TOMRA

ANNUAL REPORT 2017

SOLUTIONS FOR CHANGE

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Additional information about TOMRA's organization is available at **www.tomra.com.**
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KEY FIGURES

KEY FIGURES		2017	2016	2015	2014	2013
Operating revenues	NOK million	7,432	6,610	6,143	4,749	4,421
EBITA	NOK million	1,068	1,119	1,015	737	701
Profit before other items	NOK million	916	988	891	628	597
Ordinary profit before taxes	NOK million	887	1,008	866	603	557
Net profit	NOK million	658	738	648	394	412
Total assets	NOK million	8,437	7,115	7,317	6,625	5,623
Equity	NOK million	4,594	4,192	3,945	3,244	2,741
Return on equity, ex. other items	%	13,9	17,3	16,9	14,1	15,3
Return on total assets, ex. other items	%	12,1	14,6	13,0	10,6	11,4
Earnings per share	NOK	4,14	4,76	4,11	2,85	2,59
Earnings per share fully diluted	NOK	4,14	4,76	4,11	2,85	2,59
Net cash flow from operating activities	NOK million	1,023	1,095	914	696	567
Number of employees as of 31 December		3,420	2,770	2,622	2,448	2,406
Female employees	%	19	18	16	18	18
Female managers (of all managers)	%	21	22	20	18	16
Number of reportable injuries		102	104	95	74	107
Carbon dioxide emissions	Metric tons	28,600	24,900	26,800	24,300	25,700

CEO REVIEW

Solutions for change

In 2017 the calls for action on environmental issues rose considerably, particularly with regard to the growing problem of plastic waste in our oceans.

In a report produced by The Ellen MacArthur Foundation and the World Economic Forum, it is estimated that at the current rate of plastic waste entering the oceans there will be more plastic by weight in the oceans than fish by 2050. And in many places around the world this is a very visible reality, with continual large amounts of waste washing up on shorelines every day.

Campaigns calling for new measures to address these issues are increasing around the world, with global institutions and governments proposing new regulations and actions. The European Union has defined new and more aggressive recycling targets, requiring plastic recycling levels of 50% by 2025 and 55% by 2030 (presently 22.5%). China's ban on the import of waste, known as "National Sword," has also had a major impact. Countries that had previously exported a large percentage of their waste to China now must invest in domestic alternatives for handling their waste.

Calls for the implementation of container deposit schemes are also growing. In December 2017 the United Nations Environment Assembly appealed to all nations to introduce deposit schemes for reducing marine littering. Further, the G20 members signed an action plan on marine litter – suggesting extended producer responsibility and deposit schemes for effective waste management systems.

In 2017 New South Wales (NSW), Australia introduced a deposit system. Queensland, Australia and Scotland have also communicated their intended introduction of deposit systems, and similar discussions are developing in a number of other countries. These new regulations drive demand for collection technologies and sorting equipment in the recycling sector. TOMRA, as the number one provider globally of sensor-based solutions for collecting and sorting of waste, is well positioned to meet this demand.

MEETING THE INCREASING FOOD DEMAND

With an expanding population and growth in the middle-class consumer group, the demand for food products increases proportionately. By 2050, estimates indicate a growth in food demand of 70%—and it is important to note here that agricultural areas cannot be expanded significantly, and many existing agricultural areas are facing increased environmental challenges such as growing water stress. Many emerging consumers, with strong purchasing power, want greater convenience, increased variation, and access to nutritious, high quality food offerings. Further to this, many typical seasonal products, such as berries, are demanded all year round. We further notice that high quality brand products are outgrowing the traditional commodity markets.

The food industry, in response, is searching for more efficient solutions in globalization of the food supply chain, better quality control systems and higher productivity. Sorting technologies, such as TOMRA's solutions, enable much higher consistent quality and productivity than manual labor can achieve in sorting food. TOMRA is global number one in offering sensor-based solutions for sorting of food products.

ADDITIONAL TRENDS IMPACTING OUR LONG-TERM STRATEGY

Driven by population growth, urbanization, emergence of smart cities and the digital economy, we anticipate increasing consumer demands for digital services and increased convenience, which could be highly relevant for our solutions offering. Examples are fast growing ordering of consumer goods, food deliveries and take-away food over web-based services. We note a strong increase for these services in emerging markets such as in Asia. Further requirements for quality and productivity enhancements in the food supply chain as well as the growth of packaging waste open up new potential opportunities for TOMRA. A number of global corporations have communicated increased commitment to reducing their environmental footprint and supporting circular economy development, factors that can also lead to business opportunities for TOMRA. Opportunities within data services, further deployment of artificial intelligence, enhanced sensor technology with focus on internal produce qualities, and connectivity across the value chain and with the installed base of TOMRA machines.

We anticipate that increasing environmental challenges, rapid growth in waste volumes, and the need for greater food security, are all issues that will remain high on the agenda of policymakers. These factors provide TOMRA long-term opportunities to develop and deploy our knowledge and technology, contributing further to optimizing resource productivity and improved environmental footprint.

HIGHLIGHTS 2017: TOMRA COLLECTION SOLUTIONS

In July 2017, TOMRA in cooperation with the local waste management company, Cleanaway, was awarded the contract to supply the state of New South Wales in Australia with infrastructure needed for its new deposit system. The system went live December 1, 2017, with the use of TOMRA solutions. It was a major effort to set up such a comprehensive system in such a short time. As a result, the number of installed sites at the time of launch was behind the desired schedule, however the sites in operation were functioning well and collected over 100 million containers in the first three months. The build-up costs, amounting to almost 70 MNOK, were booked in 2017 and hence affected the earnings result. Since the system is on "through-put lease" basis, revenues will grow gradually, and the revenue contribution in 2017 was insignificant.

Overall, Collection Solutions experienced somewhat lower demand compared to the two "peak years" 2015 and 2016, where we experienced growth of 35% and 7% respectively. The peak in demand was explained by a one-time replacement event in Sweden (some 1,000 RVMs) and the anticipated replacement cycle in Germany. As expected, the replacement event in Sweden ended and the activity in Germany was reduced. Beyond these two events, the base business progressed well and achieved a slight increase in growth.

HIGHLIGHTS 2017: TOMRA SORTING SOLUTIONS

In February 2017, TOMRA completed its acquisition of the New Zealand based food sorting company, Compac. The strategic reason for the acquisition was to broaden the portfolio, tap into synergies, especially in sales, service and technology, and to extend market reach. Compac underwent a number of agreed improvement projects in 2017 and delivered on the committed targets.

Stefan Ranstrand
President and CEO TOMRA Systems ASA

We are pleased with the first year of operation and are grateful for the smooth integration and good cultural fit. Compac, as well as the traditional food sorting activities of TOMRA, experienced robust market conditions and progressed well in the year.

Another highlight for the Food business in China was its development of the TOMRA 3C optical sorter. This product, used for the sorting of seeds, was developed by the TOMRA Food technology team in China specifically for the Chinese market.

In 2017 TOMRA Recycling launched its AUTOSORT LASER, offering a powerful sensor combination capable of detecting more material properties at the same point simultaneously, and therefore the ability to sort material fractions more efficiently. In October TOMRA Recycling hosted a global conference for the waste management industry where important discussions took place on the development of the circular economy. Participants also had the opportunity to visit the TOMRA Recycling Test Center in Koblenz, Germany, where demonstrations were given of the AUTOSORT LASER, as well as a preview of the AUTOSORT BLACK—the first machine capable of sorting black plastic packaging materials.

TOMRA Mining also experienced good growth, particularly within its gemstone sorting sector. It also achieved a first with its delivery of sorting technology to a kimberlite waste sorting plant in Canada.

OUR PRIORITIES FOR 2018

The core fundamentals of TOMRA's offering will continue to remain unchanged; focusing on the targeted business sectors, providing deep sector knowledge coupled with thought leadership, striving to delight our customers and enhance their competitiveness. We remain committed to serving our customers with state-of-the-art technologies and will use the best of our abilities to help them solve their challenges.

For this, a highly skilled, motivated and geographically dispersed TOMRA team is a key ingredient to our success. We want to offer all our 3,420 employees a meaningful, challenging, safe and rewarding workplace. As part of the Great Place to Work program we conducted an employee satisfaction survey in the fall, where we noted improvements in many areas compared to previous surveys. A solid 78% of the employees expressed that TOMRA is a great place to work.

We believe in continued good momentum into 2018 and are focused on completing the ramp-up of the new container deposit system in New South Wales. We will increase our focus on developing the business in line with the anticipated opportunities connected to smart city development and digitalization of the economy.

We remain committed to the UN Global Compact (as a member since 2009), and strive to support the UN Sustainable Development Goals (SDGs) to the best of our abilities. The 2017 Annual Report contains our eighth consecutive Communication on Progress to the UN Global Compact, reviewing the activities we are focused on as part of our Corporate Responsibility Program. Our aim is to use our business to contribute to a better environment, economy, and society.

S. Ranstrand

BUSINESS OVERVIEW

On March 13, 2018 TOMRA was named ”National Winner” in the 2017-18 European Business Awards—a program widely recognized as Europe’s largest and most significant cross-sector business competition. The European Business Awards is now in its 11th year, and this year it considered over 110,000 businesses from 34 countries. TOMRA was selected as a National Winner by a panel of independent judges including senior business leaders, politicians and academics as the best business in Norway in the Awards’ category Business of the Year for companies with a turnover of €150m or higher. TOMRA will now go on to represent Norway in the final stage of the competition in May 2018.

TOMRA COLLECTION SOLUTIONS

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

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

TOMRA SORTING SOLUTIONS

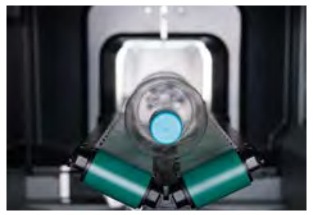
Food
TOMRA’s food sorting and peeling solutions are utilized to boost food processing capacity, quality, safety, yield and profit.

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

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

LEADING THE RESOURCE REVOLUTION

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



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

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

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

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

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

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

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

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

TOMRA GROUP MANAGEMENT

STEFAN RANSTRAND (B. 1960)

President and CEO TOMRA Group

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

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

Number of TOMRA shares held: 115,637

ESPEN GUNDERSEN (B. 1964)

Deputy CEO and CFO TOMRA Group

MBA, Norwegian School of Management, Oslo

CPA, Norwegian School of Economics and Business Administration, Bergen

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

Number of TOMRA shares held: 53,081

HARALD HENRIKSEN (B. 1963)

Executive VP and Head of TOMRA Collection Solutions

B.Sc. Electronics, University of Salford, Manchester

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

Number of TOMRA shares held: 51,844

VOLKER REHRMANN (B. 1961)

Executive Vice President and CTO, Head of TOMRA Sorting Solutions

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

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

Number of TOMRA shares held: 22,502

HEINER BEVERS (B. 1960)

Senior VP and Head of North America Collection Solutions

MBA, Westfälische Wilhelms-Universität, Münster

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

Number of TOMRA shares held: 56,260

FRANK HÖHLER (B. 1972)

Senior VP and Head of Central & Eastern Europe Collection Solutions

MBA, University of Bayreuth, Germany

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

Number of TOMRA shares held: 1,770

ASHLEY HUNTER (B. 1959)

Senior VP and Head of Bulk Sorting TOMRA Food

B.Sc. Engineering, Trinity College, Dublin

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

Number of TOMRA shares held: 23,686

MIKE RILEY (B. 1964)

Senior VP and Head of TOMRA Sorting Solutions Food

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

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

Number of TOMRA shares held: 0

ANNELI FORSMAN (B. 1977)

Senior Vice President, Northern Europe Collection Solutions

Master of Science in International Business and Economics, Stockholm School of Economics. ESADE Business School, Spain.

Career history: Oct 23, 2017: Joined TOMRA as General Manager and SVP Northern Europe; 2016-2017: Senior Director Head of Customer Experience Design, Telia Company; 2003-2016: Procter & Gamble; various leadership positions across global, EMEA and Nordic organizations (Logistics & Supply Chain, Strategy, Innovation, Marketing, Commercial, Customer Experience, Transformation).

Number of TOMRA shares held: 0

TOM ENG (B. 1965)

Senior VP and Head of TOMRA Sorting Solutions Recycling

Master of Arts in European Business, Fribourg, Switzerland

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

Number of TOMRA shares held: 7,828

CORPORATE RESPONSIBILITY

Beginning with the invention of the world's first reverse vending machine in 1972, all the way to providing the most innovative sensor-based sorting solutions today, TOMRA has continuously redefined what it means to be resourceful.

In 2010, as part of integrating recent acquisitions and creating a unified brand, TOMRA updated its vision and mission to better reflect its activities and business strategy. The resulting vision of leading the resource revolution within the business streams of reverse vending, material recovery, food, recycling and mining will enable better utilisation of the world's natural resources as the resource revolution is about transforming how resources are obtained, used and reused for sustainable economic growth.

TOMRA's vision and its activities fit well with several of the UN Sustainable Development Goals (SDGs) and the move towards a circular economy. In particular, SDG 12 – Responsible Consumption and Production is about promoting resource efficiency and "doing more and better with less." This is also highlighted in the Global Opportunity Report 2018,[2] which states that "achieving economic growth and sustainable development requires us to reduce our ecological footprint by changing the way we produce and consume resources."

The Global Opportunity Report 2018 focuses on the four SDGs that, according to the "Future of Spaceship Earth" report,[3] are most likely to miss their 2030 targets, which includes SDG 12, and highlights global opportunities and business solutions that can help achieve the targets. The report notes that technology has an important role to play in developing innovative solutions, particularly when linked to key markets such as health, food, water and energy.

One example is "Smart Farming" and the use of technology and data to improve processes and increase transparency in the supply chain. TOMRA has identified this as one of several areas where it can make an impact and TOMRA Food recently announced that it will set up Farm-to-Fork working groups to accelerate development of digital standards for the food industry. The topics to be addressed will include how data can be used to inform future farming practices, optimise yield and reduce waste, and are highly relevant to the SDG 12 target of reducing global food waste.

At TOMRA, it is the role of the Board of Directors to ensure that the Group's corporate governance, environmental, social and ethical practices are sufficient, and TOMRA's Corporate Responsibility Program and implementation plan were reviewed in detail at the April 2017 board meeting. The Corporate Responsibility Committee assists the Board by monitoring and reviewing TOMRA's practices and policies in this area, including regular reviews of progress.

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

THE GLOBAL COMPACT
WE SUPPORT

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

We welcome feedback on its contents.

CIRCULAR ECONOMY PRINCIPLES [1]

- **Design out waste and pollution**
- **Keep products and materials in use**
- **Regenerate natural systems**

References:
(1) Circular Economy overview – Ellen MacArthur Foundation
(2) Global Opportunity Report 2018 – DNV GL, Sustainia and UN Global Compact
(3) Future of Spaceship Earth – DNV GL

TOMRA'S CR PROGRAM

Decent work and economic growth - SDG 8
TOMRA will promote sustained, inclusive and sustainable economic growth and decent work for all.

Industry, innovation and infrastructure - SDG 9
TOMRA will contribute to building infrastructure by supporting sustainable use of natural resources and fostering sustainable innovation in the industry.

Sustainable cities and communities - SDG 11
TOMRA will contribute to making cities and communities more sustainable by delivering sorting and recycling solutions that ensure safe waste handling.

Responsible consumption and production SDG - 12
TOMRA will contribute to ensure sustainable consumption and production patterns.

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
SUSTAINABLE DEVELOPMENT GOALS

ENVIRONMENTAL REVIEW

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

- TCS Reverse Vending ensures efficient collection of beverage containers for high-grade recycling and reuse
- TCS Material Recovery processes empty beverage containers for recycling
- TSS Food sorts and processes fresh and processed food, increasing quality, safety and efficiency
- TSS Recycling enables valuable materials to be recovered from waste and metal material streams
- TSS Mining helps extend the life of mining operations by separating valuable mineral ores from waste rock

The nature of TOMRA's activities means that climate change creates more business opportunities than risks as TOMRA's solutions contribute to sustainable consumption, increased recycling and reduced waste.

An example of this is the growing awareness of marine litter and the need to reduce the amount of plastic reaching the oceans. TOMRA can help to reduce plastic litter in two ways:

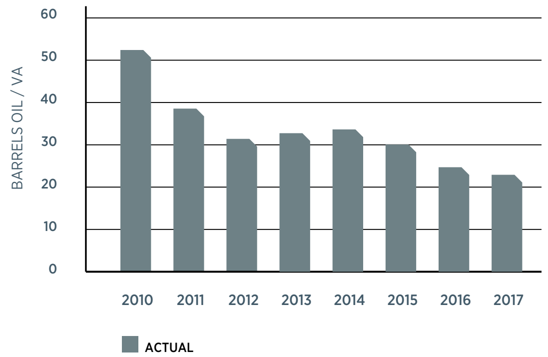
1. Reverse Vending as part of a deposit system encourages consumers to return plastic bottles and other containers to a collection location
2. TOMRA's technology recognises and sorts plastic from household and other waste

As part of this, TOMRA Recycling joined the New Plastics Economy, an initiative launched by the Ellen MacArthur Foundations to look at design, reuse and recycling of plastic packaging, at the start of 2017.

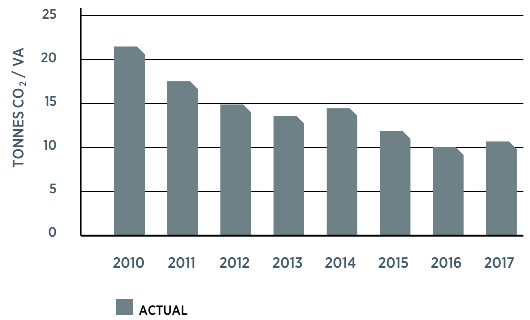
TOMRA reports environmental data from its head office in Norway and all majority-owned subsidiaries. Energy consumption and carbon emissions are primarily driven by TOMRA's vehicle fleet, which consists of trucks in the Material Recovery segment and vans for the service teams. TOMRA has implemented a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

TOMRA's environmental performance in 2017 showed an increase in direct and indirect emissions. This is mainly explained by increased air travel relating to the acquisition of Compac (based in New Zealand) and the introduction of deposit in Australia. Note that TOMRA Lane Sorting (Compac) is also included in the data for 2017 following its acquisition at the start of the year.

Energy Consumption per unit of value added



Greenhouse Gas Emissions from Operations per unit of value added



ENVIRONMENTAL REVIEW

1. CLIMATE CHANGE ACCOUNT

CARBON DIOXIDE EMISSIONS FROM OPERATIONS

TONNES CARBON DIOXIDE		2017	2016
Emission from stationary sources	**(Scope 1)**	**1 600**	**1 400**
Heating oil		0	0
Natural gas		1 000	1 100
Propane		600	300
Emission from purchased grid electricity	**(Scope 2)**	**6 500**	**6 300**
Norway		0	0
Other Europe		800	1 000
North America		5 300	5 000
Rest of World		400	300
Certified low-carbon or renewable		0	0
Emission from transportation		**20 500**	**17 200**
Petrol vehicles	(Scope 1)	3 700	3 900
Diesel vehicles	(Scope 1)	11 300	9 400
LPG vehicles	(Scope 1)	0	1 700
Employee-owned vehicles	(Scope 3)	200	100
Air travel	(Scope 3)	5 300	2 100
Total direct emissions (tonnes CO2)		**28 600**	**24 900**
Emission from products during use-phase	**(Scope 3)**	**68 700**	**65 700**
RVMs owned and operated by TOMRA and customers		61 700	60 000
Scanners owned by customers		7 000	5 700
Total direct and indirect emissions		**97 000**	**91 000**

AVOIDED CARBON DIOXIDE EMISSIONS THROUGH PRODUCT USE

TONNES CARBON DIOXIDE	2017	2016
Beverage container collection through RVMs and ARCs (1)	**2 905 000**	**2 822 000**
Plastic bottles	794 000	771 000
Glass bottles	541 000	526 000
Aluminium cans	1 534 000	1 490 000
Steel cans	36 000	35 000
Packaging material transport and handling (2)	**815 000**	**806 000**
Glass bottles	50 000	57 000
Aluminium cans	650 000	641 000
Plastic bottles, PET	110 000	103 000
Plastic bottles, HDPE	1 000	1 000
Cardboard and fiber	4 000	4 000
Material sorted for recycling from mixed sources (3)	**23 800 000**	**23 543 000**
Glass	110 000	106 000
Aluminium	4 850 000	4 756 000
PET	2 940 000	2 879 000
HDPE	510 000	504 000
Fiber	290 000	289 000
Non-ferrous metal	12 980 000	12 913 000
Other	2 120 000	2 096 000
Total emission avoidance	**27 520 000**	**27 170 000**
Net carbon dioxide emission/(avoidance)	**(27 400 000)**	**(27 100 000)**

2. ENERGY CONSUMPTION

ENERGY USED IN MANUFACTURING, SALES, SERVICE AND OPERATIONAL PROCESSES

BARRELS OIL EQUIVALENT		2017	2016
Energy consumption, stationary sources	**(Scope 1)**	**5 000**	**300**
Heating oil		0	0
Natural gas		3 300	200
Propane		1 700	100
Energy consumption, purchased grid electricity	**(Scope 2)**	**12 900**	**14 500**
Norway		2 300	2 400
Europe EU25		1 700	2 200
North America		8 300	9 700
Rest of World		600	200
Energy consumption, transportation		**45 600**	**45 400**
Petrol vehicles	(Scope 1)	8 900	10 600
Diesel vehicles	(Scope 1)	26 400	22 000
LPG vehicles	(Scope 1)	0	7 900
Employee-owned vehicles	(Scope 3)	200	0
Air travel	(Scope 3)	10 100	4 900
Total direct energy consumption		**63 500**	**60 200**
Energy consumption, products during use-phase	**(Scope 3)**	**82 300**	**78 600**
RVMs owned and operated by TOMRA and customers		73 900	71 800
Scanners owned by customers		8 400	6 800
Total direct and indirect energy consumption		**145 800**	**138 800**

3. WASTE GENERATION

WASTE FROM MANUFACTURING, SALES, SERVICE AND OPERATIONS

TONNES WASTE	2017	2016
Waste generation	**3 840**	**3 730**
Paper	50	0
Cardboard	275	250
Plastics	730	720
Wood	120	120
Electric and electronic waste	65	40
Expanded polystyrene	0	0
Metal scrap	280	300
Batteries	0	0
Hazardous waste	30	0
Unsorted	2 290	2 300

4. WATER CONSUMPTION

WATER USED BY MANUFACTURING, SALES, SERVICE AND OPERATIONS

CUBIC METRES WATER	2017	2016
Water consumed	**18 850**	**15 900**
Norway	2 600	2 500
Europe EU25	10 200	9 950
North America	4 300	3 200
Rest of World	1 750	250

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 GHGProtocol calculation tools(www.ghgproto-col.org), and 'Waste Management Options and Climate Change' (ec.europa.eu/environment/waste/studies/pdf/climate_change.pdf).

