	Number of shares 23,000,000 14,235,927 9,738,651 5,840,930 3,138,000 2,943,176 2,809,430 2,465,298 2,428,389 2,297,279 1,840,012 1,660,000 1,599,900 1,360,232 1,082,048 944,403 893,989 803,425 707,105 653,000	Ownership 15.54 % 9.62 % 6.58 % 3.95 % 2.12 % 1.99 % 1.67 % 1.64 % 1.55 % 1.24 % 0.73 % 0.64 % 0.60 % 0.54 % 0.44 %
	Total Other shareholders Total (7.549 shareholders)	<b>80,441,194</b> 67,578,884 <b>148,020,078</b>	<b>54.34</b> % 45.66 % <b>100.00</b> %
	Shares owned by Norwegian residents Shares owned by others <b>Total</b>	66,312,995 81,707,083 <b>148,020,078</b>	44.80 % 55.20 % <b>100.00 %</b>

#### **NOTE 23** ACQUISITIONS

#### Can and Bottle Systems Inc (CBSI)

On 1 November 2010, TOMRA acquired 100 percent of the assets in Can and Bottle Systems Inc, an Oregon (USA) based RVM producer.

The purchase price was USD 5.3 million, paid in cash, plus an earn-out of up to USD 0.3 million based upon 2011 performance. The purpose of the acquisition was to establish a presence in the state.

The net assets aquired in the transaction, and the goodwill arising, are as follows (based upon preliminary purchase price allocations):

Amounts in NOK million	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Net assets acquired:			
Patents and technology Goodwill Property, plant and equipment Inventories Accounts Receivable Prepayments / Other Assets Deferred Service Contracts	0.1 0.0 0.0 1.0 0.1 0.0 (0.4)	0.0 5.4 0.0 0.0 0.0 0.0	0.1 5.4 0.0 1.0 0.1 0.0 (0.4)
Accrued Expenses / Liabilities	(0.6)	0.0	(0.6)
Total consideration to be satisfied by cash	0.2	5.4	5.6
Total goodwill related to the transaction			5.4
Net cash outflow arising on acquisition: Cash consideration paid Cash and cash equivalents acquired			5.3 0.0
Net cash outflow in 2010			5.3

The goodwill arising on the transaction was attributable to predicted future cash flows.

The aquired company contributed USD 0.9 million in revenue and USD 0.1 million to the Group's net operating profit for the period between the date of aquisition and 31 December 2010.

If the acquisition had been completed on 1 January 2010, total group revenue for 2010 would have increased by USD 4.6 million, and net operating profit for the year would have increased by USD 0.5 million.

Acquisition cost of NOK 3 million has been booked as operating expenses in 2010.

#### **NOTE 23** ACQUISITIONS (cont.)

#### Returnable Services, Inc (RSI)

On 17 December 2010, TOMRA acquired 100 percent of the assets in Returnable Services Inc, a material pick—up and processing provider in Maine (USA). The purchase price was USD 7.5 million in cash. The purpose of the acquisition was to eastablish a presence in a state where TOMRA had no

The net assets aquired in the transaction, and the goodwill arising, are as follows (based upon preliminary purchase price allocations):

	Acquiree's		
	carrying amount	Fair value	
Amounts in NOK million	before combination	adjustments	Fair value
Net assets acquired:			
Goodwill	0.0	5.4	5.4
Property, plant and equipment	0.4		0.4
Accounts Receivable	1.9		1.9
Cash and cash equivalents	0.1		0.1
Accrued Expenses / Liabilities	(0.3)		(0.3)
Total consideration satisfied by cash	2.1	5.4	7.5
Total goodwill related to the transaction			5.4
Net cash outflow arising on acquisition:			
Cash consideration paid			7.5
Cash and cash equivalents acquired			(0.1)
Net cash outflow			7.4

The goodwill arising on the transaction was attributable to predicted future cash flows.

The aguired company's revenue and operating profit were immaterial between the acquisition date and 31 December 2010.

