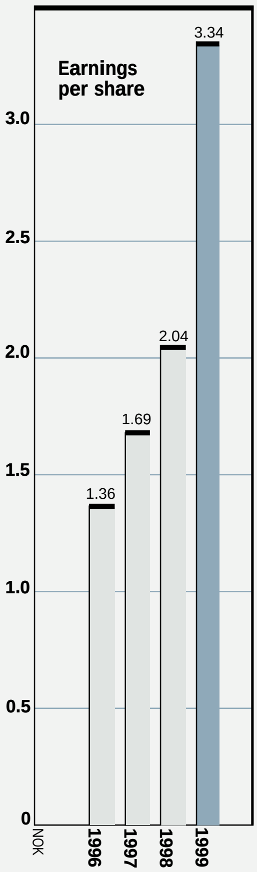
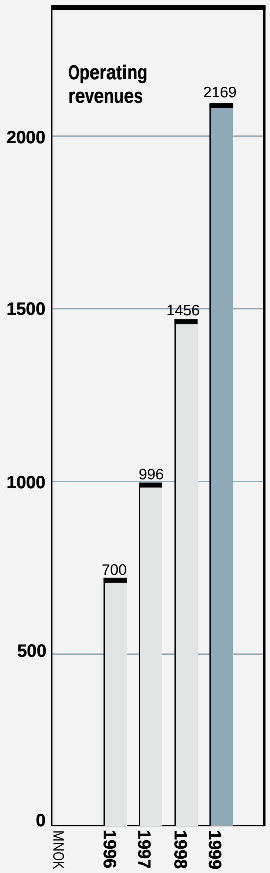
Key Figures

	1999	1998	1997	1996
Operating revenues . . . . .NOK million	2 169	1 456	996	700
Operating profit . . . . .NOK million	381	271	206	152
Profit before taxes . . . . .NOK million	406	254	198	149
Net profit . . . . .NOK million	283	173	135	104
Total assets . . . . .NOK million	2 348	1 818	1 409	884
Equity . . . . .NOK million	1 559	1 263	1 027	500
Return on equity . . . .%	19.7	14.6	17.2	22.8
Return on total assets . . . .%	20.2	18.1	18.9	21.7
Earnings per share . . . . .NOK	3.34	2.04	1.69	1.36
Earnings per share fully diluted . . . . .NOK	3.32	2.02	1.66	1.35
Net investments . . . . .NOK million	203	276	327	228
Number of employees as of December 31	**1 744**	**1 720**	**915**	**661**





Highlights:

- Sales growth of 56 % in Europe and 44 % in America
- TOMRA Pacific identified losses of USD 2.5 million relating to 1998
- Profit growth of 60 % before taxes, lower tax level than last year
- In April 1999, TOMRA aquired 38.5 % ownership in UltrePET LLC, a US plastics recycler
- TOMRA sold a total of 30 % ownership interest in TOMRA New York Recycling during second and third quarter
- New deposit legislation in California effective from January 2000
- Positive test results from RePlanet in California
- In February 2000, TOMRA signed a letter of intent to sell its 50 % ownership interest in Wise Recycling LLC
- In February 2000, TOMRA signed an agreement to aquire 50.5 % ownership in its Swiss distributor TOMRA AG

To Our Shareholders

For the past 10 years, we have been building TOMRA from a reverse vending machine supplier into a global leader in beverage container recycling systems. By building on a highly talented team of experts and providing innovative technology for improved collection and recycling, we have become a strong, dynamic and profitable organization committed to serving an increasing number of customers, retailers, communities and beverage producers.

FINANCIAL STRENGTH

By any measure, 1999 was an exciting and rewarding fiscal year for TOMRA. Since 1990 our average yearly turnover and net result have increased by 30 and 35 percent respectively. 1999 has been no exception.

THE WAY FORWARD

Viewing the company's future business opportunities, we are confident that the first decade of the millennium will be a period of remarkable growth, even challenging the outstanding achievements during the 1990s.

Our organization continues to evolve to meet the needs of an environmentally conscious marketplace and is positioned for even greater achievements through a long-term growth strategy tied to industry alliances, innovative concepts and cost effective recovery schemes. All of this supported by a commitment to quality, sound business practices and environmental consciousness.

From launching our first reverse vending machine to becoming a total system provider, TOMRA has become a powerful engine of growth, and we are intent on seeing TOMRA continue to grow profitably.

From left: Svanaug Bergland, Terje Hanserud, Erik Thorsen, Morthen Johannessen, Gregory S. Garvey, Helge Nerland and Val Stalowir.

PLATFORM FOR GROWTH

TOMRA's future growth is propelled by comprehensive in-house knowledge of beverage container collection and recycling systems combined with our determination not to be constrained by the limitations and perceptions of others. We are willing to invest in our own long-term vision.

TOMRA's future growth lies in our expertise. Our business of recycling demands innovative solutions, teamwork, in-depth industry knowledge and absolute business focus. Not only can we deliver the hardware – a high-tech line of reverse vending machines – but we can deliver a total system solution, including logistics management, materials processing, data collection and accounting systems.

ENVIRONMENTAL CONCERNS

An increasing awareness throughout society about packaging being an environmental issue is pressuring the industry to re-examine recycling methods. TOMRA's future lies in meeting new demands from industry to develop an efficient recycling value-chain. During recent years, TOMRA has demonstrated a capability to design, supply and operate integrated beverage container recycling systems, and our know-how and experience has been frequently used to develop more environmentally friendly methods of collection and recycling.

Our approach is to make recycling a way of life for the consumer. Collection centers must be easily accessible and easy to use. The goal and incentive for increased consumer participation must be environmentally driven, not only financially. TOMRA is investing considerable resources to help achieve this goal and will be providing market solutions that are integrating technology, information systems, new incentive programs and brand recognition.

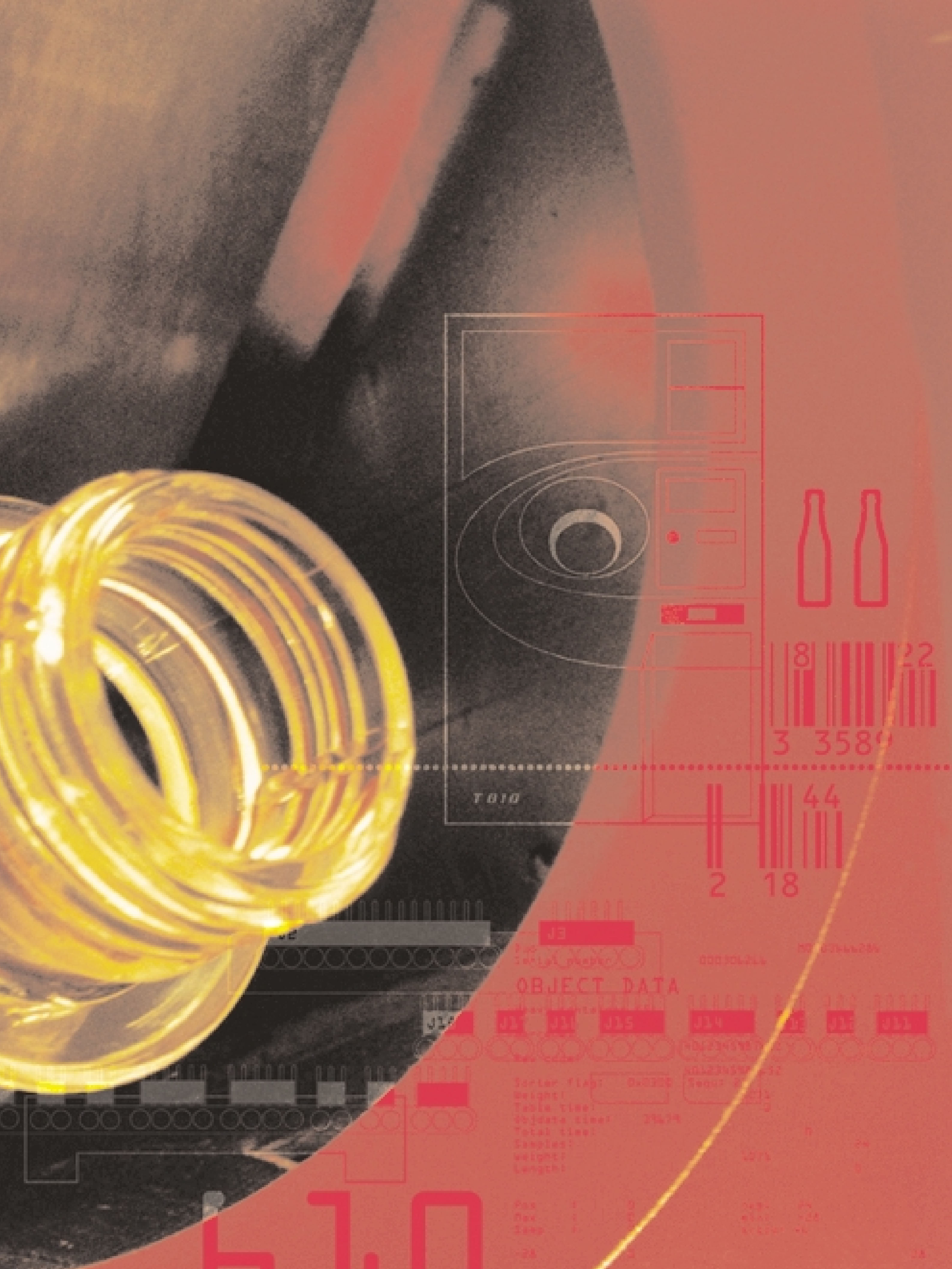
Our vision is clear. TOMRA will be the worldwide brand that is synonymous with environmentally efficient recycling solutions and a benchmark in the market. We have the resources to make it happen – our customer base, our innovative ideas, our employees, our technology – and most importantly, our ability to identify and execute on new business opportunities.

Erik Thorsen
President & CEO

TOMRA Recycling Value Chain

Collection 01.

The collection of used containers is the first step in the container recycling value chain of which TOMRA, as the industry leader, is a key facilitator. At the same time, the collection process – through reverse vending machines, curbside igloos or recycling centers – is TOMRA's main interaction with the consumers.



T010
OBJECT DATA

1999

Directors Report

TOMRA had another good year in 1999, having attained most of its long-term financial objectives. Even with substantial improvements in 1999, there's still work to be done before achieving the targeted return on equity and total capital.

Standing from left: Klaus Nærø, Jørgen Randers, Tharald Brøvig, Christian H. Thommessen, Erik Thorsen, Andreas Nordbryhn, Gregory S. Garvey, Jan Chr. Opsahl and Svein Jacobsen

STRATEGIC OBJECTIVES AND CHALLENGES

TOMRA's strategic objective is to fulfil an ambitious vision: «To be the world's No. 1 provider of solutions that make it attractive for people to return containers for reuse and recycling.» Our strategy places major emphasis on interacting with the consumer and on the total value chain of recycling beverage containers. This gives TOMRA a unique profile.

The international community is focusing more and more on long-term solutions for reuse and recycling. The working paper on revising the EU packaging directive and escalating efforts toward greater product responsibility in the U.S. confirms this trend.

The impact of this growing focus on recycling enables TOMRA to maintain an aggressive growth strategy. In 1999, only 2.5 percent of the world's beverage containers were handled by TOMRA's product and/or service offering.

Local recycling initiatives are affected by major variations in the national economy in terms of goals and structural solutions. In order to secure TOMRA's position, we must actively seek local industry partners and commit ourselves to those markets and projects that offer the greatest opportunities.

TOMRA's future market activities and acquisitions will be aimed at establishing fully integrated systems for collection, processing and recycling. TOMRA's core priority area is in the technology-related part of the value chain, which consists of reverse vending machines, system integration and expertise. TOMRA does not pursue active involvement in areas served directly by established industries.