1. Beverage container collection through RVMs, TOMRA Collection (Reverse Vending)

Calculated carbon dioxide savings based on the total number of beverage containers collected through TOMRA's over 70,000 RVM installations; more than 35 billion units annually. All glass beverage containers are assumed to be non-refillable, giving significantly lower assumed weight. Split between packaging types is based on beverage consumption data and TOMRA estimates.

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

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

Carbon dioxide saving based on the tonnage of beverage container material transported and handled by TOMRA in USA. The full benefit of collecting and recycling beverage containers into new material, as opposed to landfill, is included in the calculation, meaning that some of the saving is also included under "Beverage container collection through RVMs."

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

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

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

SOCIAL AND ETHICAL REVIEW

RESPONSIBLE BUSINESS
TOMRA is committed to doing business ethically and operates with zero-tolerance for corruption. As part of this, risk assessments are performed for new customers and other business partners. TOMRA respects internationally recognized human rights principles and does not accept any form of discrimination or harassment. Any potential breaches are investigated promptly and, where necessary, appropriate action is taken.

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

Information on company policies, including anti-corruption and non-discrimination, is also regularly included in internal company presentations. In addition, further information sessions and/or in-depth workshops are held throughout the year.

Awareness of and compliance with TOMRA's policies is monitored as part of internal audit and the non-financial reporting process. This is part of ensuring that the TOMRA team promotes the core values by acting responsibly at all times.

TOMRA's Code of Conduct details how employees can raise concerns or report violations of TOMRA's policies. Some of these channels, including ethics@tomra.com, are also available externally and it is possible to remain anonymous. The Corporate Responsibility Committee has reviewed the 2017 cases and the actions taken by TOMRA.

TOMRA PEOPLE
TOMRA aims to be an attractive employer and promotes equal employment opportunity. As a result, TOMRA has launched several initiatives over recent years to improve employee satisfaction and provide new challenges and opportunities for those who are looking to develop their abilities in a range of areas. In the 2017 employee survey, 78% of employees reported that they were satisfied overall with working at TOMRA. The slight increase from the previous good result indicates that TOMRA continues to be a great place to work.

TOMRA recognizes that having a diverse workforce leads to better understanding of the global market and, therefore, improved performance over time. In 2017, TOMRA introduced additional training and monitoring to ensure quality and consistency in recruitment processes.

The reportable injuries in 2017 include one fatality as the result of an accident at a TOMRA facility in Canada. The safety of all workers is of utmost importance and TOMRA immediately reviewed its internal processes following the accident. The management team is currently waiting for the report of the external investigators to see if further action is required.

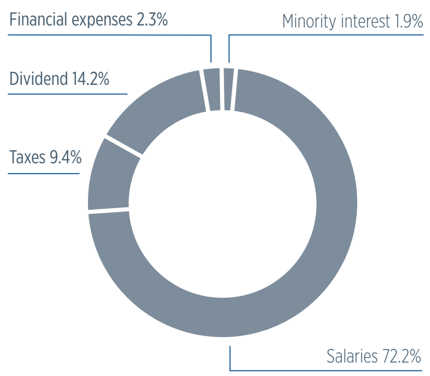
The total number of employees at the end of 2017 includes TOMRA Lane Sorting (Compac), which was acquired at the start of the year. The relatively low number of female employees is similar to comparable companies.

The continuation of the work described above contributes to UN SDG 8 – Decent Work and Economic Growth as part of TOMRA's Corporate Responsibility Program.

ECONOMIC IMPACT
TOMRA reports the value distributed to different stakeholder groups as a means of measuring the impact of its activities. These stakeholders include employees, shareholders and society in general.

In 2017, TOMRA created added value of more than 2,700 MNOK, an increase of over 10% compared to 2016. This was distributed to stakeholders as shown in the chart below.

VALUE DISTRIBUTED 2017



IMPACT ON PEOPLE WITHIN TOMRA GROUP

		2017	2016	2015
Number of employees	(#)	3,420	2,770	2,622
Female employees	(%)	19	18	16
Female managers	(%)	21	22	20
Reportable injuries	(#)	102	104	95
- per 100 FTE	(#)	3.1	3.9	3.8

CORPORATE GOVERNANCE REPORT

IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE
At TOMRA, corporate governance is defined as the processes and control features that have been established to protect the interests of TOMRA's shareholders and other stakeholders such as employees, suppliers and customers.

TOMRA's Corporate Governance Policy has been approved by the Board of Directors and is available on TOMRA's corporate website (www.tomra.com). The Board of Directors has decided that TOMRA will comply with the Norwegian Code of Practice for Corporate Governance. As a result, this section is structured in the same way as the Code of Practice (which is available on www.nues.no.) The only known deviation from the Code is described under "General Meetings" below.

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

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

BUSINESS DESCRIPTION
TOMRA is a leading global creator of sensor-based solutions for optimal resource productivity within the business streams of reverse vending, material recovery, recycling, mining, and food. The Directors' Report describes the Group's activities in more detail, including goals and main strategies, and the market is kept informed through investor presentations in connection with the quarterly reports and other events.

EQUITY AND DIVIDENDS
As of 31 December 2017, Group equity totaled NOK 4,737 million, an increase of 8 percent from last year. The equity percent was 55 percent. TOMRA's policy is to distribute 40 to 60 percent of the Group's earnings per share as dividend. When deciding the annual dividend level, the Board takes into consideration expected cash flows, capital expenditure plans, financing requirements and the need for appropriate financial flexibility. For 2016, a dividend of NOK 2.10 was paid out per share. For 2017, the Board has proposed a dividend of NOK 2.35 per share.

The Board's authorizations to increase share capital and to buy back shares are limited to specific purposes and are granted for a period no longer than the next general meeting. The authorization is given by the Annual General Meeting. At the 2017 Annual General Meeting, the Board was granted the right to acquire and dispose of up to 0.5 million treasury shares, for the purpose of fulfilling the employee share purchase program. In addition, the Board was granted the right to issue up to 14.8 million shares in connection with any mergers and acquisitions.

EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATESS
TOMRA has only one class of shares and each share entitles the holder to one vote.

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

Related party transactions are covered by TOMRA's Code of Conduct, which also applies to Board members. Any member of the Board or Group management should immediately notify the relevant person if a potential conflict of interest occurs. There were no material transactions between the company and related parties that required a third party evaluation during 2017.

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

GENERAL MEETINGS
In accordance with TOMRA's Articles of Association, the AGM shall be held no later than the end of June each year, with at least 21 days written notice given to each shareholder. The 2017 AGM was held on 27th April.

The Norwegian Code of Practice for Corporate Governance also recommends that appropriate arrangements are made for the annual general meeting to vote separately on each candidate nominated for election to the company's corporate bodies. The Nomination Committee and the Board have decided (in line with most Norwegian companies) not to follow this recommendation, as the composition of these bodies is meant to cover an appropriate range of skills and backgrounds, and a separate election of each member could interfere with this intention. In addition, according to Norwegian law, the Board has to comprise of at least 40% female directors.

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

BOARD OF DIRECTORS
The TOMRA Board is composed of five shareholder elected directors and two employee representatives (who are not part of senior management). The shareholder elected directors are proposed by the Nomination Committee based on a number of criteria to ensure a broad range of abilities and experience.

The shareholder elected directors are ultimately selected by the shareholders. Four of the five shareholder elected directors are independent. The fifth is Jan Svensson, CEO of Latour, TOMRA's largest shareholder. The Board Committees consist of members of TOMRA's Board, chosen by the Board to reflect a balance of abilities and interests.

The Board meets at least four times a year. In 2017, six board meetings were held, of which one was by phone, and the attendance at the meetings was 100 percent. Instructions for the Board and charters for each of the Board committees have been prepared and duly approved by the relevant body.
An Audit Committee, a Compensation and Organizational Development Committee and a Corporate Responsibility Committee have been established to assist the Board of Directors in fulfilling its responsibilities. The Audit Committee held four meetings during 2017, and the Corporate Responsibility Committee and the Compensation and Organizational Development Committee both met twice during the year.

RISK MANAGEMENT AND INTERNAL CONTROL
Internal Control Environment and Risk Management Systems
The Board is ultimately responsible for TOMRA's systems of internal control and for reviewing their effectiveness.

Responsibility for individual areas of control has been allocated through the CEO down to the respective member of Group Management. The system is designed to manage, rather than eliminate, the risk of failing to achieve business and financial reporting objectives. The system can therefore only provide a reasonable, but never absolute, assurance against material errors, flaws or losses.

Processes exist for identifying, evaluating and managing material risks. Methods used by the Board and the Audit Committee to evaluate the quality of the company's internal control include:

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

The Audit Committee includes two board members and all Board members receive minutes from each Audit Committee meeting. The main features of the risk and control framework are outlined below:

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

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

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

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

Monitoring Systems
Line management is responsible for the operation of internal control routines and these routines are subject to independent review by internal audit and, where appropriate, by the company's external auditor and external regulators. The reports of all these bodies on internal control are reviewed by the Audit Committee on behalf of the Board. The Audit Committee ensures that, where necessary, appropriate corrective action is taken.

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

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

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the corporation's systems of internal control for 2017 and the period leading up to the presentation of the 2017 financial statements. As might be expected in a corporation of TOMRA's size and complexity, a small number of deviations were identified during the period under review. Actions to rectify identified inconsistencies have been taken.

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

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

PRINCIPLES FOR REMUNERATION OF SENIOR EXECUTIVES 2017-2018
The term "senior executives" applies to the CEO and other members of Group management. Salary and other employment terms for senior executives shall be competitive to ensure that TOMRA can attract and retain skilled leaders. Salary should include both fixed and variable elements. The fixed salary should reflect the individual's area of responsibility and performance over time. Principles for remuneration shall be allowed to vary in accordance with local conditions. The remuneration structure shall be based on such factors as position, expertise, experience, conduct and performance. The variable salary shall not exceed 50% of the fixed annual salary and be based on the achievement of specific performance targets by TOMRA Group and/or the respective manager's unit.

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

The CEO's remuneration package, and any adjustments thereof, is agreed between the CEO and the Chairman and approved by the Board. The remuneration packages for the other senior executives, including adjustments of these, are agreed between the CEO and the respective manager. The terms of these agreements are reviewed first by the Compensation Committee and finally by the Board of TOMRA.

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

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

For 2017, the actual performance for the fiscal year 2015, 2016 and 2017 was measured against the combined targets for the three years. Management gained full earnings under the LTIP-plan in 2017. A detailed calculation of the 2017 performance is included in disclosure note 14.

The targets for 2018, 2019 and 2020 were established by the end of 2015, 2016 and 2017 respectively and each target is a combination of the EPS for actual year plus the two previous years.

A detailed calculation of the 2018 performance will be included in the 2018 annual report.

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

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

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

The principles and guidelines for management remuneration for 2018 have not changed materially from those approved in 2017, which were presented to the general assembly in April 2017. The policies concerning remuneration of senior executives and the setting of salaries have been in line with the established guidelines throughout 2017.

INFORMATION AND COMMUNICATION
TOMRA provides investors with financial and other information in the quarterly reports and other presentations. This information is freely available to interested parties in the "Investor Relations" section of the TOMRA website along with the financial calendar for 2018.

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

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

2017 SUMMARY AND HIGHLIGHTS

+ **REVENUES** in 2017 of NOK 7,432 million represent a growth of 12 percent compared to 2016. Adjusted for currency effects, revenues were
  - Up 1 percent in the TOMRA Group
  - Down 5 percent in TOMRA Collection Solutions
  - Up 9 percent in TOMRA Sorting Solutions

+ **GROSS MARGIN** was stable at 42 percent
  - Slightly improved margin in TOMRA Collection Solutions
  - Slightly lower margin in TOMRA Sorting Solutions

+ **OPERATING EXPENSES** were NOK 2,073 for the year. Currency adjusted and excluding ramp-up cost in New South Wales, this represents a 2 percent increase
  - Up 1 percent in TOMRA Collection Solutions
  - Up 3 percent in TOMRA Sorting Solutions

+ **EBITA** was down from NOK 1,119 million in 2016 to NOK 1,068 million in 2017. Adjusted for currency, ramp-up cost in New South Wales and Compac, this represents a 3 percent decrease,
  - Down 8 percent in TOMRA Collection Solutions
  - Up 16 percent in TOMRA Sorting Solutions

+ **EPS** down from NOK 4.68 in 2016 to NOK 4.14 in 2017
  - Positively influenced by improved performance in Sorting Solutions, but negatively influenced by lower revenues in Collection Solutions and negative finance due to currency losses

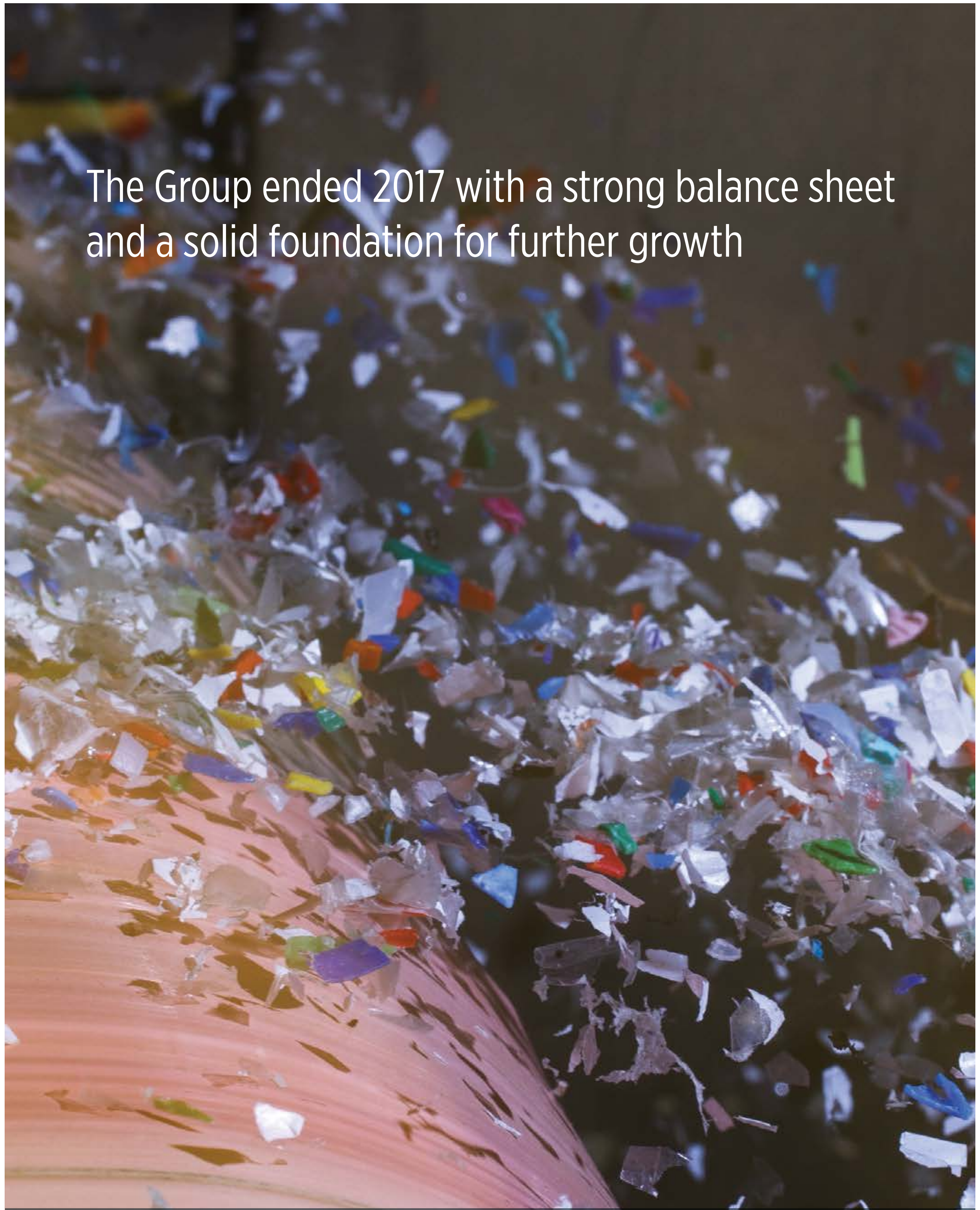
+ **CASH FLOW FROM OPERATIONS** of NOK 1,023 million in 2017, down from NOK 1,095 million in 2016

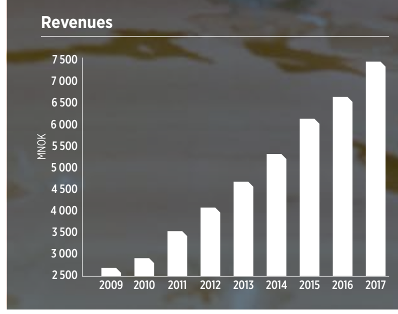
+ **TOMRA COLLECTION SOLUTIONS**
  - TOMRA maintained a strong position in all traditional markets
  - New South Wales deposit system went live December 2017
  - Strong performance in Germany due to replacement of old machines, but lower activity compared to 2016
  - Positive trend in new markets

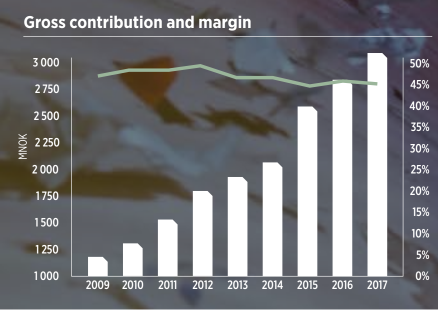
+ **TOMRA SORTING SOLUTIONS**
  - Order intake increased from NOK 2,590 million in 2016 to NOK 2,951 million in 2017 (excl. Compac)
  - Order backlog increased during the year from NOK 704 million to NOK 872 million
  - Compac contributed an additional NOK 757 million to the order intake and NOK 275 million to the backlog
  - Continued strong performance in Food sorting
  - Improved performance in Recycling in 2017
  - Improved performance in Mining, but still at a low activity level
  - Closing and inclusion of Compac accounts from February 2017

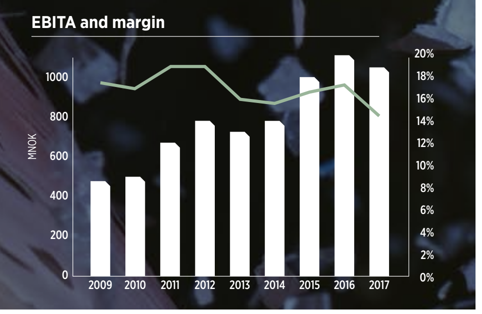
+ **SHARE PRICE** increased from NOK 90.50 to NOK 131.50 during 2017
  - Adjusted for dividend, the TOMRA stock provided a shareholder return of positive 48 percent in 2017, compared to negative 3 percent in 2016
  - 29 million shares traded at Oslo Stock Exchange in 2017, down from 43 million in 2016

+ **THE GROUP ENDED 2017 WITH A STRONG BALANCE SHEET AND A SOLID FOUNDATION FOR FURTHER GROWTH**
  - 55% equity
  - 0.5x Net Interest-Bearing Debt / EBITDA (increase from 0.3x at the end of 2016)
  - The Board has proposed a dividend of NOK 2.35 for 2017, up from NOK 2.10 last year









TOMRA BOARD OF DIRECTORS

JAN SVENSSON (B. 1956)

CEO of Investment AB Latour

Board member since 2012.

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

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

Number of TOMRA shares: 7,000 (In addition Investment AB Latour holds 39,000,000 shares)

Other board memberships: Publicly listed: Nederman Holding AB (Chairman), Fagerhult AB (Chairman), Troax AB (Chairman), Assa Abloy AB (member), Loomis AB (member), Investment AB Latour (member), Alimak Group (member) Not listed: Hultafors Group (Chairman), Latour Industries (Chairman), Nord-Lock (Chairman), Swegon (Chairman), Oxeon (member).

ANIELA GABRIELA GJØS (B. 1959)

Senior VP Supply Chain TINE SA

Board member since 2008.

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

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

Number of TOMRA shares: 12,500

BOARD COMMITEES

Compensation and Organizational Development:
Jan Svensson, Linda Bell

Audit:
Pierre Couderc, Aniela Gabriela Gjøs

Corporate Responsibility:
Bodil Sonesson, David Williamson

BODIL SONESSON (B. 1968)

VP Global Sales, Axis Communications

Board member since 2013.

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

Previous experience includes employment with Lars Weibull AB.

Number of shares in TOMRA: 0

Other board memberships: The Swedish Chamber of Commerce in Paris

PIERRE COUDERC (B. 1959)

CEO and Chairman Executive Committee, Groupe Euralis

Board member since 2014.

Engineering degree, Ecole Nationale Superieure des Mines de Paris

Previous experience: Several management positions within the Danone Group (1987-2008) including General Manager Asia Pacific (2005-2008), General Manager Danone Mexico (2004-2005), and General Manager Danone Argentina (2002-2004). Executive General Manager at Jose Cuervo (2008-2009)

Number of TOMRA shares: 0

Other board memberships: Non-listed CIC Bank S.O

DR. LINDA BELL (B. 1957)

Consultant and Portfolio Director

Board member since 2015

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

Previous experience: CEO of PhosphonicS Ltd. (2013-2017), Managing Director Liquid Packaging and Dispensing, DSSmith Plc (2012-2013), CEO, Inca Digital Printers Ltd. (2009-2012), Managing Director, Hadham Associates Ltd. (2008), Managing Director, Servomex Group Ltd. (2001-2007), ICI Plc (1983-2000)

Number of TOMRA shares: 1,674

Other board memberships: Trustee of charitable organization

DAVID WILLIAMSON (B. 1959)

Production support assistant - Employee representative.

Board member since 2008.

Qualified Automatic Systems Technician, apprenticeship in Automatic Systems at Håndverkerskolen Sønderborg in Denmark.

Previous experience: 2E Ellgard Equipment and Automatic Systems Denmark

Number of TOMRA shares: 1,337

Other board memberships: None.

BENTE TRAA (B. 1979)

Project manager - Employee representative.

Board member since 2017.

M.Sc. in Engineering Cybernetics from the Norwegian University of Science and Technology in Trondheim

Previous experience: Process Engineer in REC Mono Wafer and consultant in SPT Group

Number of TOMRA shares: 744

Other board memberships: None.

DIRECTORS' REPORT 2017

FINANCIAL PERFORMANCE

Revenues amounted to NOK 7,432 million in 2017, an increase of 12 percent in relation to 2016. Adjusted for currency effects and acquisitions, revenues were up 1 percent for TOMRA Group; down 5 percent in TOMRA Collection Solutions and up 9 percent in TOMRA Sorting Solutions.

Gross margin remained stable at 42 percent in 2017 compared to 2016, with slightly improved margins in TOMRA Collection Solutions offsetting slightly lower margins in TOMRA Sorting Solutions

Operating expenses were NOK 2,073 million, up from NOK 1,695 million in 2016. Adjusted for currency and New South Wales ramp-up cost, the organic increase in operating expenses was 2 percent.

EBITA was NOK 1,068 million in 2017, down from NOK 1,119 million in 2016. Adjusted for currency, ramp-up cost in New South Wales and Compac, this represents a 3 percent decrease.

Net financial items were negative NOK 24 million in 2017, compared to positive NOK 16 million in 2016, due to loss on currency forward contracts.