If the acquisition had been completed on 1 January 2010, total group revenue for 2010 would have increased by USD 5.5 million, and net operating profit for the year would have increased by USD 0.9 million.

Acquisition cost of NOK 3 million has been booked as operating expenses in 2010.

#### Terra Vision

In August 2010, TITECH AS acquired 100 percent of the shares in 9166-7113 Quebec Inc (Terra Vision), a small Canadian developer of ore-sorting solutions. The purchase price was CAD 0.9 million. In addition the shareholders could earn up to CAD 0.1 million if certain financial targets were met in 2010. The purpose of the acquisition was to improve access to the American mining market.

#### Odenberg Investment Inc (Odenberg)

On 14 December 2010 TITECH AS entered into a put/call option agreement with the owners of Dublin based technology manufacturer Odenberg Investment Ltd, enabling TITECH to acquire 100 percent of the shares in Odenberg by the end of January 2011. Odenberg is a leading provider of advanced sorting and processing technology to the international food processing industry. The purpose of the acquisition was to enter into the food sorting industry, enabling TOMRA to utilize its recognition and sorting technology in this segment. The option was exercised in January 2011 and TITECH paid 7 February 2011, a consideration corresponding to an enterprise value of EUR 55 million. In addition conditional payments of up to EUR 2.5 million could be triggered based on 2011 financial performance. No purchase price allocation had been performed as of 17 February 2011, but Odenberg's 2010 unaudited financial statements showed a revenue of EUR 37.9 million, operating profit of EUR 4.2 million and the following balance sheet (net of cash and interest bearing debt);

#### Amounts in EUR million

Fixed tangible assets	2.1
Inventory	4.7
Receivables	3.8
Creditors	(5.5)
Customer deposits	(4.1)
Equity	(1.0)

Acquisition cost of NOK 4 million has been booked as operating expenses in 2010. Consolidation of Odenberg would commence in February 2011.

#### NOTE 24 OTHER ITEMS

Tomra Systems ASA NGAAP			Group IFRS		
2010	2009	Amounts in NOK million	2010	2009	
4.7 226.1 <b>230.8</b>	- - -	Loss on sale of Presona AB EU Penalty <b>Total other items</b>	18.5 226.1 <b>244.6</b>	- - -	

#### Loss on sale of Presona AB

In April 2010 Orwak Group AB sold 100 percent of its shares in Presona AB. A loss of NOK 18.5 million was recorded in

Amounts in NOK million Non-current assets Inventory Receivables Liabilties Net assets sold	3.1 22.8 8.0 (16.4) <b>17.5</b>
Cash received	4.7
Currency translation differences booked to equity	(0.3)
Contingent liabilities and transaction costs	(5.4)
Loss	<b>18.5</b>

EUR 28.2 million (NOK 226.1 million) has been accrued for fine and accumulated interest to the EU commission. The fine is not tax deductable.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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 2010 (annual report 2010).

#### 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, and that were effective as of 31 December 2010.
- the separate financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31 December 2010.
- 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 2010.
- 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 2010 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. 17 February 2011

**Svein Rennemo** Chairman **Bjørn Wiggen** Board member Bernd H.J. Bothe Board member **Hege Marie Norheim** Board member

**Aniela Gjøs** Board member

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**David Williamson** Employee representative **Ingrid Solberg** Employee representative Stefan Ranstrand President & CEO KPMG

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Enterprise 935 174 627 MVA

To the Annual Shareholders' Meeting of Tomra Systems ASA

#### INDEPENDENT AUDITOR'S REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of Tomra Systems ASA, which comprise the financial statements of the parent company Tomra Systems ASA and the consolidated financial statements of Tomra Systems ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at December 31, 2010, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the balance sheet and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and generally accepted accounting standards and practices in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

offices in:

Oslo Alta Arendal Bergen Boda Elverum Hamar Haugesund Kristiansand Larvik Mo i Rana Molde

Sandefjord
and Sandnessjor
and Stavanger
Stord
Tronspa
Tronspherin
Tensberg



Independent auditor's report

Tomra Systems ASA

## Opinion on the separate financial statements

In our opinion, the parent company's financial statements give a true and fair view of the financial position of Tomra Systems ASA as at December 31, 2010, and of 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.