TOMRA's increasing focus on integrating the value chain may increase the need for our presence during the early developmental stages of new markets. While this could have a positive effect on the growth rate, it might also result in somewhat lower profit margins. TOMRA always considers forging strategic alliances as an alternative to active ownership of parts of the value chain not embraced by our own core priority area.

TECHNOLOGY AND BUSINESS DEVELOPMENT

Innovation is one of TOMRA's core values. The company is currently focusing a large part of its technology resources on future solutions in material identification, compacting and communication. TOMRA maintains its strong technological edge mainly through the cost-effective use of sensor technology for identifying shapes and materials.

As described in the previous annual report, TOMRA introduced four new reverse vending machines in February 1999. Then in the spring, we launched new software solutions for collecting data from reverse vending machines as a basis for settling accounts between the players in the value chain. The use of gathered data eliminates the need for costly physical counting, and significantly boosts efficiency in the value chain.

Research and development of alternative collection systems is also an important area for TOMRA's technology department. Results from California will form the basis for developing new concepts for fully automatic outdoor solutions requiring minimal manual operation. The greatest challenges in this area lie in creating attractive solutions for consumers, procuring relevant data for settling accounts and optimizing logistics, together with assuring pure material fractions.

In order to maintain TOMRA's edge in recycling beverage containers, we plan to enter several potentially interesting projects. These projects will be handled by a newly formed, dedicated and focused business unit: Global Business Development (GBD). GBD will primarily focus on strategic projects in market development, on promoting industrial relations, identifying strategic ownership positions and on providing consultancy assistance in system integration.

FINANCIAL YEAR 1999

Changes in accounting principles

As a result of the new Norwegian Accounting Act, effective for the financial year 1999, several changes were made in the annual accounts compared to the annual reports for previous years. TOMRA also chose to change its accounting principles for posting sales of container material and waste-handling fees from industry and government agencies. All revenue figures are adjusted, and the changes are further detailed in Note 1 to the accounts.

Annual accounts 1999

Operating revenues rose 49 percent, from NOK 1456 million in 1998 to NOK 2169 million in 1999. Operating profit was NOK 381 million, up from NOK 271 million in 1998, while pre-tax profit was up 60 percent to NOK 406 million, compared to NOK 254 million in 1998. An accounting error involving 1998 earnings for TOMRA's US west coast subsidiary was corrected through a charge of NOK 20 million before tax in 1999. The net effect on equity constituted a reduction of NOK 13 million.

TOMRA's profit after tax was NOK 283 million, up 64 percent from NOK 173 million in 1998. That corresponds to NOK 3.34 in earnings per share, as opposed to NOK 2.04 in 1998. The consolidated tax for 1999 was 30.2 percent, compared to 32.1 percent in 1998. The reduction was the result of American tax rules allowing deductions for employees' taxable incentive programs.

TOMRA's balance sheet total as of 31 December 1999 was NOK 2348 million (+29 percent). The increase is mainly due to current assets being tied up in growth activities. The liquidity is good, and the equity ratio measured 66.4 percent at the end of the year. Other equity in the balance sheet is made up entirely of distributable reserves.

MARKETS

Europe

TOMRA had a good year in 1999 in the European market. Influenced by the positive developments in Norway resulting from a new deposit system on cans, revenues in Europe surged by 56 percent, from NOK 609 million in 1998 to NOK 952 million in 1999. Markets outside Norway showed a 25 percent growth, also well above average for the past few years.

On 17 February 2000, TOMRA signed an agreement to buy 50.5 percent of it's distribution company TOMRA AG in Switzerland, effective January 1, 2000. In 1999 the company had NOK 47 million in revenues. TOMRA's sales to Tomra AG amounted to NOK 14 million in 1999. The purchase price of NOK 26 million includes NOK 12 million in goodwill.

Since its acquisition of Halton System Group in 1997, TOMRA has expanded its service offering and product range. Through a more cost-effective organization, prices have remained unchanged in the European market. Customer satisfaction remains the central focus in developing new products and services to further strengthen TOMRA's market position.

America

Sales in the North American market increased 44 percent – from NOK 847 million in 1998 to NOK 1,217 million in 1999. Most markets have had a year of consolidation, with the exception of California which has had strong sales growth as an effect of last year´s acquisitions. However, profit contribution from the American market was weaker than in previous years due mainly to the weaker results of TOMRA Pacific.

On 3 February 2000, TOMRA signed an agreement with former joint-venture partner Wise Metals Group LLC on the sale of TOMRA's 50 percent stake in Wise Recycling LLC. TOMRA initially invested in Wise Recycling to gain access to the company's network of collection and processing facilities in 23 U.S. non-deposit states. TOMRA is still assured access to this network through a co-operation agreement with Wise, which also assures good terms on delivery of collected aluminum. The sale yields a profit of more than NOK 12 million.

With its progressive RVM technology and innovative concept solutions, TOMRA's American organization has laid a solid foundation for more efficient recycling systems. TOMRA's development of new collection concepts will over time change consumers' and industry's view of recycling.

Market outlook

The board remains optimistic regarding the market outlook, and expects continued strong growth in the American market – and somewhat slower growth in Europe in 2000. The annual accounts are rendered under the assumption of continued operation.

SHAREHOLDERS AND CAPITAL

In December 1999, TOMRA split its shares, changing the face value from NOK 4.00 to NOK 2.00 each. Prior to the split, TOMRA made three separate share offerings to its employees, totalling 584 133 shares. At the end of 1999, TOMRA shares totalled 83.35 million with a face value of NOK 2.00, representing a share capital of NOK 166.7 million.

TOMRA had 5044 shareholders at the end of 1999. Foreigners held a 68.5 percent share interest at the beginning of the year, reduced to 65.4 percent by 31 December 1999. 71.8 million shares were traded in 1999, compared to 72.4 million shares the previous year.

ORGANIZATION, HEALTH, ENVIRONMENT AND SAFETY

The TOMRA Group had 1744 employees at the end of 1999, 210 of whom worked in Norway. These figures are virtually unchanged from the previous year.

Effective 1 January 1999, TOMRA carried out a corporate restructuring at its head office in Asker, spinning off the Production and European Administration sections into independent limited companies. The purpose was to hone our focus in all parts of the organization.

Employee absences due to sickness in Tomra Systems ASA was 2.5 percent in 1999, compared to 2.3 percent in 1998. There were no reports of injuries or accidents during the year.

Through an annual customer survey, TOMRA measures customer satisfaction with its services and organization. The survey results are then applied within the company. An annual value survey conducted among employees maps TOMRA's adherence to company core values. The results are used to further develop the company's human resource strategy.

TOMRA also uses a management system which incorporates goal orientation for all of its employees. This system was expanded in 1999 with the addition of a formalized performance review.

As manufacturer and operator of automated systems for the return and recycling of beverage containers, TOMRA makes an effective contribution toward closing the material cycle, thereby improving eco-efficiency. TOMRA also focuses its environment work on accepting responsibility for the negative environmental effects arising from the company's internal value chain. As a result, TOMRA introduced a formal environmental control system in 1999 for the companies in Norway – in accordance with the requirements in the international ISO 14001 standard. A more detailed description of TOMRA's environment work is found in the environment report, pages 58–64.

APPLICATION OF PROFIT

TOMRA Systems ASA showed a NOK 119 400 000 net profit for 1999. The board recommends the following application, including a proposal to pay a NOK 0.40 share dividend, which is a 60 percent increase from 1998.

Dividend	NOK	33 339 066
Distributable reserves	NOK	86 060 934
Total amount applied	NOK	119 400 000

Asker, 17 February 2000

Jan Chr. Opsahl
Chairman of the Board
Sign.

Svein S. Jacobsen
Sign.

Andreas Nordbryhn
Sign.

Tharald Brøvig
Sign.

Klaus Nærø
Sign.

Jørgen Randers
Sign.

Gregory S. Garvey
Sign.

Christian H. Thommessen
Sign.

Erik Thorsen (CEO)
Sign.

Logistics 02. Management

Logistics management constitutes an increasing part of TOMRA's involvement in the container recycling value chain. Infrastructure systems, including reverse vending machines that facilitate information for transportation management, is the key to TOMRA's logistics systems.

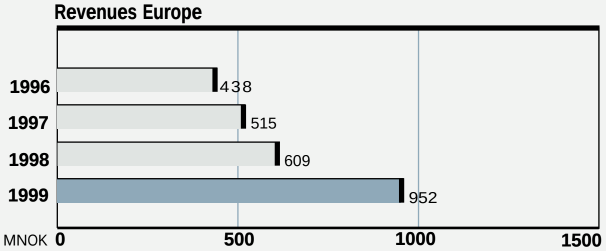

A.
01. TRANSPORTATION/REVERSE 05.51.54
B.
02. LOGISTICS TO DEPOT/PROCESSING 03.04.23

PROFIT AND LOSS STATEMENT

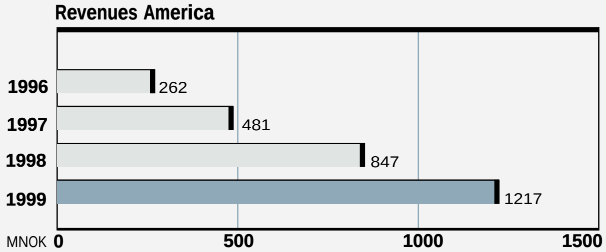
Profit and Loss Statement

Tomra Systems ASA 1999	1998	1997		Note	Group 1999	1998	1997
			Figures in NOK million				
469.4	**328.1**	**292.0**	**Operating revenue**	**1**	**2 169.4**	**1 456.0**	**995.8**
5.0	**42.7**	**–**	**Other income**		**5.0**	**42.7**	**–**
			OPERATING EXPENSES				
350.3	147.1	145.7	Cost of goods sold	1,2	951.7	577.8	359.9
34.2	71.3	68.8	Labor cost and social expenses	2,3	501.1	345.6	228.3
4.9	7.1	6.6	Ordinary depreciation	7	141.4	116.1	92.5
–	36.2	–	Write-down of fixed assets		–	43.1	–
17.3	15.9	17.6	Other operating expenses	6	199.4	145.0	109.0
406.7	**277.6**	**238.7**	**Total operating expenses**		**1 793.6**	**1 227.6**	**789.7**
67.7	**93.2**	**53.3**	**Operating profit**		**380.8**	**271.1**	**206.1**
			FINANCIAL ITEMS				
–	–	–	Profit from affiliated companies	11	13.2	7.6	1.9
23.5	14.2	52.6	Dividend from subsidiaries		–	–	–
71.1	30.5	15.1	Financial income		26.6	12.8	9.2
5.7	25.1	11.2	Financial expenses		14.6	37.4	19.2
88.9	**19.6**	**56.5**	**Net financial items**	**4**	**25.2**	**(17.0)**	**(8.1)**
156.6	**112.8**	**109.8**	**Profit before taxes**		**406.0**	**254.1**	**198.0**
37.2	29.3	13.9	Taxes	8	122.7	81.5	63.1
119.4	**83.5**	**95.9**	**Net profit**		**283.3**	**172.6**	**134.9**
–	–	–	Minority interest		(6.0)	(5.6)	(3.6)
			ALLOCATED AS FOLLOWS				
33.3	20.6	16.3	Dividends				
86.1	62.9	79.6	Other equity				
119.4	**83.5**	**95.9**	**Total allocated**				
			Earnings per share	15	3.34	2.04	1.69
			Earnings per share, fully diluted	15	3.32	2.02	1.66

Revenues Europe



Revenues America



Asker, 17 February 2000

Jan Chr. Opsahl
Chairman of the Board
Sign.