Taxes decreased from NOK 257 million in 2016 to NOK 229 million in 2017, a result of lower earnings. The average tax rate was stable compared to last year (26 percent).

EPS was NOK 4.14 in 2017, down from NOK 4.68 in 2016, representing a decrease of 12 percent.

Continued strong cash flow from operations of NOK 1,023 million in 2017, compared to NOK 1,095 million in 2016. Cash flow from investments (excluding acquisitions) was negative NOK 506 million compared to negative NOK 320 million last year. The increase is explained by investments in New South Wales. Cash flow from financing ended at positive NOK 88 million, including dividend payments of NOK 310 million.

Total assets as of 31 December 2017 were NOK 8,437 million, compared to NOK 7,115 million as of 31 December 2016. This increase is explained by the acquisition of Compac, investments in New South Wales and currencies.

The equity ratio decreased from 59% to 55% during 2017, positively influenced by 2017 earnings and translation differences, but offset by the acquisition of Compac, investments in New South Wales and the dividend payment of NOK 310 million.

Net Interest-Bearing Debt / EBITDA (rolling 12 months' basis) increased from 0.3x at the end of 2016 to 0.5x at the end of 2017.

DIVIDEND

TOMRA aims to distribute 40 percent to 60 percent of the Group's earnings per share. When deciding the annual dividend level, the Board has taken into consideration expected cash flows, capital expenditure plans, financing requirements and the need for appropriate financial flexibility. The Board of Directors recommends consequently a dividend distribution of NOK 2.35 per share (57 percent of EPS), up from NOK 2.10 in 2016.

TOMRA SYSTEMS ASA

Reverse Vending Machines (RVMs) are developed in Norway and mainly produced by third parties in Poland and at the wholly owned subsidiary Tomra Production AS in Norway, combined with a sourcing model that includes high focus on low cost countries such as China, Taiwan and Eastern Europe. The machines are sold via the parent company to subsidiaries and distributors, primarily in Europe and North America. Activity within the parent company reflects therefore the level of sales of machines and parts to end-customers within the RVM segment. The number of RVMs sold in 2017 decreased slightly from 2016, mainly due to somewhat lower sales to Germany where the replacement cycle is maturing.

Tomra Systems ASA reported a reduction in revenues from NOK 1,485 million in 2016 to NOK 1,347 million in 2017.

Operating profit in Tomra Systems ASA increased from NOK 273 million in 2016 to NOK 304 million in 2017, mainly due to improved margins.

Net financial items amounted to NOK 177 million, positively influenced by dividend from subsidiaries of NOK 258 million and negatively influenced by exchange rate losses of NOK 122 million. The exchange rate losses are mainly related to bank loans nominated in EUR. At Group level these loans work as a hedge against investments in foreign (EUR-nominated) subsidiaries and has consequently no profit and loss impact in the consolidated accounts.

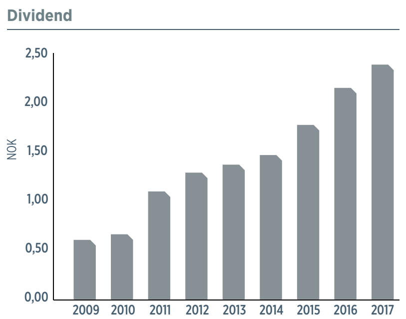
Profit after taxes was NOK 426 million in 2017, compared to NOK 617 million in

2016. The decline in profit is explained by slightly lower revenues and dividend from subsidiaries, paired with higher operating expenses and financial expenses.

Allocation of 2017 profit

The 2017 net profit should be allocated as follows:

Dividend:	NOK 346.8 million
To retained earnings:	NOK 79.5 million
Profit after tax:	**NOK 426.3 million**



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

Positioning TOMRA in a world with scarce resources: The transformative move into sorting

TOMRA was founded on an innovation in 1972 that began with the design, manufacturing and sale of reverse vending machines (RVMs) for automated collection of used beverage containers.

TOMRA's reverse vending technology provides an efficient collection and handling system for deposit of beverage containers. The driver for growth in Collection Solutions is mainly implementation of beverage container deposit systems in new markets, either through legislatively or voluntary enforced arrangements.

Despite all the documented advantages of a deposit system, only a limited number of markets have implemented deposit schemes. The recognition that political processes were hard to influence, and it could take time before new markets accepted deposit as an effective system for recycling, led in 2004 to the decision that TOMRA would expand its operations by moving into other areas within the value chain for collecting and processing waste. Consequently, TOMRA acquired Titech, which provided efficient industrial solutions for recognizing and sorting of waste, mainly for efficient recycling of paper and plastic. This was the first step into sensor-based sorting and the foundation of TOMRA Sorting Solutions.

Shortly thereafter, TOMRA expanded in 2006 into metal recycling, and further in 2008 into mining (ore-sorting), where TOMRA technology now increases the efficiency and lifetime of mines. In 2011 and 2012, based on the strategy of resource productivity, industry automation and targeting a leading position in sensor-based sorting, TOMRA took a further step forward with its entry into the food sorting industry. In food sorting, the recognition technology is utilized to sort food based on quality, size and other characteristics.

TOMRA has consequently gone through several stages of transformation, where the recycling industry is now only one of several industries where TOMRA has a presence. Today, TOMRA continues to innovate and provide cutting-edge solutions for optimal resource productivity in two main business areas: Collection Solutions (reverse vending and material recovery) and Sorting Solutions (food, recycling, and mining).

In 2017, TOMRA operated in two business areas and five business streams:

TOMRA Collection Solutions (TCS):

- Reverse Vending (development, production, sales and service of reverse vending machines and related data management systems)
- Material Recovery (pick-up, transportation and processing of empty beverage containers on behalf of beverage producers/fillers on the US East Coast and in Canada)

TOMRA Sorting Solutions (TSS):

- Food (sorting and processing technology for the fresh and processed food industries)

- Recycling (sorting systems for waste and metal material streams)
- Mining (ore sorting systems for the mining industry)

The revenue contribution from TSS has continued to increase from 5 percent in 2004 on the back of the focused strategy of expanding TOMRA's sorting technology and competence. The latest addition to inorganic growth was the acquisition of Compac in 2017, and the TSS business area now accounts for 48 percent of the Group's operating revenue.

To maximize synergies among the acquired entities and meet its customers' and the world's challenges and opportunities, TOMRA has merged the existing brands under one strong and unified brand – One TOMRA, under the mission to create sensor-based solutions for optimal resource productivity, focused on the optimization of customers' resource use.

As the world's population heads towards higher consumption levels, resource productivity must increase on a global scale to ensure sustainable development. Focusing on resource optimization, process efficiency, and interconnectivity of systems will help customers improve financial results and reduce environmental impact.

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

The European Commission's Environment Action Program (EAP) is focused on stepping up efforts to protect natural capital, stimulate resource-efficient, low-carbon growth and innovation, and safeguard people's health and wellbeing – all while respecting the earth's natural limits.

The long-term vision of the program is that, by 2050, the population will live well, within the planet's ecological limits, with prosperity and a healthy environment stemming from an innovative and circular economy. The circular economy will need a shift in mindset when it comes to use of the planet's scarce resources: nothing is wasted and that natural resources are managed sustainably, with biodiversity being protected, valued and restored in ways that enhance society's resilience.

A key factor in low-carbon growth will be a decoupling from resource use, which sets the pace for a sustainable global society. This is where TOMRA can add value: to provide sensor-based solutions for optimal resource productivity. It has been a transformative journey over the last decade to bring TOMRA to where it is today to position the company to deliver sustainable solutions to deal with the challenges that the global population faces. We have only seen the beginning of the development of the new sustainable infrastructure. Rethinking how we use our resources is the only way forward.

TOMRA COLLECTION SOLUTIONS

TOMRA's activities within this business area include primarily the development, production, sale, lease and service of automated recycling systems in Europe and North America, including data administration systems that monitor the volume of collected materials and associated deposit transactions. TOMRA is positioned as the world leader in the RVM business. Every year TOMRA facilitates the collection of more than 35 billion empty cans and bottles and provides retailers and other customers with an effective and efficient way of collecting, sorting and processing these containers.

In 2017 revenues within this business area amounted to NOK 3,871 million, down from NOK 4,065 million in 2016. Adjusted for currency changes, revenues decreased by 5 percent, mainly due to the latter part of the replacement cycle in Germany.

Compared to last year, gross contribution was slightly up at 41 percent. EBITA decreased from NOK 843 million to NOK 706 million, due to lower revenues and increased operating expenses in New South Wales. Adjusted for currencies and ramp-up cost in New South Wales, profit was down 8 percent.

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

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

While the traditional models have historically been focused around sale and service of machines, TOMRA recognizes that the latest new deposit models introduced in Lithuania and New South Wales invite the machine producer into the system. The machine supplier acts as an operator that invests in the machine park and gets paid for the recycled volume. This entails an investment for TOMRA in equipment but generates a good recurring topline when infrastructure is fully ramped up.

Europe

In Germany, which introduced deposit legislation in 2006, retail started replacing RVMs installed during the first years after the deposit introduction in 2015. TOMRA has been well positioned to serve the German customers with economical and technically versatile RVM solutions and the number of machines sold in the German market increased from ~2,300 machines in 2014 to ~3,500 machines per year in 2015 and 2016, when the peak in the replacement cycle was reached. The number of machines sold to Germany in 2017 was ~2,800.

In Sweden, new requirements made some of the old machines obsolete from 31 December 2016, generating a higher replacement activity in 2016, compared to the previous years. In 2017, the activity returned to a more normal level.

In Lithuania, deposit was introduced in 2016. In September 2015, TOMRA entered into an agreement with USAD (the Lithuanian deposit administrator) to place up to ~1,000 machines in the Lithuanian market. The machines are owned by TOMRA and rented out on a volume-based lease. The system is now fully ramped up and the consumer has adopted the recycling behavior.

The development in the other European markets was stable in 2017 and TOMRA has maintained its market share.

North America

Within Reverse Vending, TOMRA operates with two different business models in North America. One is a sales model, where machines are sold to the food retail stores in the same way as in Europe; the other is a through-put lease model, where TOMRA maintains ownership of the installed machines and receives payment based on the number of containers handled by the machines. The installed base at the end of 2017 was close to 8,000 machines on operational lease and a somewhat higher number for machines sold.

In addition to the Reverse Vending business, TOMRA picks up, transports, processes, and sells used beverage containers on behalf of beverage producers in the Northeastern United States and in Canada (Material recovery). In 2017, this business segment contributed total revenues of USD 123 million, compared to USD 116 million in 2016.

The volumes of drinking containers handled by TOMRA's Material Recovery infrastructure was slightly up in 2017, but the throughput volumes in the Reverse Vending machines were slightly down. The lower volumes in the RVMs are explained by more containers being redeemed at conventional sites that do not utilize standard reverse vending technology and loss of one account. The North American organization has launched a volume builder project to offset these effects. TOMRA is also capturing a higher share of conventional volumes by leveraging the recently developed depot solution. As part of this plan, TOMRA has acquired 23 redemption centers over the last years, which over time are being automated with the TOMRA depot solution.

Australia

In 2017, the TOMRA-Cleanaway joint venture secured a state-wide sole operator role. The scheme commencement date was 1st December 2017. When in full operation, there will be over 500 Collection Points across the state and more than half of these will be automated with two or four reverse vending machines. In total, more than 1,000 RVMs are expected to be installed.

The contract awarded has a duration of 5 years with an option to extend for another 4 years. In the joint venture Cleanaway provides logistics, sorting of collected material and acts as broker for the related commodities. TOMRA provides technology, software and finance for the investment for installations. TOMRA is paid a fee per beverage container collected through the machine park network. The contract generated

only 1 month of revenues on fairly low volumes in 2017. However, volume is expected to gradually increase during 2018 as the infrastructure continues to be rolled out. The complete infrastructure is expected to be in place during first half 2018.

New markets

The existence of deposit systems is a crucial driver for most of the activities within TOMRA Collection Solutions. The creation of new systems, and changes to established systems, will consequently impact TOMRA's performance significantly. In recent years, an emerging driver for the discussion around deposit schemes has been the public-driven push to see reduced littering.

On the back of the discussion in New South Wales, Queensland and Western Australia have confirmed a commitment to implementing deposit schemes. The format of these systems is at this point unclear and TOMRA will evaluate what role it can play in the given system when the legislative picture is clearer.

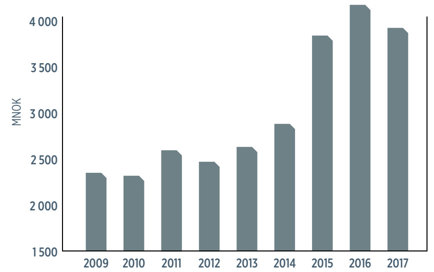
Scotland has also confirmed that a deposit scheme will be introduced. Like the processes in evolving markets in Australia, TOMRA will consider the commercial opportunity in Scotland when the regulatory framework has been decided upon.

Technology

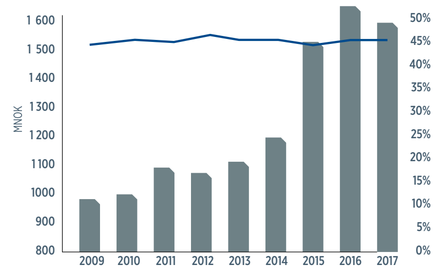
In the beginning of 2014, TOMRA launched the T-9, the first of a new generation of reverse vending machines (RVM) based on TOMRA Flow Technology. T-9 features the first ever 360-degree recognition system (flow technology) applied inside an RVM and enables faster and cleaner collection of beverage containers, including containers that previously could not be collected in RVMs. The T-9 has improved consumer experience due to its increased capacity, which leads to shorter queues during peak hours in the stores. The product range has lately been further broadened with the introduction of the T-90, a fully operational stand-alone machine with internal sorting and optional compaction. The flow technology continues to be rolled-out as the standard feature in all new product launches.

The technology has been well received by customers with more than 4,500 T-9 /T-90 machines installed in 2017, steadily increasing from ~1,200 machines three years ago, and over 50% of product sales from the new product portfolio.

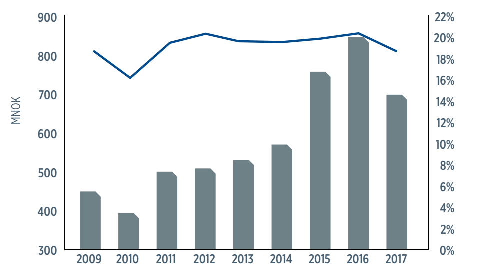
TCS
Revenues



TCS
Gross contribution and margin



TCS
EBITA and margin



TOMRA SORTING SOLUTIONS

TOMRA Sorting solutions offers significant economic and environmental benefits for major industries such as food processing, recycling and mining by increasing their productivity, yield, access to resources and reducing their costs. The business unit is well positioned to respond to short and long-term increases in the resource demands required to construct living and working spaces for an ever growing and increasingly urbanized global population, the expectations for more and higher quality food products and requirements for a less carbon intensive society. TOMRA is positioned as worldwide leader in all the segments it serves.

Revenues in TSS were up 40 percent in 2017, compared to 2016. Adjusted for acquisitions and currency, the increase was 9 percent. The overall market situation remained favorable, however there is variation between the different business streams.

Food sorting is the largest business stream within Sorting. The business stream had another strong performance in 2017 with increasing revenues, order intake and order backlog. The market is driven by more stringent food safety and quality requirements, consumption of more packaged and processed food products, as well as more healthy food such as nuts and dried fruits. Several new product launches have fueled growth, and the acquisition of Compac has further firmed up TOMRA's market leadership.

The recycling business experienced a continued positive momentum, with increase in both revenues and order intake and a continued strong order backlog compared to last year. The development has been driven by improved recycling rates, higher commodity prices and a general focus on waste reduction and reuse of resources around the world.

In Mining, low mineral and metal prices have affected the mining industry in recent years, negatively influencing TOMRA's sales. In 2017, the order intake and order backlog continued to improve, compared to a slower period two years ago, but sales remain at a low level. The current activity is very dependent upon sales to the diamond industry, where TOMRA has proven technology for identifying diamonds at the diamond mines processing lines.

With an all-time high order intake during the fourth quarter, the order backlog finished at NOK 1,147 million. Compac contributed NOK 275 million of this. The overall momentum in TOMRA Sorting is satisfactory, with steadily increasing revenues and order intake across the business streams.

Leveraging technology leadership

Leveraging technology synergies, increasing adaptability and shortening the time-to-market are core elements of TOMRA's strategy to merge several sensor-based sorting activities under one brand. This will enable TOMRA to better serve global markets and respond to the variations in needs and cross-breed sensor technologies, allowing for new cutting-edge solutions and sorting capabilities. The common sorting platform (CSP) is the strategy TOMRA applies to leverage synergies between the business segments Food, Recycling and Mining. The basic sorting principles are conceptually the same across the segments, enabling TOMRA to develop a set of building blocks that are used again and again. Benefits include increased productivity and speed in product development, reduced development and after-market costs and more efficient use of human resources. The development phase of the CSP has been completed and all new products are now launched on this platform.

As the food business expands into new geographic areas, new requirements are encountered that are driven by differences in market structure and customer requirements. The North American market, for example, is driven by large scale farming, distribution and processing channels. Many Asian markets, on the contrary, are structured with smaller farms and processors.

Several new products based on CSP have been launched during 2017, including:

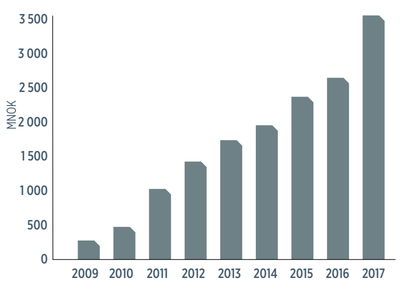
- Food Bulk sorting: The TOMRA 3C sorting machine is the first sorter developed by the Chinese R&D team. It brings TOMRA's differentiating technologies into market segments where TOMRA has not been present in the past.
- Food Bulk sorting: The BSI+ next generation version of the multispectral sensor technology is used to sort based on properties that cannot be achieved with common technology. The BSI+ brings ease of use to a new level and enables operators to fully utilize the potential of this advanced technology.
- Food Lane sorting: The Inspectra2, which uses a spectrometer to measure the internal properties of fresh produce ensuring a quality eating experience for consumers, delivers improved consistency and ease-of-use.
- Recycling: The AUTOSORT LASER offers a powerful sensor combination capable of detecting multiple material properties at the same point and simultaneously, and therefore sorts material fractions more efficiently. Unlike competing technology, AUTOSORT LASER excels at separating thin, thick or opaque glass, as well as ceramics, stones and metals from household and commercial waste.

Compac

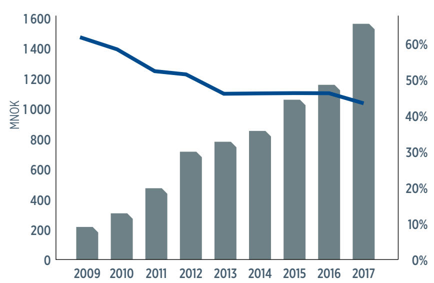
On 11 October 2016, TOMRA Sorting AS signed an agreement with the owners of Compac Holding Ltd (Compac) for 100 percent of the shares in the company. Closing of the transaction took place 31 January 2017, after approval from the New Zealand Overseas Investment Office. Compac was consolidated into TOMRA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

Compac is a New Zealand-based provider of post-harvest solutions and services to the global fresh produce industry. The company designs, manufactures, sells and services pack house automation systems that sort fresh produce based on weight, size, shape, color, surface

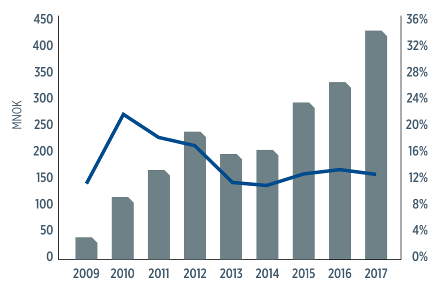
TSS
Revenues



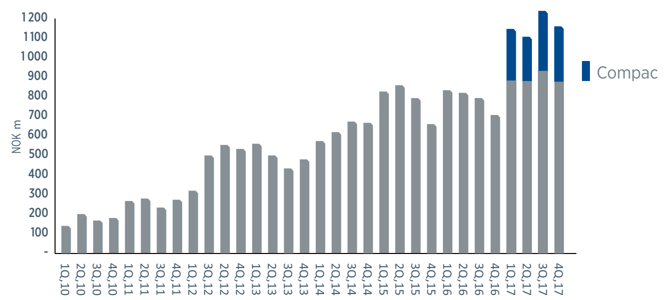
TSS
Gross contribution and margin



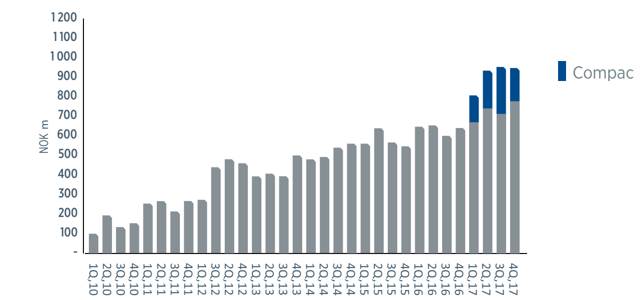
TSS
EBITA and margin



TSS
Order backlog



TSS
Order intake



blemishes and internal quality. Established in 1984, Compac employs close to 500 people across locations in New Zealand, Australia, US, China, Europe and South-America. Compac has a leading position within the sorting of apples, kiwifruit, cherries, avocados, stonefruit and citrus. As of 31 December 2017, about 1,900 machines and more than 6,000 Compac sorting lanes have been sold worldwide in over 40 markets.

The food market is large and continuously growing, with requirements around food safety and quality becoming increasingly more stringent. Food producers are also consolidating, becoming larger, more sophisticated and more global. As a leading technology supplier to this industry, TOMRA sees clear advantages in mirroring this trend. With the acquisition of Compac, TOMRA confirms its leading position within the Food segment and is the first player to offer both lane and bulk sorting solutions to its customers for sorting fresh and processed foods. Please see disclosure note 24, for more information related to the acquisition.

Compac was, at the acquisition date, a somewhat distressed company, but in 2017 it has delivered on a considerable change program initiative that has gained momentum since TOMRA took control. The fundamental reason for Compac's success is the market leading Spectrim technology, which has had strong recognition in the core markets of North America, New Zealand, Latin America and South Africa. This has been coupled with service promises to partner with customers to protect and enhance their brands. This was only possible with the support and capital injection received from TOMRA.

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 to ensure that TOMRA maintains its technological advantage. Research and development activities, including other future oriented projects, were expensed at NOK 276 million in 2017. The comparative figure for 2016 was NOK 244 million. In addition, NOK 49 million was capitalized (2016: NOK 47 million). These activities were directed primarily toward the development of automated return systems in TOMRA Collection Solutions in addition to further development of recognition and sorting technology in TOMRA Sorting Solutions.