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Tomra Systems ASA and its subsidiaries as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

## Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 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 Accounting Registration and Documentation

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 the company's 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, 24 February 2011

KPMG AS

Bjørn Kristiansen

State authorized public accountant















## CORPORATE RESPONSIBILITY REPORT

# Corporate Responsibility - Communicating our Progress

This report serves as TOMRA's first Communication on Progress, a central requirement as part of TOMRA's participation in the UN Global Compact.

TOMRA joined the UN Global Compact at the end of 2009 as it provided a recognized framework for incorporating key principles into operations and strategies. This provided a platform for assessing existing policies and procedures and rating TOMRA's performance against the ten principles of the Global Compact to identify what further actions should be taken.

The final CR Program and targets have been reviewed and approved by the Board of Directors of Tomra Systems ASA. The method used to develop the CR program has involved representatives from all areas within TOMRA and has been an important step towards further integrating corporate responsibility principles into TOMRA's strategy and operations.



This is our Communication on Progress in implementing the principles of the United Nations Global Compact.

We welcome feedback on its contents.

# USING THE POWER OF BUSINESS TO DO GOOD

The initial assessment showed that TOMRA's existing policies already covered the majority of the ten principles – particularly the ones that were most relevant for its business activities. However, it also highlighted inadequacies in the systems for implementation and follow-up.

As TOMRA already had an Environmental Program in place (approved October 2009), it was decided to expand it to include the other corporate responsibility elements. In May, TOMRA launched a process in the company to develop a first set of priorities for the Corporate Responsibility (CR) program. This involved identifying the most significant corporate responsibility risks and/or opportunities for TOMRA and, through a process in Group Management, ensuring that the areas chosen as priorities were linked to the overall strategies and ambitions of the TOMRA Group.



#### TOPICS INCLUDED IN CR PROGRAM

Meeting stakeholders' expectations

25% reduction in eco-intensity by 2015
Anti-bribery program for the TOMRA Group
Employment opportunities and working conditions
Managing risks in TOMRA's operations

#### UN GLOBAL COMPACT AREAS

Environment
Anti-corruption
Human Rights, Labor
Labor, Anti-corruption
All

#### **PROGRESS REPORT**

#### 2011 CORPORATE RESPONSIBILITY GOALS

- > Start update of TOMRA's carbon footprint
- > Complete assessment of vehicle fleet
- > Promote TOMRA's ethical policies through:
- Internal workshops
- Audit of key suppliers
- > Improve TOMRA's employee satisfaction rating versus 2010
- Reduce the number of accidents per full time equivalent (FTE) employee

## REVIEW OF 2010 GOALS

- > Revise waste management guidelines for the Group
  - Completed
- > Assess available options for vehicle fleet development and associated costs, including energy and climate impacts
- In progress: target 1H 2011
- Assess compliance with REACH Directive for chemical usage in manufacturing
- Completed
- > Establish energy awareness program for RVM sales and service technicians

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- Deferred to 2012
- > Implement and communicate Anti-Bribery Policy throughout the Group
- Phase 1 completed
- > Develop 5-year CSR program
- Completed

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# Environmental program, 2010-15

TOMRA's environmental program runs until 2015 and the main objective is the achievement of a 25% reduction in eco-intensity versus 2009.

TOMRA's direct emissions and energy consumption are primarily driven by the Material Handling operations, which utilizes a significant vehicle fleet to perform its day-to-day activities. A number of actions have been implemented to improve the efficiency and effectiveness of these operations. Some of these actions have targeted the distance travelled by each vehicle, while others have increased the use of cleaner vehicles and fuels.