Svein S. Jacobsen
Sign.

Andreas Nordbryhn
Sign.

Tharald Brøvig
Sign.

Klaus Nærø
Sign.

Jørgen Randers
Sign.

Gregory S. Garvey
Sign.

Christian H. Thommessen
Sign.

Erik Thorsen (CEO)
Sign.

Balance sheet as of 31 December

Tomra Systems ASA 1999	Tomra Systems ASA 1998	Figures in NOK million	Note	Group 1999	Group 1998
		ASSETS			
		FIXED ASSETS			
4.8	5.3	Deferred tax assets	8	12.9	22.2
–	–	Other intangible assets	7,16	351.4	338.9
4.8	**5.3**	**Total intangible fixed assets**		**364.3**	**361.1**
10.4	16.5	Real property, fixed assets	7	343.2	286.1
–	–	Leasing equipment	7	250.5	262.9
10.4	**16.5**	**Total tangible fixed assets**		**593.7**	**549.0**
458.8	403.0	Investments in subsidiaries	11,16	–	–
703.4	588.8	Intra Group loans	5	–	–
–	–	Investments in affiliated companies	11,16	118.4	67.1
–	–	Investments in shares		3.8	3.6
28.7	25.4	Pension funds	12	28.7	25.4
–	–	Long-term receivables	5	120.1	48.8
1 190.9	**1 017.2**	**Total financial fixed assets**		**271.0**	**144.9**
1 206.1	**1 039.0**	**Total fixed assets**		**1 229.0**	**1 055.0**
		CURRENT ASSETS			
0.7	**42.8**	**Inventory**	**2**	**233.1**	**211.6**
–	4.0	Accounts receivable		454.1	355.9
78.6	71.6	Intra Group receivables	5	–	–
5.9	13.3	Other short-term receivables		161.2	139.1
84.5	**88.9**	**Total receivables**	**6**	**615.3**	**495.0**
87.8	**8.9**	**Bank deposits, cash etc.**	**5**	**270.1**	**56.0**
173.0	**140.6**	**Total current assets**		**1 118.5**	**762.6**
1 379.1	**1 179.6**	**Total assets**		**2 347.5**	**1 817.6**
		LIABILITIES AND EQUITY			
		EQUITY			
166.7	164.4	Share capital (83 347 666 à NOK 2)		166.7	164.4
200.6	150.3	Share premium reserve		200.6	150.3
367.3	**314.7**	**Paid-in capital**		**367.3**	**314.7**
–	–	Currency translation difference		58.6	52.4
726.3	640.2	Other equity		1 133.5	895.5
726.3	**640.2**	**Retained earnings**		**1 192.1**	**947.9**
–	–	Minority interest		45.0	21.3
1 093.6	**954.9**	**Total equity**	**15**	**1 604.4**	**1 283.9**
		LONG-TERM LIABILITIES			
14.5	7.1	Deferred tax liabilities	8	123.8	77.4
32.5	37.5	Liabilities to financial institutions	5	40.5	48.5
47.0	**44.6**	**Total long-term liabilities**		**164.3**	**125.9**
		CURRENT LIABILITIES			
–	–	Liabilities to financial institutions	5	209.8	104.8
2.6	17.2	Accounts payable, trade		151.0	107.4
140.1	84.6	Intra Group short-term debt	5	–	–
29.4	29.8	Taxes payable	8	40.8	33.2
66.4	48.5	Other current liabilities	5,9	177.2	162.4
238.5	**180.1**	**Total current liabilities**		**578.8**	**407.8**
285.5	**224.7**	**Total liabilities**		**743.1**	**533.7**
1 379.1	**1 179.6**	**Total liabilities and equity**		**2 347.5**	**1 817.6**
377.9	144.6	Guarantee liabilities	13	80.4	62.8

Cash flow analysis

Tomra Systems ASA 1999	1998	1997	Figures in NOK million	Group 1999	1998	1997
			CASH FLOW FROM OPERATING ACTIVITIES			
156.6	112.8	109.8	Profit before taxes	406.0	254.1	198.0
(29.7)	(10.9)	(15.6)	Taxes paid	(69.1)	(59.0)	(35.0)
(5.0)	(42.7)	–	(Gains)/losses from sales of fixed assets	(5.1)	(42.7)	–
4.9	7.1	6.6	Ordinary depreciation	141.4	116.1	92.5
(9.2)	36.2	–	Write-down fixed assets	–	43.1	–
42.1	(2.4)	3.8	Net change in inventory	(21.5)	(35.1)	(35.9)
(3.0)	243.0	(168.2)	Net change in receivables	(155.1)	(151.6)	(53.5)
(14.5)	63.6	(35.3)	Net change in payables	43.6	32.5	2.2
(3.3)	(9.3)	(6.4)	Net change in pension funds	(3.3)	(9.3)	(6.4)
–	–	–	Effect of changes in exchange rates	(23.4)	2.0	(17.0)
–	–	–	Profit before taxes from affiliated companies	(13.2)	(7.6)	(1.9)
–	–	–	Dividend from affiliated companies	3.5	–	–
12.3	6.6	(4.5)	Change in other balance sheet items	(15.8)	(89.0)	(3.4)
151.2	**404.0**	**(109.8)**	**Net cash flow from operating activities**	**288.0**	**53.5**	**139.6**
			CASH FLOW FROM INVESTING ACTIVITIES			
11.2	106.1	–	Proceeds from sales of fixed assets	10.9	131.0	31.8
(5.0)	(8.1)	(7.6)	Investments in fixed assets[1]	(173.9)	(240.5)	(231.2)
–	–	0.3	Proceeds from sales of shares	1.8	3.2	3.8
(46.5)	(0.2)	(163.2)	Investments in shares	(41.3)	(169.4)	(130.9)
(40.3)	**97.8**	**(170.5)**	**Net cash flow from investing activities**	**(202.5)**	**(275.7)**	**(326.5)**
			CASH FLOW FROM FINANCING ACTIVITIES			
–	–	–	Proceeds from issuance of short term debt	–	25.6	0.4
55.5	–	–	Payments from loan from subsidiaries	–	–	–
(5.0)	(5.0)	(5.0)	Repayments of long-term debt	(8.5)	(24.3)	(67.7)
–	–	(20.8)	Repayments of short-term debt	–	–	(20.8)
(114.6)	(585.3)	–	Repayments from loan from subsidiaries	–	–	–
–	–	(9.1)	Net change of bank overdraft	105.0	104.9	(6.5)
52.6	59.1	377.8	New equity, share issues	52.6	59.1	377.8
(20.5)	(16.3)	(11.3)	Dividend paid	(20.5)	(16.3)	(11.3)
(32.0)	**(547.5)**	**331.6**	**Net cash flow from financing activities**	**128.6**	**149.0**	**271.9**
78.9	(45.7)	51.3	Net change in cash/cash equivalents	214.1	(73.2)	85.0
8.9	54.6	3.3	Cash and cash equivalents January 1	56.0	129.2	44.2
87.8	8.9	54.6	Cash and cash equivalents December 31[2]	270.1	56.0	129.2

[1] “Investments in fixed assets” includes the opening balance of subsidiaries purchased and consolidated for the first time in the fiscal year.

[2] Includes restricted bank deposits totaling NOK 4.7 million for the Parent company and NOK 6.7 million for the Group.

Consolidation and accounting principles

GENERAL

Business concept and customers

TOMRA designs and operates cost-effective systems for recovering packaging for reuse and recycling. Added value is created for each customer through excellence in service and innovation. TOMRA's customers, retailers and beverage producers, are located in Europe, North- and South America.

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 profit and loss statement, balance sheet, cash flow statement and notes to the accounts.

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

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

Reporting structure

Revenues from the companies in the TOMRA Group is reported as follows:

Tomra Systems ASA

BU EUROPE	BU AMERICA
Tomra Europe AS (N)	Tomra North America Inc.(CT)
Tomra Butikksystemer AS (N)	Tomra Systems Inc. (CAN)
Tomra Systems AB (S)	Tomra Metro LLC (CT, NY)
OY Tomra AB (FIN)	Mobile Redemp. Inc. (CT,MA)
Tomra System AS (DK)	BICS LLC (60 %) (NY)
Tomra Systems BV (NL)	TNYR Inc. (70 %) (NY)
Tomra Systems GmbH (D)	Upstate Tomra LLC (55 %)
Tomra Leergutsysteme GmbH (A)	Tomra Massachusetts (MA)
Tomra Systems SA (F)	Halton System Inc. (ME)
B-burken AB (S)	Tomra Pacific Inc. (CA)
Halton System GmbH (D)	UBCR (51 %) (MI)
	DAC LLC (80 %)
	UltrePET LLC (38,5 %)

PRODUCTION UNITS

Tomra Production AS (N)
Tomra Systems OY (FIN)

CONSOLIDATION PRINCIPLES

Consolidated companies

The consolidated accounts include the parent company Tomra Systems ASA and companies in which the parent company has a controlling influence. Subsidiaries acquired or sold during the course of the year are included in the profit and loss statement as of the date of purchase, or up to and including the date of sale.

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 amortized on a straight-line basis, based on expected earnings (See Note 7).

Currency translation for foreign subsidiaries

The profit and loss statements for foreign subsidiaries prepared in foreign currencies are translated on the basis of average exchange rates for the year. The balance sheet is converted on the basis of the exchange rates on December, 31. Translation differences are shown as a separate item and charged directly to the Group's equity.

Minority interests

The minority interests part of the net profit and equity, is classifies as separate items in the profit and loss statement and balance sheet.

Changed ownership in subsidiaries

By successive acquisitions in subsidiaries, fair value of assets and liabilities are established the first time consolidation take place. Fair value of assets and liabilities are not adjusted on subsequent acquisitions, with the exception of goodwill, which are analyzed at each purchase.

By decrease of ownership in subsidiaries, the minority's cost-price and excess value are analyzed and amortized based on the expected earnings as a correction to the minority's part of the year's net profit.

Internal transactions / intracompany items

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

Affiliated companies

Affiliated companies, in which TOMRA has an ownership interest of 20–50 % and significant influence over operation and financial decisions, are included in the consolidated accounts based on the equity method. The Group's share of the profit before taxes from affiliated companies, adjusted for depreciation of goodwill, is shown under financial items in profit and loss statement.

VALUATION AND CLASSIFICATION PRINCIPLES

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.

Cost recognition

Costs are expensed in the same period as 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 charged to income as they are incurred.

Intangibles

Intangibles consist of goodwill, entitlement to trademarks and non-competition agreements. The amortization rates for goodwill are based on the expected future earnings of the companies acquired at the date of acquisition and are re-evaluated periodically. Other intangibles are amortized over the term of the contract.

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.

Inventory valuation

Inventories of raw materials are valued at the lower of the cost of acquisition and the actual value. Work in progress and finished products are valued at the lower of the cost to manufacture or net realizable value. Spare parts and parts held by service agents are valued at cost. A deduction is made for obsolescence when necessary.

Receiveables 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 on hand, bank deposits, money market funds, and other short-term investments with original maturity of three months or less.

Pension obligations

Pension obligations related to insured pension, as well as the pension premium reserve, are included in the balance sheet using the net principle. See Note 12 for further details concerning pension obligations.

Warranty allocations

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

Taxes

The tax charge in the profit and loss accounts 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 setting off negative timing differences and losses carried forward under the liability method in accordance with the rules set out in the Norwegian Accounting Standard. See Note 8 "Taxes".

Earnings per share

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

Cash flow statement

The cash flow statement is compiled using the indirect method. Cash and cash substitutes include cash, bank deposits and other short-term investments with terms not exceeding 3 months that immediately, and with no material exchange rate exposure, can be exchanged for cash.