FINANCIAL RISK

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

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

Responsibility for financing, cash management and financial risk management is handled by the Finance Department within Tomra Systems ASA. Historically, TOMRA has seldom experienced losses on accounts receivable, and the corporation's routines concerning credit approval are considered satisfactory. TOMRA's surplus cash is placed primarily in NOK with duration of less than six months. Interest-bearing debt is normally denominated in EUR, at interest rates fixed for a period of less than six months.

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

With almost 90 percent of the balance sheet denominated in foreign currencies, TOMRA's equity will also be exposed to changes in currency exchange rates (most importantly EUR). To partly offset this effect, TOMRA aims to place external bank debt in the same currencies. In addition, TOMRA has implemented the financial risk management systems one would expect given the size and complexity of the company's operations. A more extensive description of TOMRA's internal control procedures and systems for evaluating financial risk is provided on pages 19 and 20 in this report.

CORPORATE RESPONSIBILITY AND GOVERNANCE - OUR SOCIAL AND ENVIRONMENTAL ENGAGEMENT

TOMRA makes a significant contribution to a cleaner and more sustainable world through its products and services.

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

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

ORGANIZATION, HEALTH AND SAFETY

The number of employees in the TOMRA Group was 3,420 at the end of 2017, up from 2,770 at the end of 2016. In Norway the number of employees decreased from 286 at year-end 2016 to 283 at the end of 2017.

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

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

TOMRA uses an international survey coordinated by the organization "Great Place to Work." The survey rates how well employees consider that the company lives up to its principles. The participation rate for the 2017 survey has been above 85% and the feedback from employees is encouraging. In the last survey, 78% of the participating employees stated that TOMRA is a "Great Place to Work," confirming an overall workplace satisfaction at TOMRA.

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 21 percent of its management positions at the end of 2017, a change from 18 and 22 percent respectively in 2016. Four out of TOMRA's seven board directors are women.

In December 2017, a fatal accident involving a contracted worker occurred at TOMRA's Canadian operation in Montreal. As it is important to TOMRA to identify and understand what caused this incident, an internal investigation and full review of existing safety standards was immediately initiated to prevent such incidents from happening again. The number of job-related injuries in TOMRA requiring medical attention beyond basic first aid was 102, down from 104 in 2016. Most of these instances occurred within TOMRA's material recovery activities in the USA, which involve handling crushed glass and heavy lifting. TOMRA continuously strives to reduce the injury rate and has implemented further preventative measures after identifying more contributing factors. The absence rate due to illness in Tomra Systems ASA decreased from 2.3 percent in 2016 to 2.2 percent in 2017.

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

CORPORATE GOVERNANCE - BOARD DEVELOPMENTS

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

At the ordinary general meeting 25 April 2017, all Board members were re-elected.

The Board held six Board meetings in 2017 and the attendance at the meetings was 100 percent. Five meetings were physical meetings and one by teleconference. In addition, the audit committee held four meetings, the corporate responsibility committee met two times, and the compensation and organizational development committee also met twice during the year. All meetings were attended 100 percent.

PROSPECTS FOR THE FUTURE

As the world's population increases and the pressure on available resources continues, the challenges the global population faces are more visible every day. These trends include increased population, higher food prices, increased focus on food safety, limited resources, increasing per capita waste levels, higher energy prices, stricter waste recycling regulations, greater environmental awareness, and rising demand for commodities.

Every year 8 million tons of plastic ends up in the oceans heavily disrupting marine life. In addition, a fast-growing global population, which is getting wealthier and more urbanized, demands more food and more convenience. However, this is to be sourced from a constant or even decreasing area of farmland. E-commerce, beyond its infancy, and general consumer behavior brings major challenges when it comes to packaging waste and discarded products. As a result, the need for TOMRA's solutions is higher than ever before and demand for TOMRA's products is steadily increasing.

The concept of the circular economy is about looking beyond the take-make-dispose mindset. Resources are limited and there is a need for a shift in mindset both in terms of how we reuse existing materials like plastic, paper and metals, but also that we make sure that farming is efficient, so that good food does not go to waste. The circular economy is shaping rapidly and TOMRA is in a good position to benefit from these mega-trends that create the need for investment in sustainable infrastructure.

On the back of a focused expansion, the Group's operations today are more diversified and robust and hence less dependent on individual markets than in the past. Even if short-run fluctuations in the demand for TOMRA's solutions may occur, the company will in the long run be able to capitalize on strong favorable macro trends both in food processing and general automation as well as the recycling industry and other "machine vision" related industries.

TOMRA COLLECTION SOLUTIONS

TOMRA experienced high activity in Germany also in 2017, but at a lower level compared to 2015 and 2016 when the level of machine replacement was at its peak. We expect that replacements in Germany also in 2018 will be strong, but not at 2015-2016 level.

In New South Wales, TOMRA will continue to install machines during first half of 2018. Revenues and profitability are consequently expected to increase throughout 2018.

Almost all supermarkets in the established deposit markets have automated their return of bottles and cans. These markets therefore represent mainly replacement opportunities and after-markets for service. The global installed base of more than 80,000 machines generates a steady income stream with a high percentage of recurring revenues. Generally, deposit markets are viewed as infrastructure and to date no deposit market has been abolished after introduction. In addition, new markets introducing deposit schemes will from time to time materialize. Timing is however difficult to predict, as new markets are heavily dependent upon the outcome of political processes.

Material growth consequently needs to come from new deposit markets. We are, however, seeing a positive trend in that the consumer is more aware of the challenges discarded beverage containers bring in non-deposit markets. A positive effect of a deposit market is always reduced littering as there is a monetary incentive to bring back beverage containers for recycling. A result of this is that deposit schemes are more frequently discussed in the political arena as the population increasingly cares about a cleaner environment.

TOMRA SORTING SOLUTIONS

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

The order backlog at the end of 2017 was significantly up compared to the backlog at the end of 2016. Based on the current activity level and market sentiment, the Board consequently assumes that TOMRA should be in a good position to continue to see growth in revenues in 2018 compared to 2017.

CURRENCY

A stronger NOK is negative for TOMRA, both because the Group has significant activities abroad that are denominated in foreign currencies and appears therefore less profitable measured in NOK, and because TOMRA has a certain cost base in NOK tied to development activities and headquarter functions. For TOMRA Sorting, a weaker USD is negative, due to significant revenues nominated in USD, and with a cost base more nominated in EUR and NZD.

For a broader review of currency sensitivities, refer to note 19.

THE TOMRA SHARE

The number of TOMRA shareholders decreased from 5,875 at the end of 2016 to 5,543 at the end of 2017. The number of shares held by Norwegian residents at the end of 2017 was 23 percent, down from 27 percent in 2016. The TOMRA share price increased from NOK 90.50 at the end of 2016 to NOK 131.50 at the end of 2017. Adjusting for the dividend of NOK 2.10 paid out in May 2017, the total return on the TOMRA share was 48 percent in 2017 (compared to negative 3 percent in 2016). In comparison, the return on the Oslo Stock Exchange in 2017 amounted to 19 percent (and 14 percent in 2016).

A total of 29 million TOMRA shares were traded on the Oslo Stock Exchange in 2017, down from 43 million shares the year before. TOMRA's largest shareholder, Investment AB Latour held 26.3 percent of the shares at the end of 2017, up from 25.8 percent at the end of 2016.

TOMRA aims to provide timely, relevant and accurate information to the capital market to provide a basis for trading and fair pricing of the TOMRA share. TOMRA values a good dialogue with the capital market and has repeatedly in recent years been named the best Nordic and/or Norwegian IR-company in its class in the annual awards presented by REGI. The ranking is based on interviews with sell side and buy side analysts. In last year's REGI survey TOMRA was ranked 1st for best investor relations in the Nordics.

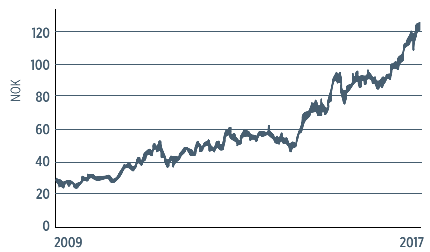
The nominal value of each share is NOK 1. The total number of outstanding shares at year-end 2017 was 148,020,078, including 456,340 treasury shares held by TOMRA. The Board wishes to encourage the company's employees to invest in the company's shares. A share purchase program was therefore established in 2008 that offers employees the opportunity to buy shares at current market rates, and for every five shares held for at least one year, one share is given free of charge. The Board will recommend at the general assembly that the program should be continued, limited to a total of 500,000 shares per year.

FINANCING

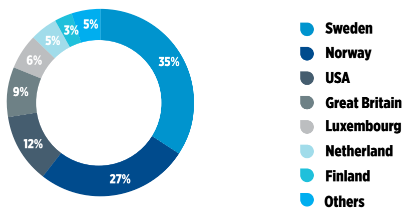
At year-end TOMRA had committed credit lines of EUR 170 million, of which 129 EUR million was utilized. The loan facilities expire in 2021. At the end of 2017, TOMRA had a gearing ratio equal to 0.5x (Net interest-bearing debt/EBITDA, measured on 2017 performance).

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

TOMRA share price



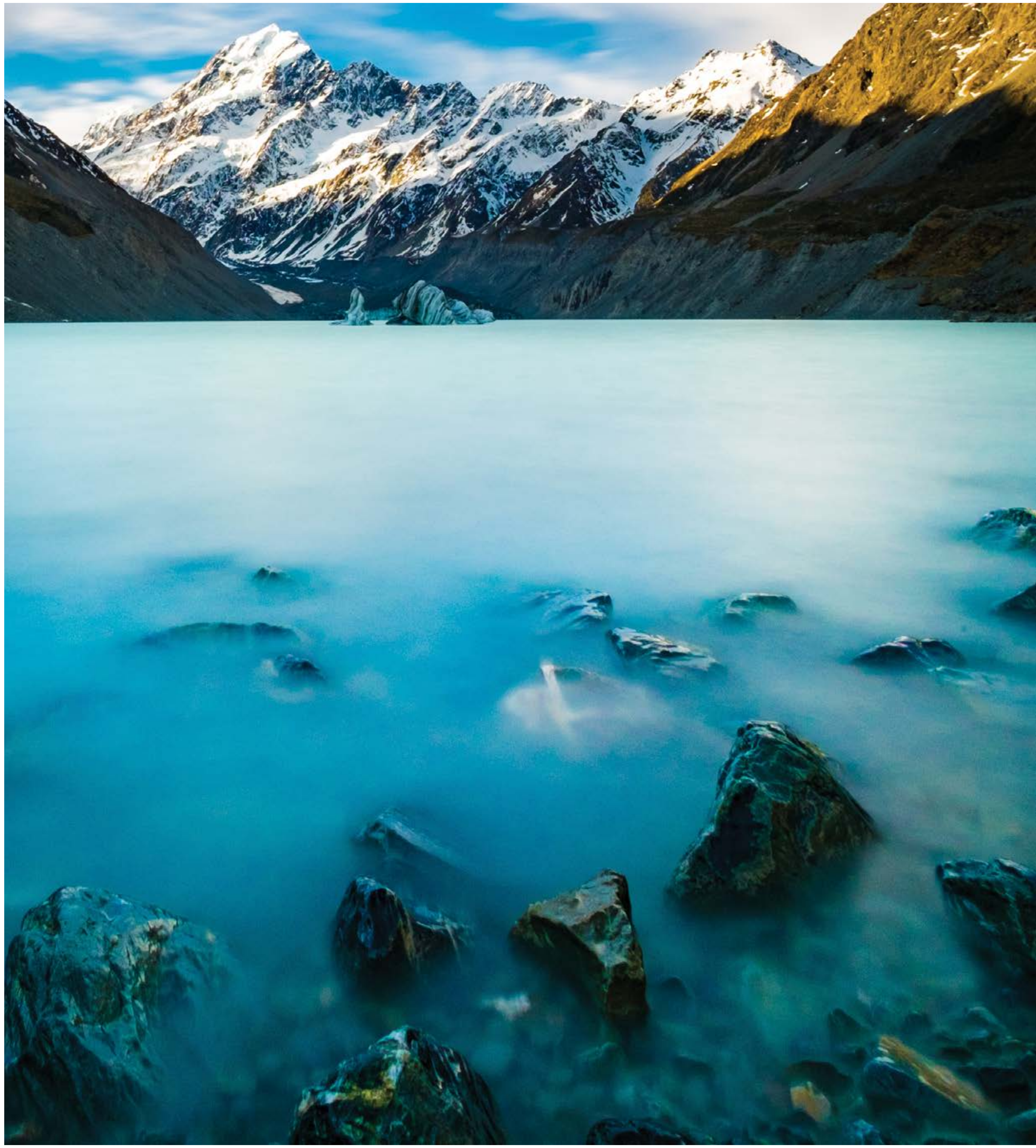
Shareholders by country of residence



Total foreign ownership 73 %

Asker, 20 February 2018

Jan Svensson Chairman	**Aniela Gjøs** Board member	**Bodil Sonesson** Board member	**Pierre Couderc** Board member
Linda Bell Board member	**David Williamson** Employee representative	**Bente Traa** Employee representative	**Stefan Ranstrand** President & CEO



FINANCIAL STATEMENTS

INCOME STATEMENT

Tomra Systems ASA NGAAP 2017	Tomra Systems ASA NGAAP 2016	Amounts in NOK million	Note	Group IFRS 2017	Group IFRS 2016
1,347.3	**1,485.4**	**Operating revenues**	**1**	**7,432.1**	**6,609.9**
703.5	880.4	Cost of goods sold	2	3,243.2	2,829.3
191.0	208.8	Employee benefits expenses	3,17	2,198.5	1,847.4
21.2	15.4	Ordinary depreciation	9,10	374.2	342.9
127.4	107.9	Other operating expenses	7	700.7	602.6
1,043.0	**1,212.5**	**Total operating expenses**		**6,516.6**	**5,622.2**
304.2	**272.9**	**Operating profit**		**915.5**	**987.7**
258.1	324.9	Dividend from subsidiaries		-	-
51.8	149.9	Financial income		32.8	62.7
133.1	31.9	Financial expenses		56.5	46.5
176.8	**442.9**	**Net financial items**	**4**	**(23.7)**	**16.2**
-	-	Profit from associates	16	(4.7)	4.2
481.0	**715.8**	**Result before taxes from continuing operations**		**887.1**	**1,008.1**
54.7	98.6	Taxes	11	229.3	256.9
		Loss from discontinued operations	23	-	12.9
426.3	**617.2**	**Profit for the period**		**657.8**	**738.3**
		Attributable to:			
		Shareholders of the parent		610.7	691.2
		Non-controlling interest		47.1	47.1
		Profit for the period		**657.8**	**738.3**
		Allocated as follows:	21		
346.8	309.8	Dividend			
79.5	307.4	Other equity			
426.3	**617.2**	**Total allocated**			
		Earnings per share, basic (NOK)	21	4.14	4.68
		Earnings per share, diluted (NOK)	21	4.14	4.68
		Earnings per share from continuing operations, basic (NOK)		4.14	4.76
		Earnings per share from continuing operations, diluted (NOK)		4.14	4.76

OTHER COMPREHENSIVE INCOME

Amounts in NOK million	Group IFRS 2017	Group IFRS 2016
Profit for the period	**657.8**	**738.3**
Other comprehensive income that may be reclassified to profit or loss		
Foreign exchange translation differences	138.5	(175.4)
Other comprehensive income that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability (assets)	(41.8)	(3.8)
Tax on remeasurements of defined benefit liability (assets)	6.1	0.9
Total comprehensive income for the period	**760.6**	**560.0**
Attributable to:		
Shareholders of the parent company	721.4	516.9
Non-controlling interest	39.2	43.1
Total comprehensive income for the period	**760.6**	**560.0**

BALANCE SHEET AS OF 31 DECEMBER

	Tomra Systems ASA NGAAP				Group IFRS	
	2017	2016	**Amounts in NOK million**	Note	**2017**	2016
ASSETS	**50.9**	**55.6**	**Deferred tax assets**	**11**	**282.2**	**217.7**
	-	-	Goodwill	10	2,604.8	2,108.1
	-	-	Development costs	10	187.1	109.8
	55.1	45.2	Other intangible assets	10	337.9	314.3
	55.1	**45.2**	**Total intangible non-current assets**		**3,129.8**	**2,532.2**
	25.1	25.4	Property, plant and equipment	9	627.4	505.9
	-	-	Leasing equipment	9	370.5	294.8
	25.1	**25.4**	**Total tangible non-current assets**		**997.9**	**800.7**
	3,368.7	3,177.0	Investment in subsidiaries	15	-	-
	764.9	605.4	Loan to subsidiaries	15	-	-
	9.6	11.2	Investment in associates	16	78.9	69.8
	-	-	Other investments		1.3	1.3
	20.4	22.6	Long term receivables	8	268.7	271.5
	4,163.6	**3,816.2**	**Total financial non-current assets**		**348.9**	**342.6**
	4,294.7	**3,942.4**	**Total non-current assets**		**4,758.8**	**3,893.2**
	6.5	**7.4**	**Inventory**	**2**	**1,197.2**	**1,126.9**
	9.1	10.9	Trade receivables		1,468.6	1,320.9
	682.7	252.0	Intra-group receivables		-	-
	19.8	24.0	Other short-term receivables		419.0	374.6
	711.6	**286.9**	**Total receivables**	**7**	**1,887.6**	**1,695.5**
	71.3	**109.9**	**Cash and cash equivalents**	**18**	**593.5**	**399.2**
	789.4	**404.2**	**Total current assets**		**3,678.3**	**3,221.6**
	5,084.1	**4,346.6**	**Total assets**		**8,437.1**	**7,114.8**

	Tomra Systems ASA NGAAP				Group IFRS	
	2017	2016	**Amounts in NOK million**	Note	**2017**	2016
LIABILITIES AND EQUITY	148.0	148.0	Share capital		148.0	148.0
	(0.5)	(0.5)	Treasury shares		(0.5)	(0.5)
	918.3	918.3	Share premium reserve		918.3	918.3
	1,065.8	**1,065.8**	**Paid-in capital**		**1,065.8**	**1,065.8**
	750.2	**683.8**	**Retained earnings**		**3,528.3**	**3,126.5**
	-	**-**	**Non-controlling interest**		**143.3**	**177.7**
	1,816.0	**1,749.6**	**Total equity**	**21**	**4,737.4**	**4,370.0**
	-	-	Deferred tax liabilities	11	114.2	97.5
	42.2	54.6	Pension liabilities	17	111.2	83.0
	1,269.4	745.1	Interest-bearing liabilities	6	1,280.1	759.7
	-	-	Other long-term liabilities	5	149.0	73.3
	157.4	145.4	Loan from subsidiaries		-	-
	1,469.0	**945.1**	**Total non-current liabilities**		**1,654.5**	**1,013.5**
	-	-	Interest-bearing liabilities	6	-	-
	27.3	41.6	Trade payables		552.8	440.5
	1,215.1	1,061.7	Intra-group debt		-	-
	47.7	102.4	Income tax payable	11	77.0	144.6
	18.6	19.0	Provisions	13	147.4	138.2
	490.4	427.2	Other current liabilities	12	1,268.0	1,008.0
	1,799.1	**1,651.9**	**Total current liabilities**		**2,045.2**	**1,731.3**
	3,268.1	**2,597.0**	**Total liabilities**		**3,699.7**	**2,744.8**
	5,084.1	**4,346.6**	**Total liabilities and equity**		**8,437.1**	**7,114.8**

Asker, 20 February 2018

Jan Svensson	**Aniela Gjøs**	**Bodil Sonesson**	**Pierre Couderc**	**Linda Bell**	**David Williamson**	**Bente Traa**	**Stefan Ranstrand**
Chairman	Board member	Board member	Board member	Board member	Employee representative	Employee representative	President & CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP IFRS Amounts in NOK million	Paid-in capital	Translation reserve	Remeasurements of defined benefit liability (assets)	Retained earnings	Total equity attributable to the owners of the company	Non-controlling Interest	Total Equity
Balance per 1 January 2016	**1,065.9**	**656.0**	**(37.5)**	**2,260.7**	**3,945.1**	**160.4**	**4,105.5**
Profit for the period				691.2	691.2	47.1	738.3
Changes in translation differences		(171.4)			(171.4)	(4.0)	(175.4)
Remeasurements of defined benefit liability (assets)			(2.9)		(2.9)		(2.9)
Total comprehensive income for the period	**0.0**	**(171.4)**	**(2.9)**	**691.2**	**516.9**	**43.1**	**560.0**
Transactions with shareholders							
Dividend non-controlling interest					0.0	(29.8)	(29.8)
Purchase of own shares	(0.3)			(31.0)	(31.3)		(31.3)
Own shares sold to employees	0.2			20.2	20.4		20.4
Minority new consolidated companies					0.0	4.0	4.0
Dividend to shareholders				(258.8)	(258.8)		(258.8)
Total transactions with shareholders	**(0.1)**	**0.0**	**0.0**	**(269.6)**	**(269.7)**	**(25.8)**	**(295.5)**
Balance per 31 December 2016	**1,065.8**	**484.6**	**(40.4)**	**2,682.3**	**4,192.3**	**177.7**	**4,370.0**
Profit for the period				610.7	610.7	47.1	657.8
Changes in translation differences		146.4			146.4	(7.9)	138.5
Remeasurements of defined benefit liability (assets)			(35.7)		(35.7)		(35.7)
Total comprehensive income for the period	**0.0**	**146.4**	**(35.7)**	**610.7**	**721.4**	**39.2**	**760.6**
Transactions with shareholders							
Dividend non-controlling interest				(9.0)	(9.0)	(52.9)	(61.9)
Reclassification Tomra Baltic						(22.2)	(22.2)
Purchase of own shares	(0.2)			(24.4)	(24.6)		(24.6)
Own shares sold to employees	0.2			23.7	23.9		23.9
Minority new consolidated companies					0.0	1.5	1.5
Dividend to shareholders				(309.9)	(309.9)		(309.9)
Total transactions with shareholders	**0.0**	**0.0**	**0.0**	**(319.6)**	**(319.6)**	**(73.6)**	**(393.2)**
Balance per 31 December 2017	**1,065.8**	**631.0**	**(76.1)**	**2,973.4**	**4,594.1**	**143.3**	**4,737.4**

CASH FLOW STATEMENT

Tomra Systems ASA NGAAP				Group IFRS	
2017	2016	**Amounts in NOK million**	**Note**	**2017**	2016
		CASH FLOW FROM OPERATING ACTIVITIES			
481.0	715.8	Ordinary profit/(loss) before taxes [1]		887.1	995.2
(102.9)	(93.7)	Income taxes paid		(348.4)	(321.7)
21.1	15.4	Depreciation	9,10	374.2	340.6
-	-	Write-down non-current assets		-	2.3
1.0	1.1	Net change in inventory		23.6	27.7
8.2	22.5	Net change in receivables		20.9	(51.4)
(14.7)	(16.4)	Net change in payables		(7.5)	(45.7)
(26.5)	(6.3)	Difference between booked costs on pension funds and actual cash payments to these funds		(7.9)	(8.0)
-	-	Exchange rate effects		36.7	18.4
-	-	Profit before tax from affiliated companies	16	4.7	4.2
-	-	Dividend from affiliated companies	16	5.1	(3.0)
115.1	(65.7)	Changes in other balance sheet items		23.7	130.1
(19.0)	(12.5)	Interest expense/(income)		10.3	6.5
463.3	**560.2**	**Net cash flow from operating activities**		**1,022.5**	**1,095.2**
		CASH FLOW FROM INVESTING ACTIVITIES			
-	-	Proceeds from sales of non-current assets		50.5	43.3
	-	Proceeds from sale of subsidiary		-	2.7
(190.1)	(1.6)	Share issues subsidiaries		-	-
-	-	Acquisition of subsidiary, net of cash acquired [2]	24	(423.6)	-
(30.6)	(39.9)	Investment in non-current assets		(556.4)	(363.6)
(220.7)	**(41.5)**	**Net cash flow from investing activities**		**(929.5)**	**(317.6)**
		CASH FLOW FROM FINANCING ACTIVITIES			
(424.7)	239.0	Loan payments (to)/from subsidiaries		-	-
(837.6)	(761.4)	Repayment of long-term loans		(837.5)	(761.2)
1,272.7	370.5	Proceeds from issuance of long term debt		1,308.6	397.0
-	-	Dividend non-controlling interest	21	(62.0)	(25.8)
(24.6)	(31.2)	Purchase of treasury shares	21	(24.6)	(31.2)
23.9	20.4	Sale of treasury shares	21	23.9	20.4
29.6	18.0	Interest received		4.6	9.4
(10.6)	(5.5)	Interest paid		(15.0)	(15.9)
(309.9)	(258.8)	Dividend paid	21	(309.9)	(258.8)
(281.2)	**(409.0)**	**Net cash flow from financing activities**		**88.1**	**(666.1)**
-	-	Currency effect on cash		13.2	(25.2)
(38.6)	109.7	Net change in cash and cash equivalents		194.3	86.3
109.9	0.2	Cash and cash equivalents per 1 January	18	399.2	312.9
71.3	109.9	Cash and cash equivalents per 31 December	18	593.5	399.2

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

1) Including loss from discontinued operations
2) Includes purchase of Compac at NOK 405.3 million / NZD 67.3 million, see disclosure note 24.