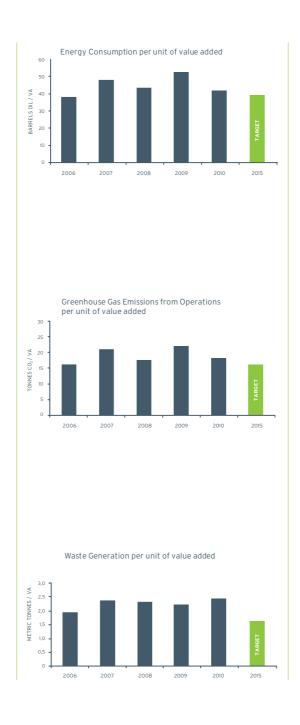
During 2010 TOMRA also gathered information relating to the vehicle fleet. This data will be analysed during 2011 to identify where further actions can be taken to reduce emissions and energy consumption.

# GRAPHS - ECO-INTENSITY PERFORMANCE VERSUS TARGET

In 2010, TOMRA reduced its eco-intensity for energy and CO<sub>2</sub> emissions. The reduction in overall emissions was primarily driven by actions in North America, including the introduction of cleaner fuels on selected vehicles and the closure of selected facilities.

#### **GLOBAL IMPACT**

TOMRA recognizes its duty to minimize the environmental impact of its products and services throughout their lifetime. As part of this effort TOMRA would like to work closer with its customers to improve its understanding of how they utilize TOMRA's products. This would provide a broader platform for developing actions to reduce operating energy consumption, which will ultimately benefit TOMRA's customers and the environment. During 2011 TOMRA will start this process for its reverse vending machines.



## **TOMRA Environmental Report 2010**

#### **CLIMATE CHANGE ACCOUNT**

CARBON DIOXIDE EMISSIONS FROM OPERATIONS					
TONNES CARBON DIOXIDE		2010	2009		
Emission from stationary source Heating oil Natural gas Propane Emission from purchased	es (Scope 1)	1,100 0 1,000 100	<b>2,900</b> 1,300 900 700		
grid electricity	(Scope 2)	2,800	3,000		
Norway Europe EU25 North America Rest of World Certified low-carbon or renev Emission from transportation Petrol vehicles Diesel vehicles LPG vehicles Employee-owned vehicles Air travel Total direct emissions (tonnes C	(Scope 1) (Scope 1) (Scope 3) (Scope 3)	14,900 300	0 400 2,600 0 0 24,300 4,300 18,500 300 600 600 30,200		
Emission from products	/Caana 2\	06.000	01 000		
during use-phase  RVMs owned and operated by TOMRA and customers  Orwak products owned by cus  Titech scanners owned by cus		55,100 41,800 1,000	91 900 49,500 41,400 1,000		

# AVOIDED CARBON DIOXIDE EMISSIONS THROUGH PRODUCT USE

120 000

2010

122 000

2009

Total direct and indirect emissions

TONNES CARBON DIOXIDE

Net carbon dioxide emission/(avoidance)	(10,400,000)	(9.500.000)
material compaction, Orwak (4) Total emission avoidance	392,000 10,550,000	611,000 9,550,000
Other Reduction of transport due to	425,000	425,000
Fiber RDF (reused as energy)	293,000 1.050.000	255,000 1.050.000
PET HDPE	2,430,000 610,000	2,113,000 530,000
Glass Aluminium	0 1,513,000	0 1,316,000
Packaging material sorted for recycl from mixed sources, Titech (3)	6,321,000	5,689,000
Cardboard and fiber	2,000	2,000
Plastic bottles, PET Plastic bottles, HDPE	250,000 2,000	115,000 2,000
Glass bottles Aluminium cans	64,000 1,047,000	55,000 673,000
Packaging material transport and handling (2)	1,365,000	847,000
Steel cans	17,000	17,000
Plastic bottles Glass bottles Aluminium cans	505,000 734,000 1,220,000	399,000 779,000 1 204,000
Beverage container collection through RVMs (1)	2,476,000	2,399,000