OTHER

Changes in group structure

Effective 1 January 1999, TOMRA carried out an organizational change at its Asker headquarters, separating the production activities and European administration from Tomra Systems ASA into the new established companies Tomra Production AS and Tomra Europe AS. The transaction has no effect on the consolidated accounts.

Changes in accounting principles and errors in previous years reporting

TOMRA has in 1999 prepared their accounts in accordance with the new Norwegian accounting act, previous years accounts has been restated correspondingly. The changes have no material effect on the main lines in the profit and loss statement and balance sheet, with the exception of the minority's part of net profit. Previously the pre-tax effect of this item has been recorded separately after financial items and the minority's part of taxes has been recorded as part of taxes. After the restatement the minority's part of net profit is reported on a separate line under net profit.

TOMRA has in 1999 changed principles for reporting revenue from sales of packaging material and handling fees. Previously this revenue has been reported gross under operating revenue and cost of goods sold. From 1999 the revenue has been reported net. The change in reporting principles has been implemented, because the amounts is a settlement between the beverage industry at one side and respectively the shops and aluminum industry etc. on the other side, where TOMRA without risk conducts the settlements. The change has no impact on reported profit, the impacts on revenues are shown in note 1.

TOMRA has in 1999 changed principles for classification of revenue from Recycling Centers. The changes have no impact on the profit and loss statement, only on the classification of revenue between the different activities.
TOMRA has in addition changed principles for classification of salary connected to production and materials handling. Previously this amounts has been included in cost of goods sold, from 1999 it's reported as labor cost, ref note 2.

It has in 1999 been identified deficiencies in the bookkeeping in the subsidiary Tomra Pacific Inc. In 1998, income has been recorded twice and expenses have not been properly accrued. The error has been adjusted by restating the 1998 financial statement. The restatement has had the following impact on the 1998-statement (figures i NOK million):

Cost of goods sold	+16.0
Labor cost and social expenses	+1.6
Other operating expenses	+1.9
Profit before taxes	**(19.5)**
Taxes	(6.8)
Net profit	**(12.7)**

Accounts receivable	(13.2)
Inventory	(1.8)
Other short-term receivables	(1.3)
Total assets	**(16.3)**
Other current liabilities	+3.2
Taxes payable	(6.8)
Equity	(12.7)
Total liabilities and equity	**(16.3)**

Notes

NOTE 1 Segment information

REVENUES BY MARKET Figures in NOK million	1999	1998	1997	1999 %	1998 %	1997 %
BU EUROPE						
Norway	233	33	27	10.7 %	2.3 %	2.7 %
Germany	220	160	147	10.1 %	11.0 %	14.8 %
The Netherlands	123	97	81	5.7 %	6.7 %	8.2 %
Sweden	117	107	89	5.4 %	7.3 %	8.9 %
Finland	94	62	48	4.4 %	4.3 %	4.8 %
Denmark	69	57	60	3.2 %	3.9 %	6.0 %
Austria	66	62	34	3.0 %	4.2 %	3.4 %
Others	30	31	29	1.4 %	2.1 %	2.9 %
BU Europe total	**952**	**609**	**515**	**43.9 %**	**41.8 %**	**51.7 %**
BU AMERICA						
California	396	150	–	18.2 %	10.3 %	–
New York	358	336	276	16.5 %	23.1 %	27.8 %
Michigan	171	115	84	7.9 %	7.9 %	8.4 %
Non deposit states	125	90	–	5.5 %	6.2 %	–
Connecticut	82	73	70	3.8 %	5.0 %	7.0 %
Massachusetts	60	50	16	2.8 %	3.4 %	1.6 %
Others	25	33	35	1.1 %	2.3 %	3.5 %
BU America total	**1 217**	**847**	**481**	**56.1 %**	**58.2 %**	**48.3 %**
Total operating revenues	**2 169**	**1 456**	**996**	**100.0 %**	**100.0 %**	**100.0 %**

REVENUES BY ACTIVITY	1999	1998	1997	1999 %	1998 %	1997 %
BU EUROPE						
Sales, leasing	697	414	364	32.1 %	28.4 %	36.5 %
Service	240	180	142	11.1 %	12.4 %	14.3 %
Administration, promotion	15	15	9	0.7 %	1.0 %	0.9 %
BU Europe total	**952**	**609**	**515**	**43.9 %**	**41.8 %**	**51.7 %**
BU AMERICA						
Sales, leasing	142	130	137	6.5 %	9,0 %	13.8 %
Service	129	104	100	5.9 %	7.0 %	10.0 %
Materials Handling	674	446	196	31.1 %	30.7 %	19.7 %
Recycling Centers	175	78	–	8.1 %	5.4 %	–
Administration, promotion	97	89	48	4.5 %	6.1 %	4.8 %
BU America total	**1 217**	**847**	**481**	**56.1 %**	**58.2 %**	**48.3 %**
TOMRA GROUP						
Sales, leasing	839	544	501	38.6 %	37.4 %	50.3 %
Service	369	284	242	17.0 %	19.5 %	24.3 %
Materials Handling	674	446	196	31.1 %	30.6 %	19.7 %
Recycling Centers	175	78	–	8.1 %	5.4 %	–
Administration, promotion	112	104	57	5.2 %	7.1 %	4.7 %
Total operating revenues	**2 169**	**1 456**	**996**	**100.0 %**	**100.0 %**	**100.0 %**

The majority of TOMRA's activities are based around the reverse vending machine concept, and most contracts are priced as full service packages. The allocation of revenues is therefore based on estimates.

TOMRA has in 1999 changed principles for reporting of revenue from sales of packaging material and handling fee.
The transition from gross to net reporting has had the following effect on operating revenue:

Figures in NOK million	**1999**	**1998**	**1997**
New York	(161)	(152)	(133)
Connecticut	(55)	(44)	(44)
Massachusetts	(52)	(60)	(28)
California	(64)	(16)	–
Total reduced operating revenue	**(332)**	**(272)**	**(205)**

TOMRA has in 1999 changed principles for classification of revenue from Recycling Centers. All commercial activity beyond the collection of material is reclassified as material handling. The change in principles has had the following effect on reporting:

Figures in NOK million	**1999**	**1998**	**1997**
Materials handling	346	162	–
Recycling Centers	(346)	(162)	–

Cost of goods sold / Inventory

NOTE 2

PARENT COMPANY			COST OF GOODS SOLD			GROUP
1999	**1998**	**1997**	Figures in NOK million	**1999**	**1998**	**1997**
350.3	151.3	142.4	Cost of goods sold, gross	944.6	581.0	354.6
–	(4.2)	3.3	Change in inventory	7.1	(3.2)	5.3
350.3	**147.1**	**145.7**	**Cost of goods sold, net**	**951.7**	**577.8**	**359.9**
			INVENTORY			
–	14.7		Raw materials	52.6	38.2	
–	15.5		Work in progress	16.8	16.7	
0.7	3.9		Finished products	67.4	84.2	
–	8.7		Spare parts	96.3	72.5	
0.7	**42.8**		**Total inventory**	**233.1**	**211.6**	

Salary connected to the production units and materials handling has previously been included in cost of goods sold. From 1999 this amounts has been reclassified to labor cost. Previous years have been restated accordingly. The change in accounting principles has reduced cost of goods sold and increased labor costs with the following amounts:

PARENT COMPANY						GROUP
1999	**1998**	**1997**	Figures in NOK million	**1999**	**1998**	**1997**
–	16.7	17.5	Reduced COGS / increased labor cost	207.1	135.8	75.8

Labor cost

NOTE 3

PARENT COMPANY						GROUP
1999	**1998**	**1997**	Figures in NOK million	**1999**	**1998**	**1997**
24.1	53.1	51.0	Payroll	404.8	285.0	191.2
6.7	15.1	14.5	Social security/pension cost	48.9	29.2	17.8
3.4	3.1	3.3	Other social expenses	47.4	31.4	19.3
34.2	**71.3**	**68.8**	**Total labor cost**	**501.1**	**345.6**	**228.3**
88	204	184	Average number of employees	1 724	1 318	788

NOTE 4 Financial Items

PARENT COMPANY				GROUP		
1999	**1998**	**1997**	Figures in NOK million	**1999**	**1998**	**1997**
46.3	27.4	11.5	Interest income[2)]	11.0	9.7	5.6
15.3	2.7	3.4	Foreign exchange gain	15.3	2.7	3.4
0.3	0.4	0.2	Currency options gain	0.3	0.4	0.2
9.2	–	–	Reversed write-down on fixed assets[1)]	–	–	–
71.1	**30.5**	**15.1**	**Total financial income**	**26.6**	**12.8**	**9.2**
5.7	5.4	11.0	Interest expenses[2)]	14.6	17.7	19.0
–	19.7	0.2	Foreign exchange losses	–	19.7	0.2
5.7	**25.1**	**11.2**	**Total financial expenses**	**14.6**	**37.4**	**19.2**
65.4	**5.4**	**3.9**	**Net financial income and expenses**	**12.0**	**(24.6)**	**(10.0)**

[1)] Previous write-down of shares in subsidiaries is reversed with NOK 9.2 million because the decline in value has been transient, and real value exceeds the cost price. The reversed write-down comprises the subsidiaries OY Tomra AB, Tomra Systems BV and Tomra Systems Inc. The reversion affects only reporting for Tomra Systems ASA and has no effect on the Group figures.

[2)] Interest income and -expenses for the parent company, includes interest income- and expenses from subsidiaries of respectively NOK 44.3 million and NOK 3.0 million.

NOTE 5 Interest-Bearing Balance Sheet Items

PARENT COMPANY			GROUP	
1999	**1998**	Figures in NOK million	**1999**	**1998**
4.7	2.8	Restricted bank deposits	6.7	3.1
52.2	6.1	Bank deposits	232.5	52.9
30.9	–	Short-term investments	30.9	–
–	–	Other long-term investments	47.6	16.0
752.4	620.8	Loan/receivables to subsidiaries	–	–
840.2	**629.7**	**Total interest bearing investments**	**317.7**	**72.0**
–	–	Overdraft facility	209.8	104.8
32.5	37.5	Other long-term loans	40.5	48.5
–	–	Short-term interest bearing liabilities	0.8	26.0
116.9	84.6	Loan from subsidiaries	–	–
149.4	**122.1**	**Total interest bearing debt**	**251.1**	**179.3**
690.8	**507.6**	**Total interest bearing items**	**66.6**	**(107.3)**

Yearly installment on other-long term loans is NOK 5.0 million. The loan has been submitted with negative pledge agreements. NOK 7.5 million of total debt is due more than five years after December 31 1999. Unused, committed drawing rights per 31.12.99 is NOK 92.2 million for the Group.

NOTE 6 Receivables

PARENT COMPANY			GROUP	
1999	**1998**	Figures in NOK million	**1999**	**1998**
–	4.1	Accounts receivables, gross	462.0	360.7
78.6	71.6	Intra Group short-term debt	–	–
6.0	13.3	Other short-term receivables, gross	161.3	139.1
(0.1)	(0.1)	Provision for bad debt	(8.0)	(4.8)
84.5	**88.9**	**Total receivables**	**615.3**	**495.0**

Total bad debt written off, amounted to NOK 3.3 million for the Group, whereof NOK 3.1 million is related to activities in America. Bad debt written off is reported as other operating expenses. Receivables with due date more than one year after the balance day, are reported as fixed assets.