CONSOLIDATION AND ACCOUNTING PRINCIPLES

GROUP - IFRS

GENERAL

Business concept and customers
Tomra Systems ASA (the "Company") is a company domiciled in Norway. The registered office is Drengsrudhagen 2, Asker.

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

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

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

Significant accounting policies
The consolidated financial statements of the Company for the year ended 31 December 2017 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 20 February 2018, and will be presented for final approval at the general meeting on 24 April 2018. Until the final approval by the general meeting, the board can authorize changes to the financial statements.

(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU, and the additional disclosure requirements of the Norwegian accounting act as at 31 December 2017.

(b) Basis of preparation
The financial statements are presented in NOK, rounded to the nearest one hundred thousand.

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

- Derivative financial instruments recognized at fair value through profit and loss.
- Defined benefit obligation recognized as the net total of the plan assets and the present value of the defined benefit obligation.
- financial liabilities recognized due to anticipated acquisitions at the present value of the expected redemption amount.

The financial statements are prepared on a going concern basis.

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

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

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

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

REPORTING STRUCTURE
The Group's consolidated amounts comprise the following units:

Tomra Systems ASA

Europe
Tomra Europe AS (NO)
Tomra Butikksystemer AS (NO)
Tomra Systems AB (SE)
OY Tomra AB (FI)
Tomra Systems AS (DK)
Tomra Holding OÜ (EN) (57,5%)
Tomra Service OÜ (EN) (57,5 %)
Tomra Systems UAB (LH) (57,5%)
Tomra Systems BV (NL)
Tomra Systems GmbH (DE)
Retail Services GmbH (DE)
Tomra Leergutsysteme GmbH (AT)
Tomra Systems SA (FR)
Tomra Systems NV (BE)
Tomra s.r.o (CZ) (40 %)
Tomra Systems D.O.O (HR) (70%)
Tomra Production AS (NO)
Tomra Sorting AS (NO)
Tomra Sorting GmbH (DE)
Tomra Sorting S.L. (ES)
Tomra Sorting Ltd. (UK)
Tomra Sorting Sp. Z.o.o. (PL)
Tomra Sorting S.a.r.l. (FR)
Tomra Sorting SRO (SK)
Tomra Sorting Ltd (IE)
Tomra Sorting SRL (IT)
Odenberg Engineering BV (NL)
Best Sorting Spain S.L. (ES)
Tomra Sorting NV (BE)
Tomra Sorting BV (NL)
Belgian Electronic Sorting Technology TR Mak. San. Tic. A.S. (TR)
Best Vastgoed (NL)
Compac Sorting Eq. Europe (UK)

North-America
Tomra of North America Inc. (DE)
Tomra of North America Finance Company LLC (DE)
Tomra Metro LLC (CT)
Western New York Beverage Industry Collection and Sorting LP (74%) (NY)
Tomra New York Recycling LLC (64,63%) (NY)
Upstate Tomra LLC (55%) (NY)
Tomra Mass. (55%) (MA)
Tomra Canada Inc. (CA)
Tomra Pacific Inc. (DE)
UBCR (51%) (MI)
UltrePET LLC (49%) (NY)
Tomra Compaction LLC (DE)
Returnable Services LLC (DE)
Synergistics LLC (51%) (MI)
Tomra Sorting (CA)
Tomra Sorting, Inc. (US)
Compac Sorting Eq. Ltd. (US)
Tomra Claims Resolution Company (US)

Rest of the world
Tomra Sorting Japan KK (JP)
Tomra Japan Ltd. (50%) (JP)
Tomra Sorting Co, Ltd. (KP)
Tomra Sorting (Pty) Ltd. (ZA)
Tomra Sorting (Pty) Ltd. (AU)
Tomra Sorting Technology (Xiamen) Co. Ltd. (CN)
Tomra (Xiamen) Imp. & Exp. Co. Ltd. (CN)
Tomra Brasil Solucoes EM segregacao LTDA (BR)
Tomra Sorting JLT (AE)
Tomra Sorting Chile SpA (CL)
Tomra Sorting India Private Limited (IN)
Tomra Sorting OOO (RU)
Best Hong Kong Int. Ltd. (HK)
Tomra Recycling Technology (Xiamen) Co. Ltd (51%) (CN)
Incom Tomra Recycling Technology (Beijing) Co. Ltd (49%) (CN)
Bottlecycler Australia Pty Ltd (60%) (AU)
Tomra Collection Pty Ltd (80%) (AU)
Tomra Cleanaway Pty Ltd (50%) (AU)

Compac Holding Ltd. (NZ)
Compac Inter Ltd. (NZ)
Lenz Equipment Ltd. (NZ)
Compac Sorting Eq. Ltd. (NZ)
Compac Sorting Eq. Ltd. (AU)
Compac Sorting Eq. Ltd. (CN)
Compac Sorting Eq. Latin America (CL)
Compac Tech Ltd. (NZ)
Compac Kunshan (CN)
Compac International Trade China (Kunshan) Co. Ltd. (CN)
Taste Tech Ltd. (NZ)
Taste Tech Install Ltd. (NZ)
Tastemark Ltd. (NZ)

Tomra Baltic OÜ (EN) was merged with Tomra Service OÜ in 2016, and Fastighetsbolaget TFAB i Tommelillla AB (S) was sold in 2016. Tomra Collection Pty Ltd was acquired in 2016.

Bottlecycler Australia Pty Ltd. was acquired in 2016, and Tomra Cleanaway Pty Ltd was founded in 2017.
CBSI LLC was merged with Tomra North America Inc. in 2017.
Compac Holding Ltd. including subsidiaries was acquired in 2017.

CONSOLIDATION PRINCIPLES

(a) Consolidated companies

The consolidated accounts include the parent company Tomra Systems ASA and companies in which the parent company has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired or sold during the course of the year are included in the income statement as of the date that control commenced until the date that control ceased.

(b) Elimination of shares in subsidiaries

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

(c) Currency translation for foreign subsidiaries

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

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

(d) Non-controlling interest

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

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

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

(e) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date when control is transferred to the Group. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

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

Tomra has entered into put and call options for remaining non-controlling interests (NCI) in some of its subsidiaries. The group accounts for such agreements using "the anticipated-acquisition method". Under this method, the interest subject to the option is deemed to have been acquired at the date of acquisition. Accordingly, the financial liability arising from the option is included in the consideration transferred. Under the anticipated acquisition method, the interests of the non-controlling shareholders that hold the options are derecognized when the financial liability is recognized. This is because the recognition of the financial liability implies that the interests subject to the options are deemed to have been acquired already. Therefore, the underlying interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit and loss and other comprehensive income. The financial liability is recognized at the present value of the expected redemption amount. Changes in the carrying amount of the liability will be recognized within equity. If the option expires unexercised, then the liability is derecognized and NCI are recognized, consistent with a decrease in ownership interests in a subsidiary while retaining control.

(f) Internal transactions/intercompany items

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

(g) Joint Ventures

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

(h) Associates

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

VALUATION AND CLASSIFICATION PRINCIPLES

Estimations

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

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

(a) Revenue recognition

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

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

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

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

(b) Cost recognition

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

(c) Expenses

Operating lease payments

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

Finance lease payments

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

Net financing costs

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

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

Hedge of a net investment in foreign operation

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

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

(d) Derivative financial instruments

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

(e) Property, plant and equipment

Owned assets

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

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

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

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

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

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

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

(f) Intangible assets
Intangibles consist of goodwill, development cost, entitlement to trademarks and non-competition agreements.

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

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

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

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

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

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

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

The company has not received any material government grants.

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

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

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

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

(h) Inventory
Inventories of raw materials are valued at the lower of cost of acquisition and fair value. Work in progress and finished products are valued at the lower of cost to manufacture or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Spare parts and parts held by service agents are valued at cost. A deduction is made for obsolescence where necessary.

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

(i) Transactions, receivables and liabilities in foreign currencies
Receivables and liabilities are booked at the exchange rate at the date of the balance sheet. Transactions in profit and loss are booked at monthly average exchange rates.

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

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

(k) Pension obligations
Defined contribution plans
Obligations for contributions to defined contribution plans are recognized as employee benefits expenses in profit and loss as the related service is provided.

Tomra Systems ASA's defined contribution plan also included the right to a paid up policy, an element of which was a defined benefit. This part of the defined contribution plan was accounted for as a defined benefit plan as described below. From 1 January 2017 the right to a paid up policy was closed, and no accounting as a defined benefit plan is done in 2017 for this plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reversals of impairment
An impairment loss relating to goodwill can not be reversed.

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

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

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

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

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

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

(t) Trade and other payables
Trade and other payables are stated at cost.

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

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

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

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

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

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

(w) Share Capital
Ordinary shares
Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

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

(x) New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations were not effective for the year ended 31 December 2017 and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRIC 23 Uncertainty over Income Tax Treatments
Amendments to IAS 28: Long-term interests in Associates and Joint Ventures

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

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

Sales of goods
For the sale of RVMs and Sorters, revenues will be recognized when the customer obtains control over the goods.

TOMRAs assessment is that the customer obtains control over the RVM/Sorter when it is delivered and revenue will be recognized at the same point in time as under IAS 18.

Rendering of service
TOMRA sells both ad hoc service and service contracts. For ad hoc service revenue will be recognized at the point in time when the service is performed.

For Service contracts, revenue recognition will be taken over the service contract period, as under IAS 18.

Processing & handling fee
The processing & handling fee will be recognized as revenue at month end based on number of containers collected. The revenues are recognized when the service is performed (container has been collected and processed).

Commodity revenues
The commodity revenues are recognized when the material is sold. Then the service of selling the commodity is performed.

Construction contracts
For some projects, machines are built to a customer order, or built only for a customer to use. These machines have no alternative use for TOMRA and TOMRA has the right to payment (incl. mark-up) for performance completed to date. The revenues will be recognized over time as the performance obligation is satisfied, and the method used is an input method based on the time and costs incurred.

Warranty
Warranty will be recognized as an expense and the liability accrued as TOMRA does today according to IAS 37.

TOMRA has assessed the effects from IFRS 15 and does not expect any material changes in revenue recognition due to the new standard.

Transition
TOMRA plans to adopt IFRS 15 using the modified retrospective method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). As a result, TOMRA will not apply the requirements of IFRS 15 to the comparative period presented.

IFRS 9, effective from 1 January 2018, will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new model for classification and measurement of financial assets and financial liabilities, a reformed approach to hedge accounting, and a more forward-looking impairment model.

The implementation of IFRS 9 is not expected to have a material impact on the consolidated balance sheet, income statement and cash flow statement due to TOMRA's limited use of complex financial instruments and TOMRA's immaterial historical credit losses.

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

TOMRA has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borowing rate at 1 January 2019, the composition of TOMRAs lease portfolio at that date, the latest assessment of whether it will exercise any lease renewal options and the extent to which TOMRA chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that TOMRA will recognise new assets and liabilities for its operating leases. As a result, the balance sheet will increase by 10-15 percent, creating a negative impact on key figures using total assets as a variable such as ROCE.

In addition the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

No significant impact is expected for TOMRA's finance leases.

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

ACCOUNTING PRINCIPLES

TOMRA SYSTEMS ASA - NGAAP

GENERAL

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

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

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

VALUATION AND CLASSIFICATION PRINCIPLES

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

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

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

START-UP AND DEVELOPMENT COSTS
Start-up and research and development costs are expensed as they are incurred.

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

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

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

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES
Receivables and liabilities are booked at the exchange rate at the date of the balance sheet.

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

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

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

Tomra Systems ASA's defined contribution plan also included the right to a paid up policy, an element of which was a defined benefit. This part of the defined contribution plan was accounted for as a defined benefit plan as described below. From 1 January 2017 the right to a paid up policy was closed, and no accounting as a defined benefit plan was done in 2017 for this plan.

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

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

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

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

TAXES
The tax charge in the profit and loss account includes both taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable resulting from the year's activities. Deferred taxes are determined based on the accumulated result, which falls due for payment in future periods. Deferred taxes are calculated on net positive timing differences between accounting and tax balance sheet values, after offsetting negative timing differences and losses carried forward under the liability method in accordance with the rules set out in the Norwegian Accounting Standard.

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

NOTES

NOTE 1 SEGMENT INFORMATION

TOMRA GROUP- IFRS

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

NOTE 1 SEGMENT INFORMATION (CONT.)

Amounts in NOK million	Collection Solutions	Sorting Solutions	Group Functions	TOTAL
2017				
Northern Europe	614			614
Rest of Europe [1)]	1,671			1,671
North America [2)]	1,520			1,520
Rest of the world	66			66
Europe [1)]		1,182		1,182
North America [2)]		1,282		1,282
South America		140		140
Asia		419		419
Oceania		329		329
Africa		209		209
Operating revenues	**3,871**	**3,561**	**0**	**7,432**
Gross contribution	1,601	1,540		3,141
- in %	41 %	43 %		42 %
Operating expenses	895	1,114	64	2,073
EBITA	**706**	**426**	**(64)**	**1,068**
- in %	18 %	12 %		14 %
Amortizations	57	95		152
EBIT	**649**	**331**	**(64)**	**916**
- in %	17 %	9 %		12 %
Share of profit from associates	(5)	0	0	(5)
Investments	463	517	0	980
Investments in associates	79	0	0	79
Assets [3)]	3,019	4,542	876	8,437
Liabilities	973	1,101	1,626	3,700
Depreciation and amortization	233	141	0	374
Impairment losses recognized in P&L	0	0	0	0
Other significant non-cash expenses	0	0	0	0

1) Includes revenues from Germany of NOK 1,537 million in 2017 (NOK 1,723 million in 2016)
2) Includes revenues from USA of NOK 2,357 million in 2017 (NOK 1,990 million in 2016)
3) NOK 997 million of the assets was located in Norway in 2017 (NOK 832 million in 2016)

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

Compac Group, acquired in 2017, is reported as part of TOMRA Sorting Solutions.

Collection Solutions - two business streams:

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

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

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

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

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

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

Revenue from service activities was NOK 2,234 million (2016: NOK 2,055 million) out of total revenue of NOK 7,432 million (2016: NOK 6,610 million).

NOTE 2 INVENTORY/COST OF GOODS SOLD

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
		COST OF GOODS SOLD		
702.5	880.4	Cost of goods sold, gross	3,196.2	2,897.5
1.0	-	Change in inventory	47.0	(68.2)
703.5	**880.4**	**Cost of goods sold, net**	**3,243.2**	**2,829.3**

Cost of goods sold includes adjustment of inventory write-down of NOK 0.0 million (2016: NOK 0.0 million) for the Parent Company and NOK 5.4 million (2016: NOK 15.5 million) for the Group.

		INVENTORY		
-	-	Raw materials	568.2	544.9
-	-	Work in progress	120.8	103.9
6.5	7.4	Finished goods	327.5	309.1
-	-	Spare parts	180.7	169.0
6.5	**7.4**	**Total inventory**	**1,197.2**	**1,126.9**
-	-	Inventory stated at fair value less costs to sell	-	-

Inventories are not subject to retention of title clauses.

NOTE 3 EMPLOYEE BENEFITS EXPENSES

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
157.7	154.5	Salaries	1,764.2	1,422.0
32.7	32.9	Social security tax	238.3	217.9
(6.9)	15.1	Pension cost	40.1	52.2
7.5	6.3	Other labor cost	155.9	155.3
191.0	**208.8**	**Total employee benefits expenses**	**2,198.5**	**1,847.4**
152	151	Number of man-years	3,250	2,645

All Norwegian companies within the Tomra Group utilize bank guarantees instead of restricted accounts for employee tax deductions.

NOTE 4 FINANCIAL ITEMS

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
258.1	324.9	Dividend from subsidiaries	-	-
258.1	**324.9**	**Dividend from subsidiaries**	**-**	**-**
29.6	20.9	Interest income 1)	10.6	9.4
22.2	-	Other financial income	22.2	-
-	129.0	Foreign exchange gain	-	53.3
51.8	**149.9**	**Total financial income**	**32.8**	**62.7**
10.6	8.4	Interest expenses 1)	19.1	15.9
0.7	23.5	Other financial expenses 2)	6.4	30.6
121.8	-	Foreign exchange loss 3)	31.0	-
133.1	**31.9**	**Total financial expenses**	**56.5**	**46.5**

1) Interest income and expenses for Tomra Systems ASA include interest income and expenses from subsidiaries of NOK 28.7 million (2016: NOK 17.5 million) and NOK 0.0 million (2016: NOK 0.1 million) respectively.

2) Other financial expenses in Tomra Systems ASA (2016) includes a NOK 19.9 million write-down of loan to associated company Revive Recycling Pty Ltd.

3) The foreign exchange loss in Tomra Systems ASA relates mainly to loans in EUR and unrealized loss on forward exchange contracts. At Group level, the loans are hedged against the net assets in EUR exposed subsidiaries.

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

NOTE 5 CONTINGENT LIABILITIES

Warranty liabilities
TOMRA has warranty liabilities of NOK 58.5 million (2016: NOK 74.3 million) for the Parent Company and NOK 198.7 million (2016: NOK 187.2 million) for the Group.

Options
TOMRA owns 57.5% of Tomra Holding OÜ (Baltics) and 80% of Tomra Collection Australia Pty Ltd (Australia). The minority owners in the respective two companies hold rights to sell their shares to Tomra (put options) and Tomra holds the right to buy their shares (call options), from 2024 and 2022 respectively. The sales price is determined based upon the performance of the companies. The anticipated acquisition method is used in presenting these subsidiaries and the respective obligation, even though still legally being non-controlling interests.

German Patent Litigation Case
Envipco Holding N.V. owns a granted German patent related to security marks used on bottles and cans within the German deposit system. Envipco has taken legal action in the German courts against various users of the German security mark system claiming that these users (including a Tomra customer) are infringing their patent rights. TOMRA has taken appropriate defensive actions against Envipco' s claims of patent infringement, as it believes that no infringement has taken place. Also, the Envipco patent is currently being opposed in The German Patent Office and the Office's preliminary opinion is that the German patent is invalid. TOMRA agrees with this preliminary opinion and consequently TOMRA has not made any accruals for the case as of year-end 2017. Tomra Systems ASA has issued a letter of indemnity toward Tomra Systems GmbH in relation to this case.

Warranty
Tomra Systems ASA has issued a warranty toward Tomra Europe AS, to cover Tomra Europe AS's obligations as owner of the Tomra-Cleanaway J/V in Australia.

NOTE 6 INTEREST-BEARING LIABILITIES

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
		NON-CURRENT LIABILITIES		
1,269.4	745.1	Unsecured bank loans [1]	1,269.4	745.1
-	-	Other non-current interest-bearing liabilities	10.7	14.6
1,269.4	**745.1**	**Total non-current interest-bearing liabilities**	**1,280.1**	**759.7**
0.0	0.0	Due more than 5 years after balance sheet date	0.0	0.0
		CURRENT LIABILITIES		
-	-	Current portion of unsecured bank loans	-	-
-	-	Other current interest-bearing liabilities	-	-
0.0	**0.0**	**Total current interest-bearing liabilities**	**0.0**	**0.0**

1) Tomra Systems ASA has a six-year revolving credit facility of EUR 50 million, or NOK/USD equivalent, entered into in December 2015, and one five-year and one seven-year revolving credit facility of EUR 60 million, or NOK/SEK/USD equivalent, entered into in April 2014. As of 31 December 2017, EUR 129 million was drawn on these three facilities. The loans have floating interest and negative pledge commitment. The loan agreements are conditional upon an equity covenant of at least 30 percent of total assets, measured at the end of each quarter. See also disclosure note 19.

NOTE 7 SHORT TERM RECEIVABLES

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
9.6	11.1	Trade receivables, gross	1,545.9	1,385.7
682.7	252.0	Intra group short-term receivables	-	-
19.8	24.0	Other short-term receivables, gross [1]	419.0	374.6
(0.5)	(0.2)	Provision for bad debt	(77.3)	(64.8)
711.6	**286.9**	**Total receivables**	**1,887.6**	**1,695.5**
0.2	0.6	Provision for bad debt per 1 January	64.8	56.3
0.3	-	Provisions made during the year	0.3	12.4
-	-	Provision in acquired companies	16.5	-
-	(0.4)	Provisions used during the year	(4.3)	(3.9)
0.5	**0.2**	**Provision for bad debt per 31 December**	**77.3**	**64.8**

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

Bad debt written-off is reported as other operating expenses.
Receivables with due dates more than one year after the balance date are reported as non-current assets.

NOTE 7 SHORT TERM RECEIVABLES (CONT.)