#### **WASTE GENERATION**

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

TONNES WASTE	2010	2009
Waste generation	3 135	3 100
Paper	15	40
Cardboard	115	100
Plastics	1 275	1 300
Wood	100	100
Electric and electronic waste		
(incl. TOMRA products)	30	45
Expanded polystyrene	0	0
Metal scrap	465	390
Batteries	5	5
Hazardous waste	Ō	0
Unsorted	1 130	1 120

#### **ENERGY CONSUMPTION**

DADDEL COLL FOLLWAL FAIT

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

BARRELS OIL EQUIVALENT		2010	2009
Energy consumption, stationary sources Heating oil Natural gas Propane Energy consumption,	(Scope 1)	100 0 0 100	<b>5,100</b> 3,200 0 1,900
purchased grid electricity Norway Europe EU25 North America Rest of World Certified low-carbon or rer Energy consumption, transpoi Petrol vehicles		2,600 2,100 5,200 0 0 <b>46,800</b>	10,400 2,300 2,600 5,500 0 0 59,400 11,600
Diesel vehicles LPG vehicles Employee-owned vehicles Air travel Total direct energy consumpti Energy consumption, products during use-phase	(Scope 1) (Scope 3) (Scope 3) (Scope 3)	35,000 1,500 1,200	43,400 1,500 1,500 1,400 74,900
RVMs owned by TOMRA and customers Orwak products owned by o Titech scanners owned by o	customers	66,000 50,100 1,200	59,300 49,600 1,200
Total direct and indirect energy consumption		172,900	185,000

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

#### NOTES

Emissions have been calculated using the GHG Protocol calculation tools (www.ghgprotocol.org), and 'Waste Management Options and Climate Change' (ec.europa.eu/environment/waste/studies/pdf/climate\_change.pdf). Some 2009 data has been amended to ensure consistency with 2010 reporting.

#### 1. Beverage container collection through RVMs.

Carbon dioxide savings are calculated based on the total number of beverage containers collected through TOMRA's over 70,000 RVM installations - more than 35 billion units annually. All glass beverage containers are assumed to be non-refillable, which gives a significantly lower assumed weight. The 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

The carbon dioxide saving is based on the tonnage of beverage container material transported and handled by TOMRA in USA. The full benefit of 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. Packaging material sorted for recycling from mixed sources, TITECH Estimated material throughput in Titech installations is used in the calculation of avoided carbon dioxide emission. The full benefit

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

#### 4. Reduction of transport due to material compaction, Orwak

It is estimated that the installed base of ORWAK Group products can compact around 85 million tonnes of material daily, reducing both transport kilometers and fuel usage each year. This is estimated to save over 60,000 transport movements each day. This calculation does not take into account the carbon dioxide benefit of material recycling. Note the change in annual savings following the sale of Presona during 2010.

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.

# Developing our people

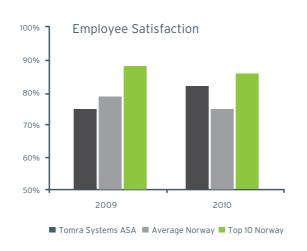
#### **EMPLOYEE SATISFACTION**

TOMRA believes that a high level of employee satisfaction is critical to the company's success, and therefore recognizes the importance of meeting employee expectations and being an attractive employer.

In order to first identify those expectations, TOMRA has introduced a new employee satisfaction survey throughout the organization. The survey was first undertaken in Norway in 2009 and provides comparable and measurable results - both internally and with similar companies.

In 2010, partly as a result of the initial survey, TOMRA focused on people development and ensuring that its workplaces were safe and attractive. TOMRA Group's internal HR network has worked hard to ensure a consistent approach, based on TOMRA's core values of innovation, passion and responsibility. The network has also shared experiences to develop best practice for common use in areas such as recruitment and reward systems.