Fixed Assets

NOTE 7

Figures in NOK million	Buildings & Land	Machinery & Fixtures	Vehicles	**Total property & fixed assets**	**Intangibles[4)]**	**Leasing equipment**
GROUP [1)]						
Historical cost January 1	137.1	212.8	57.7	407.6	478.1	483.8
Additions this year	38.1	58.8	16.4	113.3	23.4	37.2
Disposals this year	4.9	9.7	2.7	17.3	–	1.2
Accumulated depreciation / write-down[3)]	12.5	117.1	30.8	160.4	150.1	269.3
Book value December 31[2)]	**157.8**	**144.8**	**40.6**	**343.2**	**351.4**	**250.5**
Ordinary depreciation this year	**5.2**	**40.6**	**9.3**	**55.1**	**23.5**	**62.8**
Depreciation rates[5)]	2–4 %	10–33 %	15–33 %		5–20 %	14–25 %
Economic life. until	50 yrs.	10 yrs.	7 yrs.		20 yrs.	8 yrs.
PARENT COMPANY						
Historical cost January 1	4.8	45.1	0.5	50.4		
Additions this year	–	5.0	–	5.0		
Disposals this year	4.8	7.0	0.4	12.2		
Accumulated depreciation[3)]	–	32.7	0.1	32.8		
Book value December 31	**–**	**10.4**	**–**	**10.4**		
Ordinary depreciation this year	**–**	**4.9**	**–**	**4.9**		
Depreciation rates[5)]	–	15–25 %	20 %			
Economic life, until		7 yrs.	5 yrs.			

1) Exchange rates as of December 31, 1999 are used in calculating fixed assets of foreign subsidiaries.

2) Including land of NOK 28.1 million.

3) Total accumulated depreciation and write-down as of December 31, 1998 was NOK 425.4 million for the Group and NOK 33.8 million for the parent company. Accumulated write-down on intangible assets per December 31, 1999 was NOK 43.1 million.

4) Booked value of intangible assets per 31 December, 1999 consists of goodwill amounted to NOK 347.3 million and other intangible assets amounted to NOK 4.1 million. Goodwill is depreciated over a maximum of 20 years which is estimated to be economic life.

5) All depreciation plans are linear.

The Group has in 1999 used NOK 63.1 million on research, development and other future-oriented projects. The amount is expensed. It is expected that total earnings on current research and development projects will at least correspond to total expenses.

Tomra Systems ASA rents its offices in Asker for an annual lease of NOK 9.3 million with a fixed annual adjustment of 1.9 %. The lease period is 9 years, with the right to renew for additional 10 years. TOMRA previously owns the property, and the company has the right to purchase the property back by the end of the lease period. The lease contract is not booked in the balance, as it is not seen, according to Norwegian GAAP, as financial leasing.

Leasing equipment

The companies within the TOMRA Group had 5318 reverse vending machines for leasing to customers by the end of 1999. The table shows the minimum leasing income from today's lease portfolio. In addition to this income, TOMRA will receive income from materials handling, service contracts etc.

	2000	**2001**	**2002**	**2003**	**2004+**
Minimum lease income from the lease portfolio:	40.9	24.3	23.2	22.0	15.9

NOTE 8 Taxes

PARENT COMPANY 1999	1998	1997	Figures in NOK million	GROUP 1999	1998	1997
			TAX BASIS			
156.6	112.8	109.8	Profit before taxes			
(23.5)	(14.2)	(52.6)	Dividend from subsidiaries			
0.1	(0.2)	(7.2)	Permanent differences			
(28.1)	4.2	(13.4)	Change in temporary differences			
105.1	**102.6**	**36.6**	**Basis for taxes payable**			
			TAXES			
29.4	28.7	10.3	Payable taxes	66.8	58.5	40.4
(0.1)	1.7	0.6	Property taxes including changes previous years	0.2	1.2	2.5
7.9	(1.1)	3.0	Net change in deferred taxes	55.7	21.8	20.2
37.2	**29.3**	**13.9**	**Tax expenses**	**122.7**	**81.5**	**63.1**
28.0 %	29.7 %	24.3 %	Tax rate	30.2 %	32.1 %	31.9 %
0.2	0.2	0.6	Foreign share of taxes	56.1	51.5	48.7

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

PARENT COMPANY 1999	1998	Figures in NOK million	GROUP 1999	1998
		DEFERRED TAX ASSETS		
3.5	0.6	Current assets	10.2	3.6
–	4.1	Fixed assets	1.0	16.4
1.3	0.6	Current liabilities	1.7	1.1
–	–	Loss carried forward	–	1.1
4.8	**5.3**	**Total deferred tax assets**	**12.9**	**22.2**
		DEFERRED TAX LIABILITIES		
–	–	Current assets	1.8	–
–	–	Fixed assets	114.0	65.9
6.5	–	Current liabilities	–	4.4
8.0	7.1	Pension reserves	8.0	7.1
14.5	**7.1**	**Total deferred tax liabilities**	**123.8**	**77.4**

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

NOTE 9 Other Current Liabilities

PARENT COMPANY 1999	1998	Figures in NOK million	GROUP 1999	1998
10.8	12.1	Tax deductions, social security, holiday pay	39.3	36.0
–	–	Advances from customers	13.7	7.1
–	–	Short-term interest bearing debt	0.8	26.0
22.3	15.8	Non-interest-bearing debt	90.1	72.7
33.3	20.6	Accrued dividend	33.3	20.6
66.4	**48.5**	**Total other current liabilities**	**177.2**	**162.4**

Shares, loans and severance pay to Officers

NOTE 10

	Share-holding[1]	Loan[3]	Board member fee	Warrants[4]	Cash bonus[5]
Jan Chr. Opsahl (Chairman)	130 048		280 000	26 666	
Jørgen Randers (Board member)	22 050		140 000	21 334	
Svein S. Jacobsen (Board member)	58 846		140 000	21 334	
Tharald Brøvig (Board member)	173 822		140 000	21 334	
Christian H. Thommessen (Board member)	0		140 000	21 334	
Klaus Nærø (Employee repr.)	1 156		100 000	10 667	
Andreas Nordbryhn (Employee repr.)	4 926		100 000	10 667	
Gregory S. Garvey (director GBD)	1 064 658	803 950	100 000	224 000	
Erik Thorsen (CEO)[2]	63 188	1 000 000		9 000	205 333
Helge Nerland (CFO)	169 770	1 200 000		9 000	133 333
Val Stalowir (president BU America)	0			80 000	
Morthen Johannessen (president BU Europe)	134			180 000	
Terje Hanserud (VP Technology)	47 034			9 000	74 667
Svanaug Bergland (director of HR development)	0				

Loan to employees amounts to NOK 4.0 million for the parent company and NOK 8.0 million for the Group.

[1] **Shareholding**
The column shows number of shares owned by Board members and key employees, companies controlled by them and their families.

[2] **Salary and severance pay to the CEO**
The CEO has received NOK 1 222 500 in salary. In addition he has received NOK 812 000 in salary linked to profit development and NOK 3 044 177 in stockbased cash bonus. Other severance pay has been reported with 87 114. The CEO is comprised in the ordinary pension plan for employees in Norway, see note 12.
For year 2000, the CEO will be able to earn variable salary up to NOK 500 000 linked to profit development if goal mentioned is fulfilled. In the event that the President/CEO is dismissed from his position, he is entitled to receive full compensation for twelve months.

[3] **Loans to key employees**
The loans are secured by mortgage in real estate and are installment- and interest free.

[4] **Warrants and other severance pay to key employees**
The board and Group Management warrant plans will be elaborated further below.

Employee Benefit Programs

Norwegian Generally Accepted Accounting Principles (N-GAAP) include no specific regulation on accounting for warrants, shares or share option programs. The basis for the new Norwegian accounting law indicates that employee benefits should be reflected in the accounts, but does also specifically say that Norwegian accounting should not differ substantially from international standards.

The International Accounting Standard (IAS 19 Employee benefits) requires certain disclosures about employee benefits, but does not specify recognition and measurement requirements. US GAAP include two standards for employee benefits, APB 25 referred to as the "Fair value based method" and FAS 123 as the "Intrinsic method". APB 25 requires compensation elements of performance related (variable) plans to be reflected in the accounts while non-performance related (fixed) plans are not required to be reflected in the accounts. FAS 123 has no such differentiation, but requires the difference between purchase and market price at the grant date of the plans to be reflected in the accounts.

Oslo Stock Exchange gave in their annual commentary on accounting issues to listed companies, the recommendation to either account for these programs according to specifications closely tied to FAS 123 or to include specifications of the programs in the notes to the accounts. TOMRA's employee benefit plans have been established primarily reflecting Norwegian accounting standards.

Employee Bonus Program

TOMRA has a share bonus program for all employees in fully owned TOMRA companies. Under the plan for 1999, all employees in companies meeting their budget may purchase up to 400 TOMRA shares at a price similar to the market price at the beginning of 1999 less a premium of NOK 12.50 per share.

A total of 800 000 shares have been authorized issued for this purpose at a price of NOK 112.50. Totally 403 employees qualified for bonus shares for 1999, representing a total share issue of 153 000 shares at NOK 112.50.

For year 2000, the Board of Directors will ask the General Annual Meeting to authorize a five-year warrant program. Under this plan it is suggested that the strike price will be NOK 136, equal to the market price at December 31, 1999. Each employee may earn warrants to purchase up to 600 shares and the total program will represent 1.5 million shares.

Warrants

TOMRA has share warrant plans for directors, officers and employees tied to specific performance targets (variable plans). The vesting period for these plans is normally three years and granted at market price. The outstanding share options are:

	Shares	Price range per share		Average
PLANS GRANTED 1998:		Low	High	
Granted	1 000 000	77.50	152.30	103.52
Vested	402 664	100.00	138.88	109.59
Exercised	64 666	100.00	125.44	104.20
PLANS GRANTED 1999:				
Granted	1 863 133	103.50	111.75	104.71
Vested	217 498	103.50	103.50	103.50
Exercised	0			

[5] **Cash bonus**

For three members of the Group Management in Norway cash bonus have been given instead of stock option according to the same bonus plan, where the difference between subscription rate and exercise rate will be paid out in cash, depending on the number of shares shown in the column. The bonus plan comprises year 2000 and 2001 and is linked to profit development.

Auditors' fees

NOK 275 000 has been paid out in auditors' fees to KPMG AS for auditing Tomra Systems ASA. In addition NOK 704 214 has been paid for consulting services. Total auditors' fees for the Group amounted to NOK 3.0 million, and NOK 2.3 million for consulting fees.

NOTE 11 Shares and Investments

GROUP COMPANIES	Country	Year of acquisition	Vote and owner share	Book value
Tomra Butikksystemer AS	Norway	1988	100 %	–
Tomra Systems AB	Sweden	1990	100 %	1.0
OY Tomra AB	Finland	1987	100 %	4.8
Tomra System AS	Denmark	1985	100 %	1.1
Tomra Systems GmbH	Germany	1990	100 %	2.2
Tomra Systems BV[1]	Netherlands	1983	100 %	96.1
Tomra Leergutsysteme GmbH	Austria	1997	100 %	31.8
Tomra North America Inc	USA	1994	100 %	267.0
Tomra Systems Inc	Canada	1988	100 %	8.1
Tomra Europe AS	Norway	1998	100 %	10.0
Tomra Production AS	Norway	1998	100 %	15.0
Tomra Systems OY	Finland	1997	100 %	21.7
Total shares in subsidiaries				**458.8**

[1] The book value ofthe shares in Tomra Systems BV has been written down by NOK 36.2 million.