	Group IFRS	
Trade receivables fall due: **Amounts in NOK million**	**2017**	2016
Not due yet	984.8	939.5
0- 30 days	288.8	254.2
31- 60 days	103.1	43.6
61- 90 days	54.9	23.0
Older than 90 days	114.3	125.4
Total trade receivables	**1,545.9**	**1,385.7**

NOTE 8 LONG TERM RECEIVABLES

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
-	-	Deposits	5.7	10.5
-	-	Capital lease	151.3	167.6
2.1	2.0	Loans to employees	2.3	2.2
18.3	20.6	Other long term receivables	109.4	91.2
20.4	**22.6**	**Total receivables**	**268.7**	**271.5**

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

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

GROUP - IFRS **Amounts in NOK million**	**Land & Buildings**[3]	**Machinery & Fixtures**	**Vehicles**	**Leasing Equipment**	**Total**
Cost					
Balance at 1 January 2016	347.2	631.4	172.3	680.1	1,831.0
Other acquisitions	12.2	90.9	14.8	132.8	250.7
Disposals	(10.0)	(108.0)	(38.1)	(95.0)	(251.1)
Effect of movements in foreign exchange [1]	(8.2)	(16.9)	(5.3)	(25.4)	(55.8)
Balance at 31 December 2016	**341.2**	**597.4**	**143.7**	**692.5**	**1,774.8**
Balance at 1 January 2017	341.2	597.4	143.7	692.5	1,774.8
Acquisitions through business combinations	20.5	20.2	6.6	9.0	56.3
Other acquisitions	16.7	100.2	32.6	238.1	387.6
Disposals	(6.9)	(54.1)	(16.9)	(88.9)	(166.8)
Transferred between categories	59.4	0.0	0.0	(59.4)	0.0
Effect of movements in foreign exchange [2]	14.7	55.6	5.1	19.5	94.9
Balance at 31 December 2017	**445.6**	**719.3**	**171.1**	**810.8**	**2,146.8**
Depreciation and impairment losses					
Balance at 1 January 2016	105.3	413.2	102.8	371.8	993.1
Depreciation charge for the year	17.7	71.2	20.1	102.5	211.5
Write-down	0.0	0.0	0.0	0.0	0.0
Disposals	(4.4)	(99.9)	(35.3)	(68.1)	(207.7)
Effect of movements in foreign exchange [1]	(2.4)	(8.8)	(3.1)	(8.5)	(22.8)
Balance at 31 December 2016	**116.2**	**375.7**	**84.5**	**397.7**	**974.1**
Balance at 1 January 2017	116.2	375.7	84.5	397.7	974.1
Depreciation charge for the year	28.1	78.6	20.8	94.0	221.5
Write-down	0.0	0.0	0.0	0.0	0.0
Disposals	(6.3)	(37.7)	(13.2)	(59.0)	(116.2)
Transferred between categories	6.0	0.0	0.0	(6.0)	0.0
Effect of movements in foreign exchange [2]	4.6	45.9	5.5	13.5	69.5
Balance at 31 December 2017	**148.6**	**462.5**	**97.6**	**440.2**	**1,148.9**
Depreciation rate [4]	2-4%	10-33%	15-33%	10-20%	
Useful life	50 yrs	10 yrs	7 yrs	5-10 yrs	
Carrying amounts					
31 December 2016	225.0	221.7	59.2	294.8	800.7
31 December 2017	**297.0**	**256.8**	**73.5**	**370.6**	**997.9**
Finance lease carrying amounts (as included in total carrying amounts)					
31 December 2016	0.0	0.0	0.0	0.0	0.0
31 December 2017	0.0	0.0	0.0	0.0	0.0

1) Exchange rates as of 31 December 2016 were used in calculating tangible assets of foreign subsidiaries.
2) Exchange rates as of 31 December 2017 were used in calculating tangible assets of foreign subsidiaries.
3) Including land of NOK 39.5 million as of 31 December 2017.
4) All depreciation plans are linear.

Minimum lease payments under operational lease	**2017**	2016
Not later than one year	164.3	142.2
Between one and five years	411.9	373.3
More than five years	448.9	356.4

TOMRA does not have any major property, plant and equipment purchase commitments as of 31 December 2017.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONT.)

Leasing equipment
The companies within TOMRA Group had 9,180 reverse vending machines and 552 sorters leased to customers at the end of 2017. 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 operating leasing equipment	**2017**	2016
Not later than one year	224.3	192.4
Between one and five years	591.4	522.8
More than five years	130.4	179.1

TOMRA SYSTEMS ASA - NGAAP **Amounts in NOK million**	**Machinery & Fixtures**	**Vehicles**	**Total**
Cost			
Balance at 1 January 2016	67.5	1.5	69.0
Acquisitions	13.3	0.9	14.2
Disposals	(34.5)	(0.3)	(34.8)
Balance at 31 December 2016	**46.3**	**2.1**	**48.4**
Balance at 1 January 2017	46.3	2.1	48.4
Acquisitions	7.5	0.0	7.5
Disposals	0.0	0.0	0.0
Balance at 31 December 2017	**53.8**	**2.1**	**55.9**
Depreciation and impairment losses			
Balance at 1 January 2016	48.9	0.8	49.7
Depreciation charge for the year	6.7	0.4	7.1
Disposals	(33.5)	(0.3)	(33.8)
Balance at 31 December 2016	**22.1**	**0.9**	**23.0**
Balance at 1 January 2017	22.1	0.9	23.0
Depreciation charge for the year	7.4	0.4	7.8
Disposals	0.0	0.0	0.0
Balance at 31 December 2017	**29.5**	**1.3**	**30.8**
Depreciation rate [1]	10-33%	15-33%	
Useful life	10 yrs	7 yrs	
Carrying amounts			
31 December 2016	24.2	1.2	25.4
31 December 2017	**24.3**	**0.8**	**25.1**

1) All depreciation plans are linear.

Minimum lease payments under operational lease of offices	**2017**	2016
Not later than one year	8.2	8.1
Between one and five years	35.2	34.8
More than five years	50.3	60.5

NOTE 10 INTANGIBLE ASSETS

GROUP - IFRS Amounts in NOK million	Goodwill	Development costs [6]	Other [4]	Total
Cost				
Balance at 1 January 2016	2,399.9	414.7	833.2	3,647.8
Acquisitions through business combinations	(1.5)	0.0	0.0	(1.5)
Other acquisitions / internally developed	0.0	47.3	59.8	107.1
Disposals	(5.5)	0.0	(34.8)	(40.3)
Effect of movements in foreign exchange [2]	(104.0)	(4.1)	(30.8)	(138.9)
Balance at 31 December 2016	**2,288.9**	**457.9**	**827.4**	**3,574.2**
Balance at 1 January 2017	2,288.9	457.9	827.4	3,574.2
Acquisitions through business combinations [7]	379.1	74.9	27.1	481.1
Other acquisitions / internally developed	0.0	48.6	96.7	145.3
Disposals	0.0	0.0	(1.1)	(1.1)
Effect of movements in foreign exchange [3]	112.4	13.4	22.3	148.1
Balance at 31 December 2017	**2,780.4**	**594.8**	**972.4**	**4,347.6**
Depreciation and impairment losses				
Balance at 1 January 2016	188.4	315.9	472.6	976.9
Depreciation charge for the year [5]	0.0	32.5	96.6	129.1
Impairment losses	0.0	2.3	(0.0)	2.3
Disposals	(5.2)	0.0	(34.2)	(39.4)
Effect of movements in foreign exchange [2]	(2.4)	(2.6)	(21.9)	(26.9)
Balance at 31 December 2016	**180.8**	**348.1**	**513.1**	**1,042.0**
Balance at 1 January 2017	180.8	348.1	513.1	1,042.0
Depreciation charge for the year [5]	0.0	47.1	105.6	152.7
Impairment losses	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	(1.1)	(1.1)
Effect of movements in foreign exchange [3]	(5.2)	12.5	16.9	24.2
Balance at 31 December 2017	**175.6**	**407.7**	**634.5**	**1,217.8**
Depreciation rate [1]	0 %	14-33%	5-33%	
Useful life	Indefinite	3-7 yrs	3-20 yrs	
Carrying amounts				
31 December 2016	2,108.1	109.8	314.3	2,532.2
31 December 2017	**2,604.8**	**187.1**	**337.9**	**3,129.8**

1) All depreciation plans are linear except for customer relations and technology from the purchase price allocation of BEST that have a declining depreciation profile.
2) Exchange rates as of 31 December 2016 were used in calculating intangible assets of foreign subsidiaries.
3) Exchange rates as of 31 December 2017 were used in calculating intangible assets of foreign subsidiaries.
4) Other intangibles comprises patents, software and other intangibles + purchase price allocations from acquisitions (including customer relations, agent network and trademarks).
5) Amortization of intangibles is classified as depreciation in the profit and loss statement.
6) Capitalized development costs comprises mainly salaries to engineers and parts utilized in development projects related to new sorters and reverse vending machines. The carrying amount at 31 December 2017 was NOK 106.2 million for TOMRA Sorting and NOK 80.8 million for TOMRA Collection.
7) Acquisitions of NOK 379.1 million in Goodwill is mainly related to acquiring the Compac Group see note 24.

NOTE 10 INTANGIBLE ASSETS (CONT.)

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

Amounts in NOK million	2017	2016
TOMRA COLLECTION SOLUTIONS		
- Reverse vending	234.8	198.6
- Material recovery	106.3	111.7
TOMRA SORTING SOLUTIONS	2,263.7	1,797.8
Total	**2,604.8**	**2,108.1**

TOMRA tests goodwill and other intangible assets with infinite useful life annually or more frequently if there are impairment indicators. As of 31 December 2017 and 2016 the Group had no intangible assets with infinite useful life, other than goodwill. Property, plant and equipment and other tangible assets with finite useful life are tested if there are indicators that assets might be impaired.

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

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

Growth rate
TOMRA has experienced significant growth for several years, and both the Sorting segment and the Collection segment have grown revenues organically by ~10 percent per year the last 5 years on average, excluding acquisitions. The growth used in the impairment tests is consequently significantly lower than those experienced historically. In prediction of cash flows, management has utilized a conservative approach, and the predicted development is in general lower than what has been utilized in the strategic plan, approved by the Board in 2017. It is also lower than the financial targets (more than 4 percent yearly revenue growth in TOMRA Collection and more than 10 percent yearly revenue growth in TOMRA Sorting). The growth in the terminal year is set to 1.5 percent in the analysis.

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

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

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

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

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

NOTE 10 INTANGIBLE ASSETS (CONT.)

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

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

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

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

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

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

Due to reorganizations, where synergies are taken out by merging units and technology is cross utilized between previously separate business streams and companies, the allocation of assets and cash flow within TOMRA Sorting has been difficult and in many cases arbitrary. The impairment test in 2013 was the last year performed as a bottom up exercise per business stream, where the allocated goodwill was tested. Further integration and restructuring in 2014 added to this complexity and it is no longer possible to follow the cashflow from each of the initial acquisitions within TOMRA Sorting. Consequently TOMRA Sorting from 2014 was treated as one CGU. With the acquisition of Compac in 2017 ref. disclosure note 24, TOMRA Sorting now consist of two CGUs, one for the initial acquisitions in TOMRA Sorting, and one for Compac. TOMRA Collection has not been influenced by the restructuring and cross utilization of technologies, and the number of cash generating units has consequently not been changed within this business area.

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

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

Exchange rates as of 31 December 2017 were used in calculating carrying values (see note 19). In calculating the predicted cash flows, the following exchange rates were used EUR/NOK: 9.30 USD/NOK: 8.20.

Research and development expense
Research and development cost of NOK 276.4 million has been recognized as an expense (2016: NOK 244.4 million) and NOK 48.6 million has been capitalized (2016: NOK 47.3 million).

NOTE 10 INTANGIBLE ASSETS (CONT.)

TOMRA SYSTEMS ASA - NGAAP Amounts in NOK million	Other	Patents	Total
Cost			
Balance at 1 January 2016	43.9	4.4	48.3
Other acquisitions-internally developed	25.8	0.0	25.8
Disposals	(17.1)	0.0	(17.1)
Balance at 31 December 2016	**52.6**	**4.4**	**57.0**
Balance at 1 January 2017	52.6	4.4	57.0
Other acquisitions-internally developed	23.2	0.0	23.2
Balance at 31 December 2017	**75.8**	**4.4**	**80.2**
Depreciation and impairment losses			
Balance at 1 January 2016	19.8	0.8	20.6
Depreciation charge for the year	7.6	0.7	8.3
Disposals	(17.1)	0.0	(17.1)
Balance at 31 December 2016	**10.3**	**1.5**	**11.8**
Balance at 1 January 2017	10.3	1.5	11.8
Depreciation charge for the year	12.5	0.8	13.3
Balance at 31 December 2017	**22.8**	**2.3**	**25.1**
Depreciation rate	20 %	20 %	
Useful life	5 yrs	5 yrs	
Carrying amounts			
31 December 2016	42.3	2.9	45.2
31 December 2017	**53.0**	**2.1**	**55.1**

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

NOTE 11 TAXES

Tomra Systems ASA NGAAP 2017	2016	Amounts in NOK miliion	Group IFRS 2017		2016	
		TAX BASIS				
481.0	715.8	Profit before taxes				
(258.1)	(324.9)	Dividend from subsidiaries				
(13.3)	(5.4)	Permanent differences				
(10.8)	24.1	Change in temporary differences				
198.8	**409.6**	**Basis for taxes payable**				
		TAXES				
47.7	102.4	Taxes payable	249.2		295.7	
0.5	(1.0)	Tax over-accrued last year	-		-	
1.8	0.9	Tax effect of equity transactions	27.9		(14.0)	
4.7	(3.7)	Net change in deferred taxes	(47.8)		(24.8)	
54.7	**98.6**	**Tax expense**	**229.3**		**256.9**	
		Effective tax rate				
		Taxes based upon actual tax rates	210.5	23.7 %	243.5	24.5 %
		Tax effect from permanent differences	18.8	2.1 %	13.4	1.3 %
		Actual tax expense	**229.3**	**25.9 %**	**256.9**	**25.8 %**

NOTE 11 TAXES (CONT.)

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

Tomra Systems ASA NGAAP 2017	2016	Amounts in NOK miliion	Group IFRS 2017	2016
		DEFERRED TAX ASSETS		
-	-	Inventory	130.4	92.9
6.4	1.0	Other current assets	79.1	31.5
21.6	23.0	Intangible non-current assets	(6.3)	38.7
0.7	0.5	Tangible non-current assets	(28.7)	1.3
-	-	Financial non-current assets	7.7	-
4.3	4.6	Provisions	28.0	19.6
8.2	13.4	Other current liabilities	46.1	19.4
9.7	13.1	Pension reserves	24.9	13.3
-	-	Loss carried forward	1.0	1.0
50.9	**55.6**	**Total deferred tax assets**	**282.2**	**217.7**
		DEFERRED TAX LIABILITIES		
		Inventory	-	(11.5)
		Other current assets	-	(25.1)
		Intangible non-current assets	108.0	135.9
		Tangible non-current assets	2.5	60.7
		Financial non-current assets	1.1	(10.9)
		Provisions	2.6	1.7
		Current liabilities	-	(42.0)
		Pension reserves	-	(11.3)
		Total deferred tax liabilities	**114.2**	**97.5**

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

The change in tax rates in the US has not had any material effect on taxes in 2017, but is expected to slightly reduce the tax expense in 2018.

NOTE 12 OTHER CURRENT LIABILITIES

Tomra Systems ASA NGAAP 2017	2016	Amounts in NOK million	Group IFRS 2017	2016
28.2	26.1	Tax deductions, social security tax, holiday pay	310.8	341.3
-	-	Advances from customers	407.7	238.1
346.8	309.8	Dividend accruals	-	-
115.4	91.3	Non interest-bearing debt [1)]	549.5	428.6
490.4	**427.2**	**Total other current liabilities**	**1,268.0**	**1,008.0**

1) Non interest-bearing debt includes forward contracts of NOK 27.9 million (NOK 4.0 million in 2016).

NOTE 13 PROVISIONS

TOMRA SYSTEMS ASA - NGAAP

Amounts in NOK million	Warranty	Other	Total
Balance at 1 January 2017	19.0	0.0	19.0
Provisions made during the year	7.8	0.0	7.8
Provisions used during the year	(6.5)	0.0	(6.5)
Provisions reversed during the year	(1.7)	0.0	(1.7)
Balance at 31 December 2017	**18.6**	**0.0**	**18.6**

GROUP - IFRS

Amounts in NOK million	Warranty	Other	Total
Balance at 1 January 2017	131.0	7.2	138.2
Provisions acquisitions	13.4	0.0	13.4
Provisions made during the year	135.6	1.7	137.3
Provisions used during the year	(75.6)	0.0	(75.6)
Provisions reversed during the year	(65.5)	(0.4)	(65.9)
Balance at 31 December 2017	**138.9**	**8.5**	**147.4**

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

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

NOTE 14 RELATED PARTIES

GROUP - IFRS

Amounts in NOK, unless stated otherwise

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

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

2017 Board members	Share-holding [1]	Board fees [4]	Committee fees [4] [5]	Salary [6]	Variable salary [7]	Other benefits [9]
Jan Svensson (Chairman and Compensation Committee) [10]	7,000	612,500	48,500			
Aniela Gabriela Gjøs (Board member and Audit Committee)	12,500	435,000	33,500			
Pierre Couderc (Board member and Audit Committee)		435,000	48,500			
Bodil Sonesson (Board member and CR Committee)		435,000	48,500			
Linda Bell (Board member and Compensation Committee)	1,674	435,000	33,500			
Ingrid Solberg (Employee representative, until April 2017)		112,500		1,056,064	230,103	48,087
Bente Traa (Employee representative, from April 2017)	744	112,500		849,342	127,452	37,523
David Williamson (Employee representative and CR Committee)	1,137	225,000		488,272		13,971
Tom Knoff (Nomination Committee, until April 2017)			34,000			
Jon Hindar (Nomination Committee, from April 2017)			33,000			
Eric Douglas (Nomination Committee) [11]			43,500			
Hild Kinder (Nomination Committee)			43,500			

NOTE 14 RELATED PARTIES (CONT.)

2017 Group Management	Share-holding [1]	Loan [3]	Salary [6]	Variable salary [7]	Pension premiums [8]	Other benefits [9]
Stefan Ranstrand (President & CEO) [2]	115,637		5,253,324	1,069,788	797,690	668,511
Espen Gundersen (Deputy CEO & CFO)	53,081		2,674,391	580,843	808,239	813,875
Volker Rehrmann (EVP and CTO, Head of Business Area Sorting Solutions)	22,502		EUR 320,080	EUR 105,466	EUR 2,221	EUR 17,069
Harald Henriksen (EVP, Head of Business Area Collection Solutions)	51,844	1,400,000	2,381,497	226,540	720,345	883,101
Fredrik Nordh (SVP, Head of Nordic Collection Solutions until October 2017)			SEK 1,182,223	SEK 474,001	SEK 318,744	SEK 746,495
Anneli Forsman (SVP, Head of Northern Europe Collection Solutions from October 2017) [12]			SEK 362,634	SEK 180,082	SEK 70,062	SEK 11,539
Heiner Bevers (SVP, Head of North America Collection Solutions)	56,260		USD 409,731	USD 139,564		USD 175,258
Frank Höhler (SVP, Head of Central and Eastern Europe Collection Solutions)	1,770		EUR 250,000	EUR 55,325	EUR 5,000	EUR 4,620
Tom Eng (SVP, Head of Tomra Sorting Solutions, Recycling)	7,828		1,424,923	423,871	457,596	357,981
Ashley Hunter (SVP, Head of Tomra Sorting Solutions, Food)	23,686		EUR 303,895	EUR 84,165	EUR 9,542	EUR 18,516
Mike Riley (CEO Compac)			NZD 458,654	NZD 270,000	NZD 13,759	NZD 612

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

2016 Group Management	Share-holding [1]	Loan [3]	Salary [6]	Variable salary [7]	Pension premiums [8]	Other benefits [9]
Stefan Ranstrand (President & CEO) [2]	97,698		5,192,054	2,250,550	614,715	394,806
Espen Gundersen (Deputy CEO & CFO)	45,155		2,596,493	1,223,125	877,419	795,913
Håkon Volldal (EVP, Head of Business Area Collection Solutions until June 2016)			1,376,847	0	320,378	335,456
Volker Rehrmann (EVP and CTO, Head of Business Area Sorting Solutions)	13,498		EUR 310,758	EUR 118,088		EUR 20,037
Harald Henriksen (EVP, Head of Business Area Collection Solutions from June 2016) [12]	41,851	1,400,000	3,179,458	1,368,564	782,201	647,654
Fredrik Nordh (SVP, Head of Nordic Collection Solutions)	24,538		SEK 1,778,210	SEK 810,203	SEK 445,272	SEK 112,570
Heiner Bevers (SVP, Head of North America Collection Solutions from October 2016) [12]	46,553		EUR 327,016	EUR 134,696	EUR 6,081	EUR 101,132
Frank Höhler (SVP, Head of Central and Eastern Europe Collection Solutions from October 2016)			EUR 56,250	EUR 22,500		EUR 1,155
Tom Eng (SVP, Head of Tomra Sorting Solutions, Recycling)	3,715		1,354,414	386,490	546,100	329,032
Ashley Hunter (SVP, Head of Tomra Sorting Solutions, Food)	15,592		EUR 301,473	EUR 132,341	EUR 9,572	EUR 17,207

Loans to employees as of 31 December amounted to NOK 2.0 million (2016: NOK 2.0 million) for the parent company and NOK 2.3 million (2016: NOK 2.2 million) for the Group.

NOTE 14 RELATED PARTIES (CONT.)

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

2) Remuneration CEO
Stefan Ranstrand could in 2017 earn a variable salary up to 50 percent of his fixed salary, based upon the Group's performance. He also participated in the Long Term Incentive Plan (see below). The CEO is entitled to 12 months salary as severance pay, in the case of dismissal.

3) Loans to management
Loans in NOK as of 31 December 2017 and 2016. The loans are secured by mortgages in real estate, motor vehicles or securities and are interest and installment free.

4) Board fees
The Board receives 50 percent of the estimated fees after six months, and the remaining after an additional six months, when the fees have been formally approved by the annual general assembly. The column shows actual payout in 2017.

5) Committee fees
Fees related to participation in the Audit, Compensation, CR and Nomination Committees.

6) Salary
Ordinary salary received in the year.

7) Variable salary
Estimated bonus payments for the current year, based upon the current years performance. The amounts do not include payments from the LTIP-program described below.

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

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

10) Shareholding Board member
Board member Jan Svensson holds the position of CEO in Investment AB Latour that had a holding of 39,000,000 shares in TOMRA at 31 December 2017.

11) Shareholding Committee member
Committee member Eric Douglas' family controls Investment AB Latour that had a holding of 39,000,000 shares in TOMRA at 31 December 2017.

12) Change in positions
Fredrik Nordh, SVP and Head of Nordic Collection Solutions, left TOMRA in September 2017.

Anneli Forsman joined TOMRA as Senior Vice President, Head of Northern Europe Collection Solutions in October 2017.

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

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

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

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

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

For 2017, the actual performance for the fiscal year 2015, 2016 and 2017 was measured against the combined targets for the three years. The range where management could gain earnings was from 10.25 NOK (min) to 11.25 NOK (max). As the actual EPS for 2015, 2016 and 2017 combined was 12.88 NOK, management gained consequently full earnings under the LTIP-plan in 2017.

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

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

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

The targets for 2020 were established by the end of 2017 (a combination of the EPS for the years 2018, 2019 and 2020).

NOTE 14 RELATED PARTIES (CONT.)