In Norway, where the survey was first launched, TOMRA has concentrated on involving and developing its people – a key resource. Specific actions included improving internal communication, training sessions for future leaders, and revising the new employee introduction program. The positive impact of these actions was reflected in the latest survey results.



#### Impact on people within TOMRA Group

2010	2009	2008	
2,027	1,952	2,110	
19	18	19	
19	21	22	
32	32	29	
137	138	153	
6.7	6.8	7.3	
	2,027 19 19 32 137	2,027 1,952 19 18 19 21 32 32 137 138	2,027     1,952     2,110       19     18     19       19     21     22       32     32     29       137     138     153

TOMRA is committed to providing equal employment opportunities and eliminating workplace discrimination.

TOMRA also aims to have a balanced workforce that reflects the global society in which it operates. As a result, the Code of Conduct was amended in 2010 to prioritize attracting women and ethnic minorities when recruiting.

#### **BUSINESS CONDUCT**

TOMRA operates in a global market where familiar and unexpected risks and opportunities can occur in a variety of forms. TOMRA strives to be prepared for the opportunities while also implementing procedures and controls to mitigate the risks.

During 2010 TOMRA focused on addressing the risk of corruption affecting operations and has held a number of workshops with key personnel to ensure that TOMRA's policies and procedures are fully understood. The workshops also covered possible dilemmas that employees could encounter in the course of their activities and how to deal with such situations.

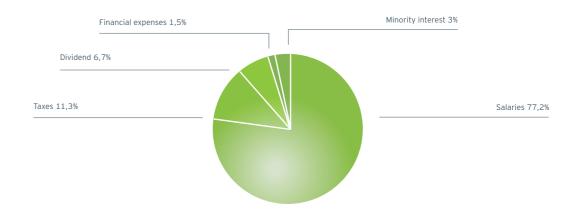
This was part of TOMRA's anti-corruption program which will continue into 2011 and future years. The management team at TOMRA are working to promote a culture of "zero tolerance" for bribery and other forms of corruption.

#### TOMRA'S ECONOMIC IMPACT

TOMRA reports the value distributed to different stakeholders, including employees, shareholders and society in general.

The value added generated by TOMRA was just over 1,300 MNOK in 2010. This was lower than recent years largely as a result of the EU fine, which TOMRA has appealed (further details on page 15 and notes 5 and 24). This value was distributed to stakeholders as shown in the graph.

#### Value distributed 2010



#### CORPORATE GOVERNANCE COMPLIANCE

TOMRA has established a code of conduct as well as an anti-bribery policy that outline the ethical guide-lines for the corporation's management.

#### **BUSINESS DESCRIPTION**

TOMRA's scope of business and strategy is established in the bylaws, and is described in further detail in the annual report and on the website.

#### **EQUITY AND DIVIDENDS**

All material recommendations are fulfilled.

# EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

All material recommendations are fulfilled. No material transactions between the company and related parties that require a third party evaluation have taken place during 2010.

#### FREELY TRADED SHARES

There are no trading restrictions on the company's shares.

#### **GENERAL MEETINGS**

All material recommendations are fulfilled.

#### NOMINATION COMMITTEE

All material recommendations are fulfilled.

# CORPORATE ASSEMBLY AND BOARD OF DIRECTORS

All material recommendations are fulfilled. Board members appointed by the shareholders are deemed to be independent.

#### THE BOARD OF DIRECTORS' ACTIVITIES

The Board has established the following committees: audit, compensation, nomination and corporate responsibility.

## RISK MANAGEMENT AND INTERNAL CONTROL

#### REMUNERATION OF THE BOARD OF DIRECTORS

All material recommendations are fulfilled.

# REMUNERATION OF THE EXECUTIVE MANAGEMENT

All material recommendations are fulfilled.

#### INFORMATION AND COMMUNICATION

All material recommendations are fulfilled.

#### TAKEOVERS

All material recommendations are fulfilled.