SHARES IN AFFILIATED COMPANIES

	Wise Recycling	DAC Industries	UltrePET	TOTAL
Book value 31.12.98	**64.7**	**2.4**		**67.1**
Acquired in 1999			41.0	41.0
Profit before taxes 1999	8.8	2.0	2.4	13.2
Dividend received 1999	-3.5			-3.5
Disposals to subsidiaries		-4.4		-4.4
Currency calculation difference	3.7		1.3	5.0
Book value 31.12.99	**73.7**	**–**	**44.7**	**118.4**
Equity at date of acquisition	56.7	–	41.0	
Country	**USA**	**USA**	**USA**	
Year of acquisition	**1998**	**1996**	**1999**	
Vote and owner share	**50,0 %**	**19,0 %[1)]**	**38,5 %**	

1) Ownership in DAC Industries has increased from 19 % to 80 % in December 1999, and consolidated as a subsidiary from that moment in time.

Pension and Pension Obligations

NOTE 12

Insured pension plans cover all employees in Norway in permanent positions with at least 50 % of full time employment. The retirement age is 67 years for all employees. The pension plan is structured as a retirement net agreement in that it guarantees a supplement to the State benefits of 20 % of that part of the pension base which exceeds 1.5 times the base amount (currently NOK 46 950) and 30 % of the pension base which exceeds 8 times the base amount. There is no other compensation agreements for reductions in State benefits. The premium calculation structure remained unchanged in the years 1997–99. Except for this plan, no other pension liabilities exist.

The pension plans have been treated for accounting purposes in accordance with the NAS on pension costs. Only the Norwegian companies have pension plans based on benefit principles. The parent company's plan, which also covers employees in Tomra Butikksystemer AS, Tomra Europe AS and Tomra Production AS includes 193 employees and 3 retirees by year-end 1999. The plan gives rights, to defined future benefits. This benefit is mainly dependent upon, year within the plan, salary at date of retirement and compensations from the State. The obligations are covered through Gjensidige Liv insurance company. For demographic and resignation factors normal insurance assumptions have been used. There were not made any payments to the pension premium fund in 1999. Pension funds can be utilized for covering future annual premiums, which amounted to NOK 4.0 million for 1999.

Figures in NOK million	1999	1998	1997
Net present value of this year's pension earnings	2.7	2.2	2.1
Interest cost of pension obligations	1.5	1.2	1.2
Yield on pension fund	(3.2)	(2.8)	(2.2)
Amortization of deferred deviations	0.2	(0.1)	0.1
Social security tax	–	1.1	1.1
Net pension costs	**1.2**	**1.6**	**2.3**
FINANCIAL STATUS AS OF DECEMBER 31			
Pension obligations	(25.6)	(21.1)	
Pension funds. Market value	49.2	47.2	
Deferred liability to be amortized	3.3	(2.0)	
Advanced payment of social security costs	1.8	1.3	
Pension funds	**28.7**	**25.4**	
BASIS FOR CALCULATION			
Discount rate	7.0 %	7.0 %	
Expected wage increases	3.3 %	3.3 %	
Expected increase of base amount	3.3 %	3.3 %	
Expected yield of funds	8.0 %	8.0 %	

NOTE 13 Gurarantee Liabilities

PARENT COMPANY 1999	1998	Figures in NOK million	GROUP 1999	1998
		Tomra Systems ASA:		
377.9	144.6	for subsidiaries	–	–
		Tomra North America Inc:		
–	–	for Upstate Tomra LLC	–	5.7
–	–	for Wise Recycling LLC	80.4	57.1
377.9	**144.6**	**Total guarantee liability**	**80.4**	**62.8**

NOTE 14 Off Balance Sheet Items

Forward foreign exchange contracts are used to hedge future foreign currency income. In cases where the company has firm orders in foreign currencies, the contracts are booked at the forward exchange rate. For forward contracts where the future foreign currency income is not secured by order/contract, a calculation of the gains and losses is made at the year-end rate. TOMRAs total net currency exposure as of 31. December amounted to SEK 75 million, DKK 31 million, EURO 29 million and USD 15 million.

OUTSTANDING FORWARD FOREIGN EXCHANGE CONTRACTS

Amount forward sold (million)	Currency	Book exch. rate	Due date
SEK/NOK	15	0.9432	2000
DKK/NOK	10	1.0851	2000
USD/NOK	110	8.0395	2000

NOTE 15 Equity

GROUP

Figures in NOK 1000	Paid-in capital	Currency Translation difference	Retained earnings	Total Majority Equity	Minority interest	Total equity
Balance per December 31, 1998	**314 636**	**52 360**	**895 598**	**1 262 594**	**21 303**	**1 283 897**
Net profit			277 363	277 363	5 956	283 319
Equity issue 1999	52 645			52 645		52 645
Changes in translation difference		6 263		6 263	1 374	7 637
New consolidated subsidiaries				0	389	389
Sales Tomra New York Recycling			(6 160)	(6 160)	16 003	9 843
Dividend accruals 1999			(33 339)	(33 339)		(33 339)
Balance per December 31, 1999	**367 281**	**58 623**	**1 133 462**	**1 559 366**	**45 025**	**1 604 391**

	1999	1998[1)]	1997[1)]
Number of shares 31.12	83 347 666	82 179 400	81 270 000
Average number of shares	82 989 463	81 772 116	77 726 368
Average number of shares, fully diluted	83 609 625	82 578 730	79 058 736
Majority equity 31.12 (NOK 1000)	1 559 366	1 262 594	1 026 572
Equity per share (NOK)	18.71	15.36	12.63
Net profit after minority interest (NOK 1000)	277 363	167 080	131 331
Earnings per share (NOK)	3.34	2.04	1.69
Earnings per share, fully diluted (NOK)	3.32	2.02	1.66

[1)] Adjusted for stock split in 1999.

TOMRA SYSTEMS ASA Figures in NOK 1000	Share capital	Share premium[2]	Paid-in capital	Retained earnings	Total equity	Number of shares
Balance per December 31, 1996	**150 596**	**150 278**	**300 874**	**74 494**	**375 368**	**37 649 068**
Net profit 1997				95 936	95 936	
Employee placement, April 1997	1 280		1 280	17 792	19 072	37 969 068
Employee placement, April 1997	150		150		150	38 006 500
Employee placement April 1997	2		2		2	38 007 000
Private placement May 1997	1 860		1 860	63 240	65 100	38 472 000
Execution of options, May 1997	52		52	679	731	38 485 000
Private placement, September 1997	7 200		7 200	284 130	291 330	40 285 000
Execution of options December 1997	1 400		1 400		1 400	40 635 000
Dividend accruals 1997				(16 254)	(16 254)	
Balance per December 31, 1997	**162 540**	**150 278**	**312 818**	**520 017**	**832 835**	**40 635 000**
Net profit 1998				83 485	83 485	
Employee placement, March 1998	321		321	5 654	5 975	40 715 200
Execution of options, May 1998	618		618	8 590	9 208	40 869 700
Execution of options, August 1998	80		80	1 112	1 192	40 889 700
Private placement, December 1998	800		800	41 968	42 768	41 089 700
Dividend accruals 1998				(20 577)	(20 577)	
Balance per December 31, 1998	**164 359**	**150 278**	**314 636**	**640 250**	**954 886**	**41 089 700**
Net profit 1999				119 378	119 378	
Employee placement, April 1999	589	20 033	20 622		20 622	41 237 000
Employee placement, April 1999	1 726	29 198	30 924		30 924	41 668 500
Execution of options, May 1999	21	1 317	1 339		1 339	41 673 833
Share issue costs		(239)	(239)		(239)	
Stock split 1:1 December 1999						83 347 666
Dividend accruals 1999[1]				(33 339)	(33 339)	
Balance per December 31, 1999	**166 695**	**200 587**	**367 282**	**726 289**	**1 093 571**	**83 347 666**

[1] Accrued dividend per share is NOK 0,40 in 1999.

[2] Legal reserves December 31, 1998 were 156 582. Sharepremium distributed to the legal reserves last 10 years amounts to 150 278, and is allocated to sharepremium. The remaining 6304 are distributed to retained earnings.

Shareholders

THE COMPANY'S LARGEST SHAREHOLDERS

Registered at December 31, 1999	Number of shares	Ownership
1. State Street Bank – Clients	7 840 260	9.40 %
2. Chase Manhattan Bank – UK Clients	4 035 440	4.84 %
3. Kommunal Landpensjon	3 246 700	3.89 %
4. Caisse des Depots et Consignations	3 088 596	3.70 %
5. Chase Manhattan Bank – US Clients	2 806 536	3.36 %
6. Folketrygdfondet	2 800 000	3.35 %
7. Swedbank Markets	2 704 374	3.24 %
8. Morgan Guaranty Trust	1 989 978	2.38 %
9. Caisse Nationale de Agricole	1 872 644	2.24 %
10. Storebrand Livsforsikring	1 646 700	1.97 %
11. Den Danske Bank – Clients	1 433 500	1.71 %
12. Deutsche Bank AG – Clients	1 385 230	1.66 %
13. Boston Safe Dep.	1 362 992	1.63 %
14. Vital Forsikring	1 341 326	1.60 %

15. ABN Amro Bank – Clients	1 208 800	1.45 %
16. DG Bank, Luxembourg – Clients	1 168 400	1.40 %
17. Norsk Hydros Pension Fund	995 600	1.19 %
18. AIM Global Aggressive	972 000	1.16 %
19. Cedel Bank OPE	935 332	1.12 %
20. ABN Amro Global	848 294	1.01 %
Total	**43 682 702**	**52.30 %**
Other shareholders	39 664 964	47.70 %
Total (5044 shareholders)	83 347 666	100.00 %
Shares owned by Norwegian shareholders	28 810 905	34.56 %
Shares owned by foreign shareholders	54 536 761	65.44 %
Total	**83 347 666**	**100.00 %**

NOTE 16 Acquisitions in 1998/99

REYNOLDS RECYCLING DIVISION

With effect from March 1, 1998, Tomra North America Inc. acquired the operating assets of Reynolds Recycling Division's West Coast operations covering California, Washington, Colorado, New Mexico and Hawaii. The purchase price was USD 8.0 million (NOK 60.9 million) with a goodwill of USD 2.6 million (NOK 19.8 million). Tomra Pacific Inc. was formed on the basis of the acquired assets.

RECYCLING RESOURCES LLC

With effect from July 1, 1998, Tomra Pacific Inc. acquired the operating assets of Recycling Resources LLC in California. The purchase price was USD 5.2 million (NOK 39.6 million) and included goodwill of USD 3.7 million (NOK 28.4 million). The operations were merged into Tomra Pacific Inc. by year-end 1998.

WISE RECYCLING LLC

With effect from July 1, 1998, Tomra North America Inc. invested USD 7.5 million (NOK 57.1 million) in a 50 % ownership in Wise Recycling LLC, operating in 23 non-deposit states in the US market. The investment represented no additional goodwill.

RECYCLE CLUB LLC

As an integrated part of the agreement with the retail chain, Ralph's, TOMRA Pacific Inc. acquired the assets of Recycle Club LLC. The purcahse price was USD 1.5 million (NOK 11.4 million) and included goodwill of USD 1.1 million (NOK 8.5 million).

MOBILE RECYCLING CORP.

With effect from October 1, 1998, Tomra Pacific Inc. acquired the operating assets of Mobile Recycling Corp. in California. The purchase price was USD 7.15 million (NOK 54.4 million) and included goodwill of USD 5.1 million (NOK 39.1 million), with additional USD 1.3 million (NOK 10.5 million) in 1999. The purchase agreement includes a contingent additional liability of USD 1.9 million (NOK 15.2 million) based on the legislative changes of handling fees to convenience centers.

TOPERCHER GmbH, AUSTRIA

With effect from October 1, 1998, Tomra Leergutsysteme GmbH acquired the operating assets of the former Halton's distributor in Austria, Topercher GmbH. The purchase price was ATS 14.3 million (NOK 9.2 million) and included goodwill of ATS 10 million (NOK 6.5 million).