	Earned in 2017	To be invested in shares in 2018
Stefan Ranstrand (President & CEO)	4,884,878	1,221,220
Espen Gundersen (Deputy CEO & CFO)	2,652,250	663,063
Volker Rehrmann (EVP and CTO, Head of Business Area Sorting Solutions)	EUR 320,080	EUR 80,020
Harald Henriksen (SVP, Head of Business Area Collection Solutions)	2,410,000	602,500
Heiner Bevers (SVP, Head of North America Collection Solutions)	USD 410,000	USD 102,500
Frank Höhler (SVP and Head of Central and Eastern Europe Collection Solutions)	EUR 250,000	EUR 62,500
Tom Eng (SVP and Head of Tomra Sorting Solutions, Recycling)	1,427,269	356,817
Ashley Hunter (SVP and Head of Tomra Sorting Solutions, Food)	EUR 310,000	EUR 77,500

The collective compensation for key management personnel was as follows (22 managers in 2017 and 20 in 2016):

Amounts in NOK million	**2017**	2016
Short-term employee benefits	70.1	65.1
Severance payments	0.0	0.0
Post-employment benefits	3.4	3.7
Total	**73.5**	**68.8**

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

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

Auditors' fees

	2017		2016	
Amounts in NOK million	**Parent**	**Group**	**Parent**	**Group**
Statutory audit	1.2	9.5	1.1	7.9
Other attestation services	0.0	0.5	0.0	1.0
Tax consulting	0.0	2.8	0.0	1.9
Other services	0.1	1.1	0.0	0.2
Total	**1.3**	**13.9**	**1.1**	**11.0**

Statutory audit fees to KPMG for the Group were NOK 8.2 million (NOK 6.4 million in 2016), and fees to other auditors were NOK 1.3 million (NOK 1.5 million in 2016).

Non-audit fees to KPMG for the Group were NOK 3.9 million (NOK 2.8 million in 2016), and non-audit fees to other auditors were NOK 0.5 million (NOK 0.3 million in 2016).

NOTE 14 RELATED PARTIES (CONT.)

TOMRA SYSTEMS ASA - NGAAP

Tomra Systems ASA's transactions with related parties

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

The significant transactions are as follows:

Sales of RVMs, spare parts and service manuals/support of NOK 1,328 million in 2017 (NOK 1,452 million in 2016) to:

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

Purchase of RVMs and spare parts from Tomra Production AS of NOK 404 million in 2017 (NOK 460 million in 2016).

Management fee of NOK 7.7 million in 2017 (NOK 6.7 million in 2016).

Interest income on loans of NOK 28.7 million in 2017 (NOK 17.5 million in 2016), and interest expenses on loans of NOK 0.0 million in 2017 (NOK 0.1 million in 2016).

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

Amounts in NOK million	**2017**	2016
Loans to subsidiaries	764.9	605.4
Intra-group receivables	682.7	252.0
Loan from subsidiaries	(157.4)	(145.4)
Intra-group debt	(1,215.1)	(1,061.7)
Total	**75.1**	**(349.7)**

NOTE 15 SHARES AND INVESTMENTS

TOMRA SYSTEMS ASA - NGAAP

Amounts in NOK million	**Country**	**Year of acquisition**	**Vote and owner share**	**Book value**
Tomra North America Inc	USA	1992	100.0 %	1,166.2
Tomra Europe AS	Norway	1998	100.0 %	10.0
Tomra Production AS	Norway	1998	100.0 %	15.0
Tomra Canada Inc	Canada	2000	100.0 %	79.8
Tomra Sorting Japan KK	Japan	2000	100.0 %	7.0
Tomra Sorting AS	Norway	2004	100.0 %	1,817.6
Tomra Sorting Technology (Xiamen) Co. Ltd.	China	2010	100.0 %	81.4
Tomra Collection Pty Ltd.	Australia	2017	80.0 %	191.7
Total shares in subsidiaries				**3,368.7**
Tomra Japan Ltd.	Japan	2008	50.0 %	9.6
Total shares in associates				**9.6**

NOTE 16 INVESTMENTS IN ASSOCIATES

GROUP- IFRS **NOK million**	**Ultre-PET**	**Tomra s.r.o.**	**Tomra Japan Ltd.**	**Tomra Collection Pty Ltd.** [1]	**Incom Tomra Recycling Techn. Co. Ltd**	**Tomra Cleanaway Pty Ltd.**	**Total**
Book value 31 December 2016	61.9	-	2.2	1.6	4.1	-	69.8
Profit 2017	(6.3)	5.0	-	-	(1.0)	(2.4)	(4.7)
Newly established and acquired companies	-	-	-	(1.6)	-	25.1	23.5
Dividend	-	(5.0)	-	-	-	-	(5.0)
Currency translation difference	(4.9)	-	-	-	(0.3)	0.5	(4.7)
Book value 31 December 2017	**50.7**	**0.0**	**2.2**	**0.0**	**2.8**	**23.2**	**78.9**
Equity at date of acquisition	41.0	0.0	0.0	(9.3)	0.0	0.0	
Country	USA	Czech Republic	Japan	Australia	China	Australia	
Year of acquisition	1999	1998	2008	2016	2016	2017	
Vote and share ownership	49 %	40 %	50 %	80 %	49 %	50 %	

Summary financial information for associates on 100% basis:

2017							**Total**
Assets	146.7	13.8	140.2		6.0	89.7	396.4
Liabilities	47.7	0.4	112.1		0.3	43.3	203.8
Equity	99.0	13.4	28.1		5.7	46.4	192.6
Revenues	191.2	25.3	124.7		0.9	9.4	351.5
Profit/(loss)	(8.4)	10.3	7.1		(2.0)	(4.8)	2.2
2016							**Total**
Assets	165.4	14.2	140.0	10.0	7.8		337.4
Liabilities	42.5	0.5	118.7	19.3	7.7		188.7
Equity	122.9	13.7	21.3	(9.3)	0.1		148.7
Revenues	191.9	27.6	122.3	113.9	0.1		455.8
Profit/(loss)	(2.9)	12.1	9.2	1.8	(0.4)		19.8

1) During 2017 TOMRA increased its ownership in Tomra Collection Pty Ltd (former Revive Recycling Pty Ltd). The company is now a subsidiary and fully consolidated.

NOTE 17 PENSION AND PENSION OBLIGATIONS

Total Pension costs and pension liability for TOMRA Group

	GROUP IFRS	
Amounts in NOK million	**2017**	2016
Net pension cost Norwegian plans	14.1	3.8
Net pension cost US plans	27.7	0.0
Taxes	(6.1)	(0.9)
Net pension costs in Other Comprehensive Income	**35.7**	**2.9**
Pension liability Norwegian plans	42.2	54.6
Pension liability US plans	69.0	28.4
Total Pension liability	**111.2**	**83.0**

Norwegian plans

Tomra Systems ASA NGAAP			GROUP IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
		EXPENSE RECOGNIZED IN THE INCOME STATEMENT		
7.1	11.8	Current service cost	7.1	11.8
(17.4)	-	Past service cost - plan amendment [2)]	(17.4)	-
0.4	1.3	Interest cost (income)	0.4	1.3
(0.1)	1.8	Social security tax included in pension cost	(0.1	1.8
(10.0)	**14.9**	**Net pension costs in Income Statement**	**(10.0)**	**14.9**
		EXPENSE RECOGNIZED IN OTHER COMPREHENSIVE INCOME		
-	1.8	Actuarial loss (gain) - change in discount rate	-	1.8
11.9	(1.1)	Actuarial loss (gain) - change in other financial assumptions	11.9	(1.1)
2.5	(1.5)	Actuarial loss (gain) - experience DBO	2.5	(1.5)
(3.7)	2.3	Loss (gain) - experience Assets	(3.7)	2.3
1.7	1.8	Investment management cost	1.7	1.8
1.7	0.5	Social security tax included in pension cost	1.7	0.5
14.1	**3.8**	**Net pension costs in Other Comprehensive Income**	**14.1**	**3.8**
		FINANCIAL STATUS AS OF 31 DECEMBER		
199.3	231.9	Present value of funded pension obligations	199.3	231.9
(157.1)	(177.3)	Fair value of plan assets	(157.1)	(177.3)
42.2	**54.6**	**Pension liability**	**42.2**	**54.6**
		BASIS FOR CALCULATION		
2.30 %	2.30 %	Discount rate	2.30 %	2.30 %
2.50 %	2.25 %	Expected wage increase	2.50 %	2.25 %
2.25 %	2.00 %	Expected increase of base amount	2.25 %	2.00 %
2.30 %	2.30 %	Expected return on plan assets 31 December	2.30 %	2.30 %
11 yrs	**11 yrs**	**Average remaining service period**	**11 yrs**	**11 yrs**
		MOVEMENTS IN NET LIABILITY FOR DEFINED BENEFIT OBLIGATIONS AS RECOGNIZED IN THE BALANCE SHEET		
54.6	58.1	Net liability at 1 January	54.6	58.1
(16.5)	(22.2)	Contributions received	(16.5)	(22.2)
14.1	3.8	Remeasurement recognized in Other Comprehensive Income	14.1	3.8
(10.0)	14.9	Expense recognized in the Income Statement (*)	(10.0)	14.9
42.2	**54.6**	**Net liability at 31 December**	**42.2**	**54.6**
		(*) The expense is recognized in the following line item in the income statement		
(10.0)	14.9	Employee benefits expenses defined benefit plan	(10.0)	14.9
3.1	6.5	Employee benefits expenses defined contribution plan	50.1	37.3
(6.9)	**21.4**	**Total employee benefits expenses [1)]**	**40.1**	**52.2**

NOTE 17 PENSION AND PENSION OBLIGATIONS (CONT.)

1) NOK 6.3 million of total employee benefits for Tomra Systems ASA was charged to subsidiaries in 2017 (2016: NOK 6.3 million), and the interest of NOK 0.4 million is classified as employee benefits.

2) Past service cost - plan amendment is a one time effect from closing the right to a paid up defined contribution policy and changing the defined contribution plan to adapt to the change in State benefits.

Total employee benefits expenses for the Group is split as NOK 24.5 million in the Sorting Solutions segment (2016 NOK 15.8 million) and NOK 15.6 million in the Collection Solutions segment (2016 NOK 36.4 million).

TOMRA's best estimate of contributions expected to be paid into the plan for 2018 is NOK 12.8 million.

The discount rate is in accordance with guidelines from Norsk Regnskapsstiftelse at 31 August 2017, which was the best estimate of the rate at the time the basis for the calculation was set in October 2017. The effect of the increase in the long term interest rates towards the end of this year and the new guidelines at 31 December 2017, have been considered immaterial.

Due to the financial turmoil in Europe, the 10 year state bond interest has been unnaturally low. For this reason, Norsk Regnskapsstiftelse (NRS) in their 2016 and 2017 guidelines has recommended that the interest used for pension calculations should be set based upon preference bonds with sufficient liquidity (known as OMF-bonds). Over time it's assumed that the wage increase should not exceed the discount rate. TOMRA has consequently since 2013 calculated its pension liabilities based upon the implicit interest in OMF-bond.

GROUP - IFRS

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

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

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

From 1 January 2017 the defined contribution plan was changed to adapt to the change in State benefits. Under the new plan TOMRA contributes 6% of salary between 1 and 7.1G and 16 % of salary between 7.1 and 12G. The right to a paid up defined contribution policy was also closed from 1 January 2017.

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 and Tomra Sorting AS includes 92 employees and 42 retirees at year-end 2017.

Actual return on plan assets was NOK 10.9 million in 2016.

NOTE 17 PENSION AND PENSION OBLIGATIONS (CONT.)

Life expectancy
Assumptions regarding future mortality have been based on published statistics and mortality tables K2013BE.
The current life expectancy underlying the values of the defined benefit obligation at the reporting date were as follows.

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

Plan assets comprise of

	2017	2016
Shares	14.9 %	9.5 %
Short-term bonds	19.9 %	28.3 %
Credit	14.1 %	5.5 %
Long-term bonds	32.3 %	37.9 %
Property	12.1 %	14.0 %
Other	6.7 %	4.8 %
Total	**100.0 %**	**100.0 %**

Change in plan assets

Amounts in NOK million	**2017**	2016
Fair value of assets at beginning of year	177.2	160.7
Expected return on plan assets	3.4	3.7
Remeasurement	2.0	(4.1)
Acquisition	-	-
Employer contribution	14.4	19.5
Benefits paid	(2.8)	(2.5)
Fair value of assets at end of year	**157.0**	**177.3**

SENSITIVITY ANALYSIS

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

Basis for calculation	**Assump-tions 2017**	**Assump-tions 2016**	**Discount rate +0.5**	**Discount rate -0.5**	**Wage increase +0.5**	**Wage increase -0.5**	**Pension regulation +0.10**
Discount rate	2.30 %	2.30 %	2.80 %	1.80 %	2.30 %	2.30 %	2.30 %
Expected wage increase	2.50 %	2.25 %	2.50 %	2.50 %	3.00 %	2.00 %	2.50 %
Expected increase of base amount	2.25 %	2.00 %	2.25 %	2.25 %	2.25 %	2.25 %	2.25 %
Expected pension regulation	0.40 %	0.00 %	0.40 %	0.40 %	0.40 %	0.40 %	0.90 %
Expected return on plan assets	2.30 %	2.30 %	2.30 %	2.30 %	2.30 %	2.30 %	2.30 %

Results

Amounts in NOK million							
Service costs	7.5	7.0	6.7	8.4	8.1	6.9	7.0
Accumulated benefit obligation	159.0	152.1	145.0	174.9	159.0	159.0	156.8
Present benefit obligation	194.0	182.0	176.0	214.6	206.2	183.0	190.0
Total benefit obligation	280.5	262.1	252.1	313.1	301.6	261.1	269.8
Plan assets	160.7	149.2	160.7	160.7	160.7	160.7	160.7

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

NOTE 17 PENSION AND PENSION OBLIGATIONS (CONT.)

US plans

The Metro-plan
Tomra North America participates in a multi-employer pension plan, the "Metro-plan". The plan is a Defined Benefit plan (DB) under IAS 19. As there was limited financial information available for the plan, TOMRA applied Defined Contribution plan (DC) accounting for the plan up until 31 December 2012. The Metro plan comprises 50 TOMRA employees. In 2013 the Metro-plan was restructured, and the fund provided TOMRA with information about TOMRA's net liabilities under the plan. TOMRA entered into an agreement with the fund to settle the underfunding in the plan though annual payments of USD 0.2 million per year over 25 years period. Consequently, a net pension liability of USD 3.5 million (net present value) was recognized in other comprehensive income as a change in estimate in 2013. The agreement with the fund also included a re-entry into the restructured DB-plan based on direct attribution, where TOMRA is responsible for funding of liabilities directly attributable to TOMRA employees only. The premium paid under this plan was USD 155,665 in 2016 and USD 164,139 in 2017.

The TNYR-plan
Tomra North America has participated in a multi-employer pension plan, the "TNYR-plan". The plan has been a DB plan under IAS19. The plan comprised 45 TOMRA employees, out of approximately 2,300 participants.
Tomra has in December 2017 withdrawn from the plan as the participants have moved to a 401k plan (defined contribution). TOMRA had previously not received suffcient information from the fund to do proper IFRS calculations. The monthly pension-invoices have consequently been expensed as salary. As TOMRA has withdrawn from the plan, the liability can be estimated with sufficient certainty and accrued for in the balance sheet. USD 5.2 million has consequently been accrued in the 31 December 2017 balance sheet, against other comprehensive income and non-controlling interests.

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

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

NOTE 18 CASH AND CASH EQUIVALENTS

Tomra Systems ASA NGAAP			Group IFRS	
2017	2016	**Amounts in NOK million**	**2017**	2016
71.3	109.9	Cash and cash equivalents	593.5	399.2
71.3	109.9	Cash and cash equivalents in the statement of cash flows [1]	593.5	399.2

1) Includes restricted bank deposits totaling NOK 2.8 million for the Parent company and NOK 10.4 million for the Group.

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

NOTE 19 FINANCIAL INSTRUMENTS

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

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

Non-current interest-bearing liabilities relates to a six-year revolving credit facility of EUR 50 million or NOK/USD equivalent (established in December 2015), and one five-year and one seven-year revolving credit facility of EUR 60 million, or NOK/SEK/USD equivalent (both established in April 2014). On the EUR 50 million revolving credit facility, interest is payable at a rate of NIBOR/EURIBOR/LIBOR plus a margin, dependent on TOMRA's NIBD/EBITDA ratio. On the two EUR 60 million credit facilities, interest is payable at a rate of NIBOR/EURIBOR/LIBOR/STIBOR plus a margin dependent on TOMRA's leverage ratio (NIBD/EBITDA). In addition TOMRA has an overdraft facility of NOK 50 million. A change in the interest rate of 100 basis points, calculated on the loan amount as per 31 December 2017, increases/decreases the annual financial costs by NOK 13.0 million. At year end cash and cash equivalents had a duration of zero (mainly bank holdings), and the duration of the three loan facilities was 2.9 years.

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

Credit risk
Credit risk is the risk of loss that may arise on outstanding contracts should a counterparty default on its obligations. Historically the Group has limited bad debt on receivables. The Group has sufficient routines for credit checks on clients and credit risk is not considered to be significant on outstanding receivables as of 31 December 2017. However, TOMRA's customers include the largest retail chains in the world, as well as large scrap material processors and food producers, where outstanding receivables globally can be significant. In a situation where one of these systems collapses, TOMRA could be exposed. The maximum exposure to credit risk at year-end equaled total receivables in the balance sheet plus any unrealized gain on financial contracts.

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

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

	31 December 2017			31 December 2016		
	Credit limit	**Loan balance**	**Rating Moody/ S&P**	**Credit limit**	**Loan balance**	**Rating Moody/ S&P**
DNB Bank ASA	EUR 50 million [2]	EUR 34 million	A+	EUR 50 million [2]	EUR 4 million	A+
DNB Bank ASA & SEB	EUR 60 million [1]	EUR 60 million	A+	EUR 60 million [1]	EUR 18 million	A+
DNB Bank ASA & SEB	EUR 60 million [1]	EUR 35 million	A+	EUR 60 million [1]	EUR 60 million	A+

1) or NOK/SEK/USD equivalent
2) or NOK/USD equivalent

NOTE 19 FINANCIAL INSTRUMENTS (CONT.)

Liquidity risk
Liquidity risk is the risk that TOMRA will not be able to meet its financial obligations as they fall due. TOMRA has a limited exposure to liquidity risk on the basis of a strong cash flow in addition to a solid balance sheet, 55 percent equity ratio at 31 December 2017, that will enable a higher debt ratio if necessary. Liquidity per 31 December 2017 was NOK 1,047 million (including unused credit lines).

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

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

Costs
The increase in fuel prices is negative for TOMRA due to higher transportation costs. First and foremost, this applies to material handling operations, where an increase of USD 1 per gallon diesel decreases operating profit by USD 1.3 million a year. TOMRA uses a variety of raw materials in production, however, the volume of material components is not so significant that it has a material impact on profitability.

Foreign currency risk
TOMRA is exposed to changes in the value of NOK relative to other currencies. With ~98 percent of its income in foreign currencies, a strengthening of NOK will lead to reduced earnings for the Group when measured in NOK. The most significant risk is associated with fluctuations in EUR and USD. In accordance with the financial strategy, TOMRA can secure up to 12 months of expected future net cash flow. TOMRA primarily uses forward contracts as an economic instrument to hedge the cash flow. TOMRA has not applied hedge accounting in accordance with IAS39 for the cash flow.

Hedge accounting under IAS 39
In order to reduce the profit and loss volatility arising from currency fluctuations, TOMRA's EUR denominated debt amounting to EUR 129 million is designated as hedge of the net investment in European subsidiaries. The fair value of the borrowing at 31 December 2017 was EUR 129 million (NOK 1,269.4 million), which represents less than the net investment. The hedge has been highly effective for the period (100%). The foreign exchange loss of NOK 91.0 million on translating the borrowing to functional currency at the end of the reporting period is recognized in retained earnings, in shareholders' equity.

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

	Revenues		Assets	
	2017	2016	**2017**	2016
USD	45 %	32 %	21 %	25 %
EUR	43 %	46 %	52 %	54 %
NOK	2 %	4 %	14 %	13 %
OTHER	9 %	18 %	14 %	8 %

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

	2017			
	USD	**EUR**	**NOK**	**OTHER**
Total intangible non-current assets	9 %	73 %	2 %	16 %
Total tangible non-current assets	42 %	36 %	7 %	15 %
Total financial non-current assets	58 %	7 %	22 %	14 %
Inventory	25 %	46 %	13 %	16 %
Total receivables	28 %	49 %	10 %	13 %
Cash and cash equivalents	0 %	0 %	100 %	0 %
Total assets	**21 %**	**52 %**	**14 %**	**14 %**
Total non-current liabilities	10 %	83 %	5 %	1 %
Total current liabilities	14 %	31 %	36 %	19 %
Total liabilities	**12 %**	**54 %**	**22 %**	**11 %**

NOTE 19 FINANCIAL INSTRUMENTS (CONT.)

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

A 10 percent weaker/stronger NOK would normally lead to a 10-14 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 440 million as per balance 31 December 2017. (This analysis assumes all other variables remain constant). Such changes in value would however only have limited P/L impact as they are mainly booked as translation differences against equity.

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

	2017		2016	
Amounts in NOK million	**Income**	**Cost**	**Income**	**Cost**
10% currency change USD/NOK	323	(197)	210	(182)
10% currency change EUR/NOK	337	(293)	302	(275)

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

	2017		2016	
Amounts in NOK million	**Increase**	**Decline**	**Increase**	**Decline**
10% currency change USD/NOK	236	(236)	144	(144)
10% currency change EUR/NOK	128	(128)	233	(233)

The following exchange rates were applied during the year [1]:

	Average rate (P/L rate)		**Reporting date rate (Balance rate)**	
	2017	2016	**2017**	2016
USD/NOK	8.271	8.401	8.205	8.620
EUR/NOK	9.330	9.293	9.840	9.086
SEK/NOK	0.968	0.982	1.000	0.951
AUD/NOK	6.336	6.245	6.412	6.225
NZD/NOK	5.877	5.853	5.840	5.994

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 2017 the value was recognized in other current liabilities at NOK 27.9 million (2016: NOK 4.0). Changes in fair value of forward contracts were recognized in the income statement in 2017. Change in fair value of spot and forward contracts and currency effect on cash flows in 2017 amounted to a loss of NOK 31.0 million (2016: a gain of 53.3 MNOK), see note 4. Currency contracts are accounted for at fair value according to IFRS 7, level 2. IFRS 13 has been applied effective 1 January 2013.

NOTE 19 FINANCIAL INSTRUMENTS (CONT.)