#### **AUDITOR**

All material recommendations are fulfilled.

#### **CORPORATE GOVERNANCE**

At TOMRA, corporate governance is defined to include those processes and control features which have been established to protect the interests of TOMRA's share-holders 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).

#### Values, code of conduct and quality systems

Responsibility, Passion, Innovation. These three elements stand at the center of TOMRA's value structure, representing the core values of the corporation. TOMRA considers these principles to be of vital importance for the success of the organization and the basis for the way it conducts itself as it strives to achieve its business goals. TOMRA has also developed and implemented an internal code of conduct which sets out key principles for employee behavior when representing TOMRA.

TOMRA's quality and environmental management systems are based on the international ISO 9001 and ISO 14001 management systems standards. All units within the Technology division of Tomra Systems have been certified according to these standards. This ensures that TOMRA's internal systems and procedures are aligned with international "best practice" and that responsibility and authority for all important tasks is appropriately allocated.

#### Corporate governance compliance

TOMRA has implemented a corporate governance program in accordance with the Norwegian recommendation for corporate governance. On the left is a short summary with references to the chapters in the recommendation dated 21 October 2010, focusing on any discrepancies between TOMRA's practices and those recommended.

# Principles for remuneration of senior executives 2010-2011

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 in order 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 is based on the achievement of specific performance targets by TOMRA Group and/or the respective manager's unit.

The Board has appointed a Compensation
Committee that is headed by the Chairman of the
Board and reviews decisions regarding remuneration
and terms and conditions of senior executives. The
performance goals for the CEO are determined by
the Chairman of the Board. Goals for the other senior
executives are determined by the CEO and reviewed
by the Compensation Committee. The goals may be
related to financial targets, such as profit from operating activities or return on capital employed, and
other performance-related 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.

In 2010, a Long Term Incentive Plan (LTIP) was established, tying potential earnings to the return rate that the company generates for its shareholders measured against an index of return rates from comparable companies (NASDAQ). Earnings shall only be applied to the LTIP if TOMRA exceeds the index. Earnings are capped at one times the fixed salary level per year, and half of this amount (after taxes) must be placed in TOMRA stock when realized.

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 modest 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, except where a pension plan had been established in a company prior to being acquired by TOMRA, and the senior executive participated in the plan on the date of acquisition. The notification period for senior executives shall be three to six months, with the exception of those employed in the US, where fixed length contracts may be utilized.

The CEO is entitled to 12 months' severance pay due to termination by the company. No agreements shall be established which provide members of senior executives any automatic right to more than 24 months of severance pay. A detailed account of the remuneration of each member of senior executives, including the LTIP, is found in note 14 of the financial statements.

The principles and guidelines for management remuneration for 2011 have not changed materially from those approved in 2010, which were presented to the general assembly in April 2010. The policies concerning remuneration of senior executives and the setting of salaries have been in line with the established guidelines throughout 2010.

# 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 objectives.

The system can therefore only provide 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 corporation'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 three board members and the Chairman of the Board receives minutes from each Audit Committee meeting. The main features of the risk and control framework are outlined in the following sections.

#### **Risk Management**

The Board is responsible for approving the Group's strategy, its principal markets and the level of acceptable risk. It has established risk management processes to identify the key risks facing the business and ensure 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.

#### Information and Communication

The corporation has established systems for planning and financial reporting. Actual results compared to budget and previous periods, including management's written comments on these results, are reviewed monthly by the Board. In addition, strategic business initiatives and investment spending plans require Board approval.

#### **Control Activities**

Internal control procedures have been tailored to the requirements of individual business activities.

Controls for areas with 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 overseeing the process for identifying, evaluating and managing risks by 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 corporation'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 2010 and the period leading up to the presentation of the 2010 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. One specific case, identified in January 2011, involved kick-backs from three suppliers to a manager within the Group. As a result, the manager was dismissed, business relations with the suppliers were terminated and the case has been handed over to the police.

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