UltrePet LLC

With effect from May 1, 1999 Tomra North America Inc. invested USD 5.3 million (NOK 41.0 million) in the company UltrePet LLC. TOMRAs ownership is 38,5 % of the company, which will increase to 49 % as a consequence of the company buying back its own shares the next three years. The investment did not represent any goodwill.

Tomra New York Recycling Inc.

Tomra North America has during 1999 gradually reduced their ownership in Tomra New York Recycling Inc (TNYR) from 100 % to 70 %. The sales price adjusted from equity shares, USD 2.0 million (NOK 16.0 million), is included in minority interests in the balance sheet and is written down over 5 yeas.

DAC Industries LLC

With effect from December 1 1999 Tomra North America Inc. purchased additional 61 % in DAC Industries LLC for USD 0.3 million. (NOK 2.4 million). The acquisition included goodwill of USD 0,5 million (NOK 3.9 million). Tomras ownership is 80 % after the acquisition.

Other minor acquisitions

TOMRA has in 1999 done a larger number of minor acquisitions in America. Total purchase price amounts to USD 1.4 million (NOK 11.4 million), and included goodwill of USD 1.1 million (NOK 8.9 million).

Auditor's Report for 1999

To the Annual Shareholders' Meeting of Tomra System ASA

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Tomra Systems ASA as of 31 December 1999, showing a profit of NOK 119.4 million for the parent company and a profit of NOK 283.3 million for the Group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

Basis of Opinion

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice in Norway. Good auditing practice require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 1999, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice in Norway
- the Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 17 February 2000

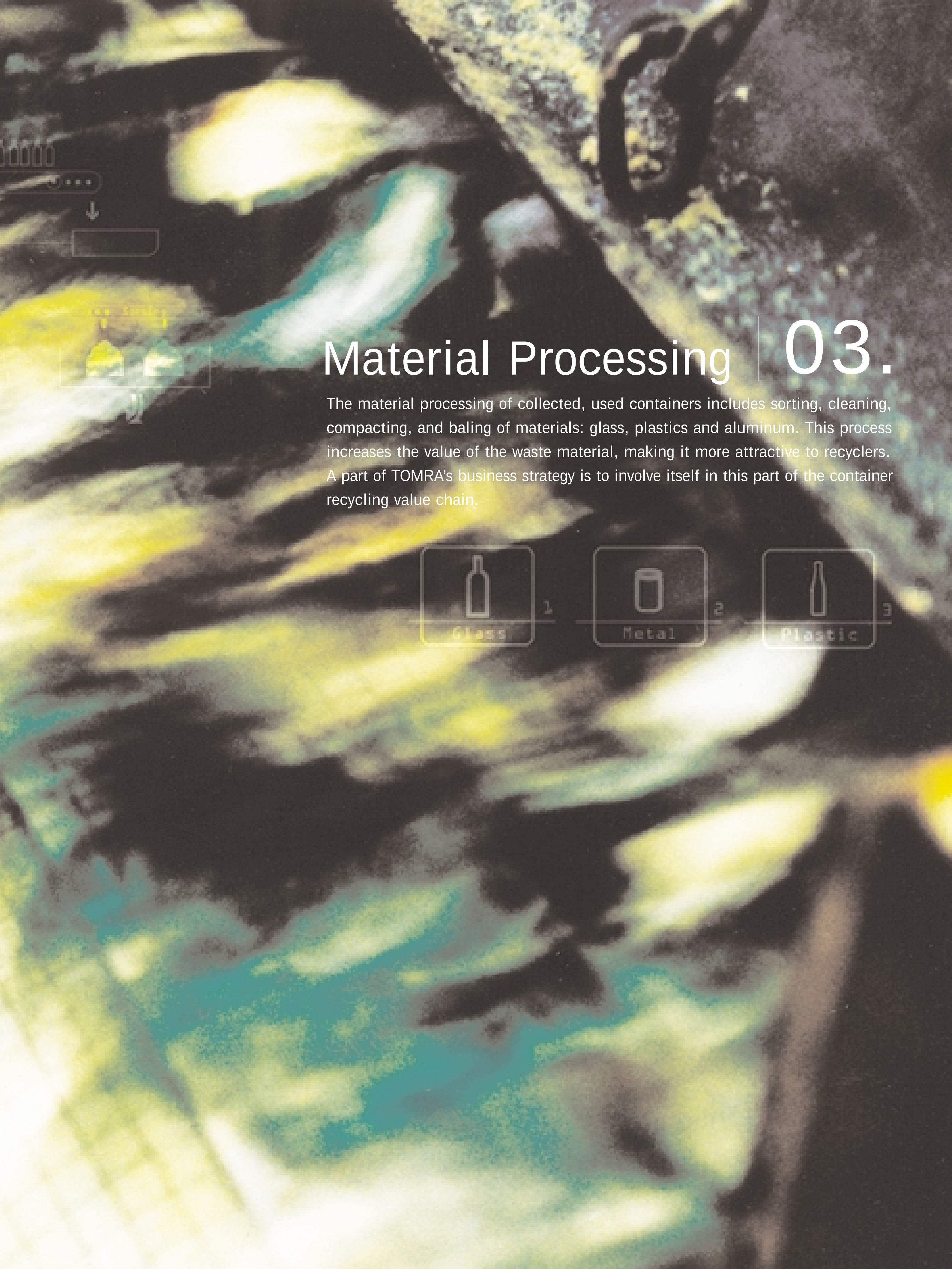
KPMG AS, Partner, State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only

TOMRA Recycling Value Chain

Material Processing | 03.

The material processing of collected, used containers includes sorting, cleaning, compacting, and baling of materials: glass, plastics and aluminum. This process increases the value of the waste material, making it more attractive to recyclers. A part of TOMRA’s business strategy is to involve itself in this part of the container recycling value chain.



Helping the World Recycle

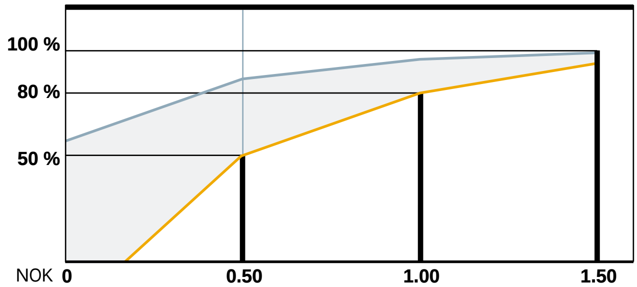
We strongly believe that any recovery and recycling system will need consumer participation in order to succeed long term.

TOMRA HISTORY

A company in motion best describes the international expansion and history of TOMRA. Established in 1972, TOMRA began developing and marketing Reverse Vending Machines (RVMs) for the domestic Norwegian market. A year later, it moved beyond national borders, and since the early 1980s, international sales have accounted for more than 90 percent of its total revenues. Primary markets in the early years were mainly European countries with established deposit systems for refillable containers.

In the 1980s, non-refillable containers started taking market share from refillable containers, particularly in the USA. During that period, TOMRA developed equipment to handle non-refillable containers like aluminum and steel cans, non-refillable plastic and glass bottles. These machines used bar-code reading to identify not only deposit values, but also the bottler. The first attempt to penetrate the US market with this new technology was made in 1985, but was not successful.

Cash incentives and recovery rates



The graph indicates the relationship between cash incentives for each beverage container and the related obtainable recovery rates with upper and lower limits experienced in existing deposit systems.

In 1992, TOMRA acquired its first materials handling company in the USA, NEROC Inc., which had been a distributor of RVMs since 1986. In addition to RVM sales and servicing, NEROC also picked up returned containers from supermarkets in Connecticut for processing and distribution to recyclers. The company handled cash settlement between their supermarket customers and the bottlers, and developed control systems to ensure proper documentation of the entire system.

Up to 1992, all TOMRA revenues came from sales and service of RVMs. By 1999, these activities represented only about 50 percent of revenues. Materials handling, administration and promotional services combined with recycling center operations comprised the other 50 percent of total revenues. TOMRA's recycling center operations is our first attempt to co-ordinate our own collection program directly from consumers in markets where the retailer is not directly involved in the handling of the returned containers.

A WORLD OF OPPORTUNITIES

In our annual report for 1998, we gave a broad presentation of the world beverage container markets together with producer and consumer trends. Some of these trends were:

- An increase in beverage consumption, with the strongest growth in developing markets
- An increase of beverage consumption outside the home
- A consumer and producer preference for non-refillable containers

Container recycling value chain

COLLECTION	PICK-UP	MATERIAL PROCESSING	MATERIALS MARKETING TRADING	RECYCLING	CONTAINER PRODUCTION
RVM Sales & Service Recycling Centers Promotions Data adm	Transportation Reverse logistics to depot/processing	Sorting Cleaning Shredding Flaking Crushing Bailing	Scrap sales to recycling industry	Metal to can sheets Glass to glass products Plastics to fiber	Cans Plastic bottles Glass bottles Cartons
Europe US Deposit California Canada US Non deposit	Connecticut, New York, Massachusetts, Michigan, California		Wise Recycling DAC	UltrePET	

- A strong consumer preference for plastic bottles has led to shifts in market shares for beverage container materials; most visible in the US market but strengthening in other markets as well
- Highest recovery and recycling rates through deposit systems
- A reduction in recycling commitment and investments from solid waste companies mainly due to the high collection cost of curbside programs
- An increase in political awareness over environmental issues, reuse and recycling

These trends are strengthening our opportunities, mainly because the beverage and retail industry is challenged to establish more efficient recovery solutions during the coming years. TOMRA realizes that the traditional in-store RVM installation does not represent the ultimate solution under all market conditions, but we strongly believe that any recovery and recycling system will need consumer participation in order to succeed long term. We also believe that the link between shopping and recycling is the most convenient and economical means to obtain such participation.

Under these assumptions, TOMRA has decided to actively develop and test alternative recovery programs tailored to suit various markets. Additionally, we are taking an active role in developing fully-integrated recovery systems to include all parts of the container recycling value chain under the mission statement "Helping the World Recycle".

THE CONTAINER RECYCLING VALUE CHAIN

The recycling industry is still immature with a multitude of fragmented and inefficient systems and solutions. Today, the only material that can cover its own recycling cost through the value chain is aluminum. TOMRA's ability to add value to the retail and beverage industry is dependent on the efficiency of the entire value chain. In order to ensure that the obtained efficiencies at the front-end flow through to the customers, TOMRA has decided to take an active role in establishing baseline-operating metrics for all parts of the value chain.

COLLECTION

Motivating consumers to actively participate in the container recycling process is the main challenge for the industry. Other traditional collection programs building on social and environmental awareness with extensive marketing and educational activities are usually not achieving recovery rates above 50 percent under favorable demographic conditions. Increased consumption outside of home adds to the littering problem and makes voluntary recycling even more challenging.

Consumer incentive programs are the key to ensuring high consumer participation and sustained success. The only known incentive program that ensures both high recovery rates and - reduces outdoor litter is the deposit system. The deposit value influences the recovery rates to a very high degree. Statistics indicate that a deposit value above NOK 1 (US 13 cents) should secure a recovery rate above 90 percent. The US state of Michigan has a 10-cent deposit and recovery rates above 95 percent.

TOMRA is also gaining experience from the use of alternative incentives like lotteries and discount coupons along with other charity and social awareness programs. These programs will enable TOMRA to offer alternative collection solutions dependent on recycling targets.

Sales, Lease and Service

TOMRA has approximately 40,000 machines installed worldwide, representing an overall market share in excess of 90 percent. Since 1995 the annual growth in this segment has been above 25 percent with a 45 percent growth in 1999.