Outstanding forward foreign exchange contracts, as of 31 December:

	2017			2016		
Amount forward (sold) / bought	**Currency (million) [1]**	**Exch.rate**	**Due date**	**Currency (million) [1]**	**Exch.rate**	**Due date**
EUR/NOK	(72.0)	9.616	2018	(84.0)	9.111	2017
GBP/NOK	0.1	10.722	2018	0.5	10.669	2017
JPY/NOK	(286.0)	0.072	2018	(320.0)	0.077	2017
SEK/NOK	(22.5)	0.992	2018	(17.0)	0.925	2017
AUD/NOK	(9.2)	6.209	2018	(9.0)	6.352	2017
ZAR/NOK	0.9	0.617	2018	(36.6)	0.609	2017
USD/NOK	(40.5)	8.294	2018	(4.0)	8.474	2017
DKK/NOK	8.5	1.285	2018	7.0	1.224	2017
KRW/NOK	-	-	2018	(750.0)	0.007	2017
PLN/NOK	(7.2)	2.234	2018	(5.6)	2.067	2017
CAD/NOK	(1.9)	6.347	2018	(0.8)	6.399	2017
NZD/NOK	0.7	5.734	2018	(10.0)	5.848	2017
NZD/USD	-	-	2018	35.0	0.695	2017

1) Face value

TOMRA has not entered into any commodity contracts as of 31 December 2017.

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

	2017		2016	
Amounts in NOK million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Long term receivables	268.7	268.7	271.5	271.5
Receivables	1,468.6	1,468.6	1,320.9	1,320.9
Cash and cash equivalents	593.5	593.5	399.2	399.2
Forward exchange contracts	(27.9)	(27.9)	(4.0)	(4.0)
Finance lease liabilities	0.0	0.0	0.0	0.0
Unsecured bank facilities	(1,269.4)	(1,269.4)	(745.1)	(745.1)
Other interest-bearing liabilities	(10.7)	(10.7)	(14.6)	(14.6)
Payables	(552.8)	(552.8)	(440.5)	(440.5)
Total	**470.0**	**470.0**	**787.4**	**787.4**

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

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

Financial derivatives
The fair value of forward currency contracts represented quoted market price, i.e. the exchange rate at 31 December 2017 and the interest points obtained from the different market institutions.

Interest-bearing loans and borrowings
The fair value of the unsecured bank loan was based on loan amounts and accrued interest per 31 December 2017. Future interest payments and repayments with a time to maturity of more than one year are discounted.

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

There has not been any transfer of assets between the different valuation levels in 2017 compared to 2016.

NOTE 19 FINANCIAL INSTRUMENTS (CONT.)

Interest rates used for determining fair value	2017	2016
Loans and borrowings	1.8 %	1.8 %
Receivables/payables	1.3 %	1.3 %

Financial assets and liabilities per 31 December 2017 - maturity analysis (discounted values):

Amounts in NOK million	Carrying amount	Quarter 1 2018	Quarter 2-4 2018	2019	2020+
Long term receivables	268.7			107.5	161.2
Receivables	1,468.6	1,468.6			
Cash and cash equivalents	593.5	593.5			
Forward exchange contracts	(27.9)	(33.2)	5.3		
Unsecured bank facilities	(1,269.4)			(590.4)	(679.0)
Other interest-bearing liabilities	(10.7)				(10.7)
Payables	(552.8)	(552.8)			
Total	**470.0**	**1,476.1**	**5.3**	**(482.9)**	**(528.5)**

NOTE 20 SHARE-BASED PAYMENTS

GROUP - IFRS

Share Purchase Program

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

	2017	2016
Number of shares purchased by employees	199,587	225,147
Share price (closing market share price, the day before the allotment date)	98.67	84.24
Number of bonus shares, distributed one year after investment	43,019	16,989
Total expenses recognized	4.1 mill	3.9 mill

NOTE 21 EQUITY

TOMRA SYSTEMS ASA - NGAAP

Amounts in NOK million	Share capital	Treasury shares	Share premium	Paid-in capital	Retained earnings	Total equity	Number of shares
Balance per 1 January 2016	**148.0**	**(0.4)**	**918.3**	**1,065.9**	**390.5**	**1,456.4**	**148,020,078**
Profit for the period					617.2	617.2	
Pensions					(2.9)	(2.9)	
Purchase of own shares		(0.3)		(0.3)	(31.0)	(31.3)	
Own shares sold to employees		0.2		0.2	20.2	20.4	
Dividend to shareholders					(310.2)	(310.2)	
Balance per 31 December 2016	**148.0**	**(0.5)**	**918.3**	**1,065.8**	**683.8**	**1,749.6**	**148,020,078**
Profit for the period					426.3	426.3	
Pensions					(12.3)	(12.3)	
Purchase of own shares		(0.2)		(0.2)	(24.4)	(24.6)	
Own shares sold to employees		0.2		0.2	23.7	23.9	
Dividend to shareholders					(346.9)	(346.9)	
Balance per 31 December 2017	**148.0**	**(0.5)**	**918.3**	**1,065.8**	**750.2**	**1,816.0**	**148,020,078**

Share par value is 1 NOK.
In 2017 Tomra Systems ASA purchased 200,000 own shares at an average price of NOK 122.76 per share.
Total shareholding of treasury shares was 456,340 as of year end 2017.

NOTE 21 EQUITY (CONT.)

GROUP - IFRS

Amounts in NOK million	Paid-in capital	Translation reserve	Remeasurements of defined benifit liability (assets)	Retained earnings	Total equity attributable to the owners of the company	Non-controlling Interest	Total Equity
Balance per 1 January 2016	**1,065.9**	**656.0**	**(37.5)**	**2,260.7**	**3,945.1**	**160.4**	**4,105.5**
Profit for the period				691.2	691.2	47.1	738.3
Changes in translation differences		(171.4)			(171.4)	(4.0)	(175.4)
Remeasurements of defined benefit liability (assets)			(2.9)		(2.9)		(2.9)
Total comprehensive income for the period	**0.0**	**(171.4)**	**(2.9)**	**691.2**	**516.9**	**43.1**	**560.0**
Transactions with shareholders							
Dividend non-controlling interest					0.0	(29.8)	(29.8)
Purchase of own shares	(0.3)			(31.0)	(31.3)		(31.3)
Own shares sold to employees	0.2			20.2	20.4		20.4
Minority new consolidated companies					0.0	4.0	4.0
Dividend to shareholders				(258.8)	(258.8)		(258.8)
Total transactions with shareholders	**(0.1)**	**0.0**	**0.0**	**(269.6)**	**(269.7)**	**(25.8)**	**(295.5)**
Balance per 31 December 2016	**1,065.8**	**484.6**	**(40.4)**	**2,682.3**	**4,192.3**	**177.7**	**4,370.0**
Profit for the period				610.7	610.7	47.1	657.8
Changes in translation differences		146.4			146.4	(7.9)	138.5
Remeasurements of defined benefit liability (assets)			(35.7)		(35.7)		(35.7)
Total comprehensive income for the period	**0.0**	**146.4**	**(35.7)**	**610.7**	**721.4**	**39.2**	**760.6**
Transactions with shareholders							
Dividend non-controlling interest				(9.0)	(9.0)	(52.9)	(61.9)
Reclassification Tomra Baltic						(22.2)	(22.2)
Purchase of own shares	(0.2)			(24.4)	(24.6)		(24.6)
Own shares sold to employees	0.2			23.7	23.9		23.9
Minority new consolidated companies					0.0	1.5	1.5
Dividend to shareholders [1]				(309.9)	(309.9)		(309.9)
Total transactions with shareholders	**0.0**	**0.0**	**0.0**	**(319.6)**	**(319.6)**	**(73.6)**	**(393.2)**
Balance per 31 December 2017	**1,065.8**	**631.0**	**(76.1)**	**2,973.4**	**4,594.4**	**143.3**	**4,737.4**

1) Dividend payment was NOK 2.10 per share in 2017, as proposed in the 2016 financial statements.

NOTE 21 EQUITY (CONT.)

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

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

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

Amounts in NOK million	2017	2016
NOK 2.35 per qualifying share (2016: NOK 2.10)	346.8	309.8

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

Earnings per share - Group	2017	2016
Average number of shares	148,020,078	148,020,078
Average number of shares, adjusted for own shares	147,650,899	147,779,501
Average number of shares, adjusted for own shares, fully diluted	147,650,899	147,779,501
Majority equity 31 December (MNOK)	4,594.0	4,192.3
Equity per share (NOK)	31.11	28.37
Net profit attributable to the shareholders of the parent (MNOK)	610.6	691.2
Earnings per share, basic	4.14	4.68
Earnings per share, fully diluted	4.14	4.68

Purchase of own shares
Tomra was granted authority to acquire treasury shares at the annual general meeting 27 April 2017, limited to a total of 500,000 shares. At the end of 2017, 200,000 shares had been purchased under this proxy.

NOTE 22 SHAREHOLDERS

The amounts shown are based upon information from Verdipapirsentralen and IPREO.
On nominee accounts, information regarding beneficial ownership has been collected and presented where possible.

	Registered at 31 December 2017	Number of shares	Ownership
1	Investment AB Latour	39,000,000	26.35 %
2	Folketrygdfondet	8,679,393	5.86 %
3	APG Asset Management N.V.	7,526,441	5.08 %
4	SEB Investment Management AB	6,268,677	4.24 %
5	Nordea Investment Management AB (Swe + DK + Nor)	4,769,921	3.22 %
6	Lannebo Fonder AB	3,703,448	2.50 %
7	Catella Fondförvaltning AB	2,780,928	1.88 %
8	J.P. Morgan Asset Management (UK), LTD	2,708,139	1.83 %
9	The Vanguard Group, Inc.	2,651,041	1.79 %
10	Impax Asset Management, LTD	2,602,734	1.76 %
11	Danske Capital AS (Sweden + Denmark + Norway)	2,438,582	1.65 %
12	Odin Forvaltning AS	2,280,188	1.54 %
13	DNB Asset Management AS	2,062,071	1.39 %
14	Dimensional Fund Advisors, L.P.	1,809,311	1.22 %
15	Templeton Investment Counsel, LLC	1,576,507	1.07 %
16	Storebrand Asset Management AS	1,458,734	0.99 %
17	Statoils Pensjonskasse	1,414,398	0.96 %
18	Jupiter Asset Management, LTD (U.K.)	1,289,676	0.87 %
19	Handelsbanken Asset Management (Sweden + Norway)	1,224,125	0.83 %
20	Sundt AS	1,217,025	0.82 %
	Total 20 largest shareholders	**97,461,339**	**65.84 %**
	Other shareholders	50,558,739	34.16 %
	Total (5,543 shareholders)	**148,020,078**	**100.00 %**
	Shares owned by Norwegian residents	33,569,316	22.68 %
	Shares owned by others	114,450,762	77.32 %
	Total	**148,020,078**	**100.00 %**

NOTE 23 DISCONTINUED OPERATIONS

Amounts in NOK million	2016
TOMRA Compaction	(12.9)
Total loss from discontinued operations	(12.9)
Earnings per share from discontinued operations, basic (NOK)	(0.08)
Earnings per share from discontinued operations, diluted (NOK)	(0.08)

TOMRA Compaction (ORWAK)
TOMRA signed 12 December 2014 an agreement with San Sac Nordic AB to sell 100 percent of the shares in TOMRA Compaction Group AB for a consideration of SEK 110 million (free of cash and interest bearing debt). Closing took place 30 January 2015. TOMRA has given representations and warranties in line with what's considered normal in such transactions. TOMRA Compaction was a separate business stream within the TOMRA Collection business area and was defined as a separate CGU. The profit and loss figures are reported as discontinued operations. In the balance sheet, the assets and liabilities related to the Collection business at the end of 2014 were classified as "held for sale".
As part of the transaction, TOMRA should for a period of up to two years remain distributor in up to 5 markets.
The 2016 revenues and expenses relate to this activity.

Analysis of the loss on sale of discontinued operation

Amounts in NOK million	2016
Operating revenues	**31.3**
Cost of goods sold	31.0
Employee benefits expenses	10.3
Ordinary depreciations	-
Other operating expenses	2.9
Total operating expenses	**44.2**
EBITA	**(12.9)**
Amortizations	-
EBIT	**(12.9)**
Taxes	-
Profit from discontinued operations (before divestment loss)	**(12.9)**
After tax loss on divestment	-
Total discontinued operations	**(12.9)**
Net cashflow from operating activities	(12.9)
Net cashflow from investing activities	-
Net cashflow for the year	**(12.9)**

NOTE 24 ACQUISITIONS - COMPAC

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

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

TOMRA has paid a consideration of NZD 67.3 million (NOK 405.3 million), free of cash and interest-bearing debt. The amount is final, with no additional earn-out related to future performance.

Accounting year July-June **Amounts in NZD million**	**FY14**	**FY15**	**FY16**	**FY17***	**CY17****
Profit and loss					
Revenues	75	105	152	72	133
EBITDA	8	(1)	3	(3)	11
EBIT	**7**	**(2)**	**(1)**	**(5)**	**10**
Balance sheet	**June14**	**June15**	**June16**	**Dec16**	**Dec17**
Intangible non-current assets	1	8	14	11	15
Tangible non-current assets	6	10	12	14	8
Inventory	17	17	24	23	10
Receivables	8	22	19	17	20
Cash	4	4	4	9	18
Total assets	**36**	**61**	**73**	**74**	**71**
Equity	5	5	4	(5)	11
Interest bearing debt	8	23	29	39	16
Other liabilities	23	23	38	40	44
Total debt and equity	**36**	**61**	**73**	**74**	**71**

* 6 months (July to December 2016)

** 11 months (February to December 2017)

FY14, FY15, FY16 and FY17 (6 months) are extracted from management accounts and adjusted for one-off income and expenses, and are not harmonized with TOMRA accounting principles. CY17 (11 months) is in accordance with IFRS and TOMRA's accounting principles

NOTE 24 ACQUISITIONS - COMPAC (CONT.)

TOMRA has expensed NOK 8 million in acquisition related costs in the 2017 consolidated financial statements.

Purchase Price Allocation **NZD million**	**Carrying amount**	**Fair value adjustment**	**Fair value**
Goodwill	1.9	55.9	57.8
Other intangible non-current assets	13.6	7.1	20.7
Tangible non-current assets	9.1		9.1
Inventories	8.0		8.0
Receivables	26.8		26.8
Non-interest-bearing liabilities	(53.1)	(2.0)	(55.1)
Total consideration satisfied by cash	**6.3**	**61.0**	**67.3**
Net cash outflow:			
Cash consideration paid			54.6
Interest bearing debt acquired			12.7
Net cash outflow			**67.3**

The acquired goodwill is assumed to mainly relate to synergies to be realized over time, possibilities for efficiency improvements and a positive market development.

If the acquisition had occurred on 1 January 2017, revenues in 2017 for the TOMRA Group would have increased by approximately NZD 6 million and EBIT would have decreased by approximately NZD 2 million.

There is no liability for contingent consideration in the Purchase Price Allocation. The gross contractual amounts receivable as of 1 February 2017 was estimated to be NZD 50 million, all assumed to be collectable.

No significant gain or loss has been recognized in Compac or in TOMRA Group, related to the acquisition of Compac in 2017.

Total goodwill as of acquisition date equals NOK 348.1 million. The goodwill is not tax deductible.

From January 2018, Compac has started the integration process with TOMRA Food.

NOTE 25 CONSTRUCTION CONTRACTS

Part of TOMRA's activities consist of developing and manufacturing products and systems to order. All projects are accounted for in accordance with IAS 11 and the percentage of completion method.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract revenue is recognized in profit or loss in proportion to the percentage of completion of the contract. The percentage of completion is assessed by reference to surveys of work performed and cost incurred relative to expected total production costs.

Expected total production costs are estimated using a combination of historical figures, systematic estimation procedures, monitoring of efficiency and best judgment.

Contract expenses are recognized in line with completion milestones achieved.

Projects under construction is the amount of work in progress presented as inventory in the balance sheet. Advances from customers is the net amount of accumulated earned revenue minus accumulated billing for all ongoing contracts where accumulated billing exceeds cumulative revenue. It is presented as other current liabilities in the balance sheet.

There were several construction contracts open at year end 2017.

Amounts in NOK million	**2017**
Projects under construction	1.9
Advances from customers	(126.3)
Net Projects under construction	**(124.4)**
Reported revenue (not invoiced) included in customer receivables	41.8
Share of outstanding receivables withheld in accordance with contract terms	54.7
Remaining production on loss-making projects	-
Revenue from projects in period	337.8
Costs from projects in period	208.9
Net result from projects in progress	**128.8**

NOTE 26 CASH FLOW FROM FINANCIAL ACTIVITIES

Amounts in NOK million

Reconciliation of movements of liabilities to cashflows arising from financial activities	Interest-bearing liabilities	Other long-term liabilities	Non-controlling interest	Majority equity	Interest	**Total**
Balance 31 December 2016	**759.7**	**73.3**	**177.7**	**4,192.3**		
CASH FLOW FROM FINANCING ACTIVITIES						
Repayment of long-term loans	(837.5)					(837.5)
Proceeds from issuance of long term debt	1,283.4	25.2				1,308.6
Dividend non-controlling interest			(52.9)	(9.1)		(62.0)
Purchase of treasury shares				(24.6)		(24.6)
Sale of treasury shares				23.9		23.9
Interest received					4.6	4.6
Interest paid					(15.0)	(15.0)
Dividend paid				(309.9)		(309.9)
Net cash flow from financing activities	**445.9**	**25.2**	**(52.9)**	**(319.7)**	**(10.4)**	**88.1**
Exchange rate fluctuations	89.1	(2.0)	(7.9)	146.5		
Acquired via business combination		15.7				
Reclassification Tomra Baltic		22.2	(22.2)			
Other reclassifications	(14.6)	14.6				
Minority new consolidated companies			1.5			
Remeasurement of defined benefit liability				(35.7)		
Profit for the period			47.1	610.7		
Other changes	**74.5**	**50.5**	**18.5**	**721.5**		
Balance 31 December 2017	**1,280.1**	**149.0**	**143.3**	**4,594.1**		

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 2017 (annual report 2017).

To the best of our knowledge;

- the consolidated financial statements are prepared in accordance with IFRS and IFRIC as adopted by the EU and additional Norwegian disclosure requirements in the Norwegian Accounting act, that were effective as of 31 December 2017.
- the separate financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31 December 2017.
- the Board of Directors' Report for the Group and the Parent Company is in accordance with the requirements of the Norwegian Accounting Act and Norwegian accounting standard no. 16, as of 31 December 2017.
- 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 2017 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, 20 February 2018

Jan Svensson Chairman	**Aniela Gjøs** Board member	**Bodil Sonesson** Board member	**Pierre Couderc** Board member
Linda Bell Board member	**David Williamson** Employee representative	**Bente Traa** Employee representative	**Stefan Ranstrand** President & CEO

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To the Annual Shareholder's Meeting of Tomra Systems ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Tomra Systems ASA (the Company), which comprise the balance sheet as at 31 December 2017, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Tomra Systems ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017, the income statement, statement of other comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition of construction contracts

Please refer to the accounting policies section Valuation and Classification Principles point (a) and Note 25 in the consolidated financial statements.

The Key Audit Matter	*How the matter was addressed in our audit*
There is a risk of incorrect revenue recognition, in particular related to construction contracts in progress in the Sorting Solutions segment as at 31 December. Recognition of revenue from construction contracts is determined based on the percentage of completion method. Revenue recognition is considered a key audit matter due to the significant estimates and judgments applied by management in: • forecasting the profit margin on each contract including the cost to complete the contract and any contingencies for uncertain costs; • assessing the percentage of completion of the contract based on milestones and costs incurred; and • estimating the contract outcome for loss-making contracts.	For the financially significant construction contracts in progress as at 31 December 2017 our procedures included: • a review of selected contracts based on risk, size and professional judgement; • an assessment of management's estimate of percentage of completion based on our knowledge of the business and industry, challenging the progress of contracts in accordance with set milestones and cost progression; • a review of project reporting documentation and internal routines for project monitoring; • corroborating the revenue reported with the signed contracts; • an assessment of loss making contracts and the estimated cost to complete; • challenging whether the cost and revenue estimates were appropriate in light of the margin development as well as a retrospective review of the historical accuracy of revenue recognition; and • assessment of the appropriateness of the disclosures in the consolidated financial statements.

Acquisition of Compac Holding Ltd.

Refer to the accounting policies section Consolidation Principles point (e), Note 24 Business Combinations and the Board of Directors report's section "*Compac*".

The Key Audit Matter	*How the matter was addressed in our audit*
On 11 October 2016 the Group entered into an agreement to acquire 100 % of the shares in Compac Holding Ltd, a New Zealand based group. The acquisition date in accordance with IFRS 3 'Business Combinations' was by management determined to be 1 February 2017 and the Compac group was consolidated in the Group accounts from that date. The parent company identified the acquired assets and liabilities, and estimated their fair value. As a result of the allocation of the acquisition price of NOK 405 million, the Group recognized goodwill in the amount of NOK 348 million at the date of the acquisition. Acquisition accounting is considered a key audit matter due to the high degree of management's judgement involved in applying IFRS 3. The key judgments and considerations applied by management were: • the identification, measurement and allocation of fair values of assets and liabilities acquired; and • the preparation of disclosures in the consolidated financial statements.	Our procedures included: • reading the purchase agreement for the transaction; • obtaining the transaction documents and tracing payments to bank statements; • assessment of the of date of control for accounting purposes, based on the date of obtaining approval from the New Zealand Overseas Investment Office; • understanding and assessing the identification process of the acquired assets and liabilities; • with assistance from KPMG valuation specialists, evaluating and challenging management's valuation methods and assumptions; and • assessing the appropriateness of the disclosures in the consolidated financial statements with reference to the purchase agreement and purchase price allocation.

Goodwill Impairment

Please refer to the accounting policies section Valuation and Classification Principles point (f) and (p) and note 10 Intangible Assets in the consolidated financial statements.

The Key Audit Matter	*How the matter was addressed in our audit*
As of 31 December 2017, the Group carries NOK 2 605 million of goodwill on the balance sheet. NOK 2 264 million of the goodwill relates to the Sorting Solutions segment, whereof NOK 1 926 million originates from acquisitions completed in prior periods. The remaining goodwill balance in the Sorting Solutions segment relates to the acquisition of Compac in February 2017 (please also refer to the key audit matter on acquisition of Compac Holding Ltd for more details). Due to the size and risk of non-recoverability, goodwill impairment is considered a key audit matter. There is an inherent uncertainty of whether future cash flows are sufficient to support the carrying value of goodwill. The key judgments applied by management in the impairment testing were: • future financial performance; • growth rate; • profitability; and • discount rate.	We critically assessed management's key assumptions forming the basis for the Group's value in use calculation. Our procedures included: • evaluating the historical accuracy of management`s budgets and forecasts and challenge management on the current year cash flow forecasts as well as the timing of future cash flows; • challenging management on the growth assumptions and management`s future business plan assumptions with reference to current market conditions; • engaging KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discounts rates applied with reference to market data; • obtaining and evaluating management's sensitivity analysis to determine the impact of reasonably possible changes including performing our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment.; and • assessing whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying assets impairment assessments.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the notes and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of the auditors' report, but the other information in the annual report is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

KPMG

Auditor's Report - 2017
Tomra Systems ASA

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 and in the reports on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 20 February 2018
KPMG AS

Øyvind Skorgevik

Øyvind Skorgevik
State Authorised Public Accountant

ALTERNATIVE PERFORMANCE MEASURES

ALTERNATIVE PERFORMANCE MEASURES

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

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

LEADING THE RESOURCE REVOLUTION

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