Administration & Promotion

Data administration includes accounting for deposit charges and handling fees on behalf of retailers, along with control systems of material volumes on behalf of the bottlers. These services have been highly automated during recent years through newly developed TOMRA communication software and improved availability of commercial online communication systems.

TOMRA Collection Services	1999	1998	1997	1996
Sales, lease, service . . . . .NOK Million	1 208	828	743	627
Adm. & Promotion . . . . .NOK Million	112	104	57	25
Recycling Centers . . . . .NOK Million	175	78	–	–
Total Collection Services . . . . .NOK Million	1 495	1 010	800	652
% of total revenues	69	69	80	93
Europe	952	609	515	438
America	543	401	285	214

TOMRA COLLECTION SERVICES

Traditionally, the collection point has been TOMRA's core activity, competence, and focus area. While activities were once limited to sales, lease, and service of RVMs, TOMRA has since expanded its serviceprogram to include collection data administration, promotional services and recycling center operations.

TOMRA's core competence and competitive advantage is its ability to implement unique technological applications that enable improved consumer interface, correct recognition of containers and proper sorting and compaction of materials. These elements represent major challenges since back-end sorting of materials and high transportation costs make current alternative collection systems uneconomical.

Promotional services incorporate a variety of programs including charity, discount coupons, lotteries and other marketing incentives. The services have proven to be important testing tools, but so far do not represent any major activity area. The most common deterrence to introduction of these services is a limited installed base of RVMs.

Recycling Centers

TOMRA started operating recycling centers through several acquisitions in the US market in 1998. In California, TOMRA operates 425 recycling centers located outside main retail stores. TOMRA's primary goal is to automate the centers to improve availability and convenience to consumers, thereby increasing container volumes. The second goal is to further improve efficiencies in the latter parts of the value chain.

MATERIALS HANDLING SERVICES

In order to maximize the value of collected materials through efficient integration of the value chain, TOMRA has expanded into materials handling services through several acquisitions in the US market. TOMRA's objective is, together with the industry, to develop efficient handling systems and establish baseline-operating metrics for all parts of the Container Recycling Value Chain.

Logistics Management

Through recognition and collection of containers, TOMRA also accumulates data from each transaction for administrative use. This information is used to schedule optimal pick-up routes. The system can provide volume status information by material for the various pick-up locations. TOMRA operates its own transportation network in Connecticut, New York, Massachusetts, Michigan and California, outsourcing certain operations.

Materials Processing

Today, TOMRA operates 16 processing plants for sorting, cleaning, shredding, flaking, crushing and bailing the different materials into optimal recycling forms. When TOMRA acquired these operations, all the plants were operated manually. TOMRA established its first automated processing plant in Michigan in 1998 which led to substantial improvements in efficiency. For the coming years, the objective is to establish similar systems and procedures in the remaining plants. We expect further synergies by using volume as a leverage and merging some of the existing processing plants.

Materials Marketing/Trading

In order to secure the best possible price for the collected container materials, TOMRA intends to build long-term strategic alliances with specialist trading companies. Today TOMRA is operating these activities through Wise Recycling LLC for aluminum trading, and DAC LLC for plastics. In addition, TOMRA Pacific covers materials trading for California and four non-deposit states.

All TOMRA collected container materials on the east-coast are owned by the bottlers. TOMRA takes possession of these materials only after obtaining price bids from recyclers. No major risks are tied to the materials marketing/trading in this geographic area. TOMRA Pacific, however, is exposed in aluminum through the recycling center operations. For the other materials – plastics and glass – the exposure is limited since the bottlers are legally obliged to guarantee minimum prices for these materials.

RECYCLING

To help facilitate an efficient recycling process for PET, and to be positioned for further activities in bottle-to-bottle technology, TOMRA invested in a 38.5 percent ownership of UltrePET LLC, a plastic recycler in upstate New York. TOMRA is currently evaluating alternative technologies to further develop this project and will assess the potentional opportunities before the end of this year. TOMRA involvement in PET recycling is viewed as a necessary interim step, but not a part of the long-term strategy.

TOMRA Materials Handling Services		1999	1998	1997	1996
Logistics Management	NOK Million	172	126	62	16
Materials Processing	NOK Million	379	245	94	20
Materials Marketing	NOK Million	123	75	40	12
Total Materials Handling	NOK Million	674	446	196	48
% of total revenues		31	31	20	7
Europe		–	–	–	–
America		674	446	196	48

Report on Business Activities

Aggressive market activities in our key Business Units (BU), Europe and America, enabled us to continue to improve our international expansion. By virtually any measure, business activities were outstanding for TOMRA in 1999. BU Europe now encompasses over 30 countries, stretching from Europe to Australia and covering four countries in South America. BU America embraces 32 states and provinces in USA and Canada. The 63 different markets are served through a network of fully owned subsidiaries, joint ventures and distributors.

BU Europe and BU America are independent companies, each responsible for their own market activities. However, both have the advantage of drawing from valuable resources like technological strengths afforded by a global company's support.

Tomra Technology, established as a separate entity in January 1999, has the overall responsibility for R&D, manufacturing and distribution of TOMRA machines and backroom systems. Through this entity TOMRA will continue to bring new attractive and cost-effective solutions to the markets.

TOMRA's center of innovation in Heinola, Finland is dedicated to the Minima RVM Series, developing unique solutions targeted for smaller supermarkets and convenience stores. The main technology hub in Asker, Norway, focuses on the Ultima RVM series for larger retailers, and new solutions for collection in non-deposit markets. Our information system teams in Stratford, Connecticut, and Asker develop integrated business applications for management of the recycling value chain.

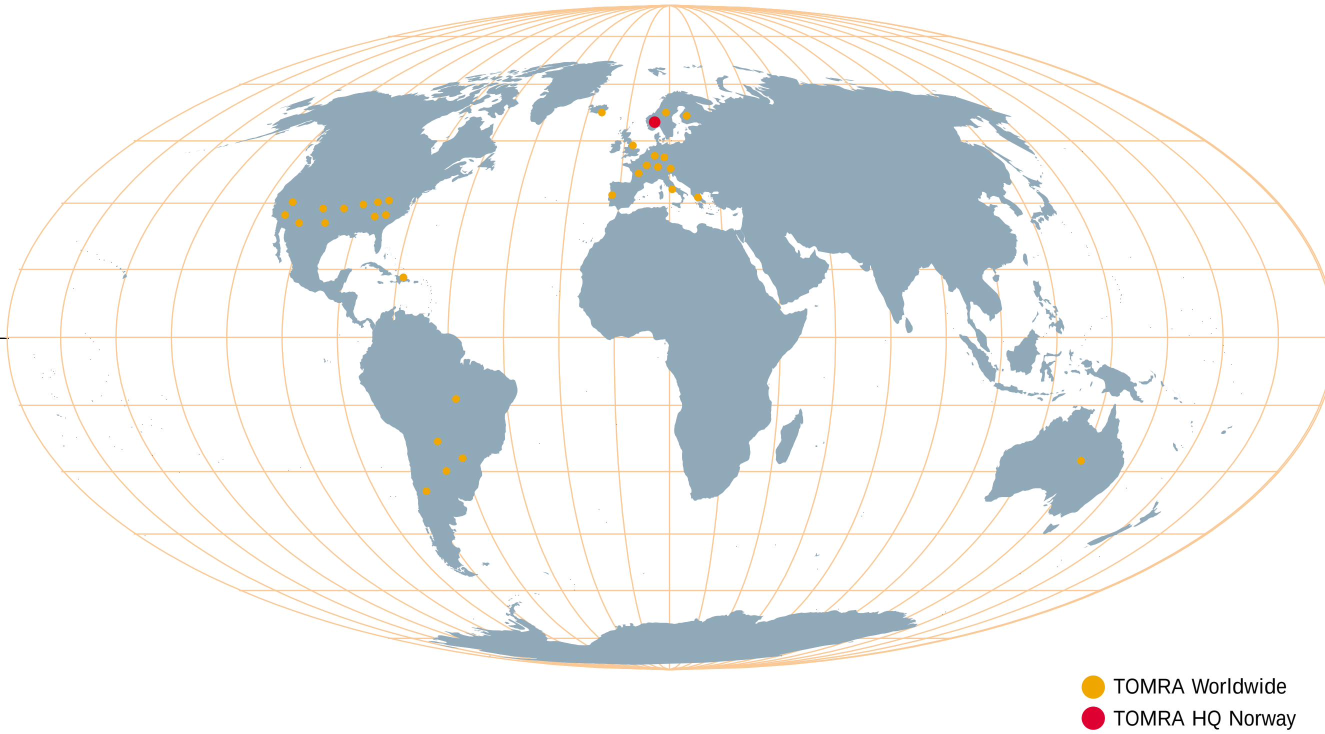
Global Business Development (GBD) is a new organizational entity responsible for building business outside currently served geographical areas. The group is also responsible for coordinating, developing and using retail, beverage and recycling industry relationships on a global basis.

TOMRA has a total of 1734 employees – 350 in BU Europe, 1170 in BU America and 214 in Tomra Technology. For its employees, TOMRA has established share and share option programs, described in note 10 on page 23.

Continous strong growth in our international operations creates new organizational challenges. Our objective is to remain open to opportunities stemming from societal changes, the market and each individual employee. We emphasize the importance of systematically developing a pluralistic, unified and goal oriented corporate culture based on our five core values – integrity, innovation, personal initiative, fighting spirit and enthusiasm.

In order to maintain focus on these core values and monitor our organisational development, TOMRA runs an annual "Living Our Values" survey among employees. The results are actively used in identifying management focus areas and improvement activities.

TOMRA's management system is based on goal-oriented leadership. Job discussions, Performance Evaluations, the Customer Satisfaction Index and the "Living our Values" survey, are all integral parts of the management system. The management system will be completed in September 2000 with the implementation of a 360° Leader Feedback survey.



TOMRA Systems ASA
President/CEO
Erik Thorsen (43)

Business Unit Europe
President
Morthen Johannessen (41)

Business Unit America
President
Val Stalowir (36)

Global Business Development
Senior Vice President GBD
Gregory S. Garvey (44)

Human Resources
Vice President HR Development
Svanaug Bergland (49)

Finance & Investor Relations
Chief Financial Officer
Helge Nerland (43)

Technology
Senior Vice President Technology
Terje Hanserud (40)

Key focus areas in the organization are:

- Core Values
- Customer Satisfaction
- Quality Management
- Environmental Management
- Profitable Growth

The following pages will give a broader overview of ongoing business activities.

Business Unit Europe

Our customers have benefited from extended service offers, a broadened product range and cost-effective operations that have allowed prices to remain flat.

FORGING AHEAD IN EUROPE

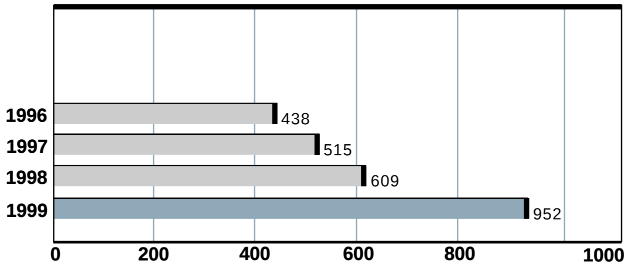
By identifying high-potential markets, which it serves by concentrating and leveraging its resources, TOMRA's Business Unit Europe has gained a solid foothold in 16 European countries. Its focus is sales and service of Reverse Vending Machines (RVMs) to the retail industry in deposit markets. With more than 30 000 RVMs dispersed throughout the continent and a market share above 95 percent, TOMRA is the industry leader.

Since the acquisition of Halton System Group in 1997, our customers have benefited from extended service offers, a broadened product range and cost-effective operations that have allowed prices to remain flat. Customer focus remains a key priority for our organization as we continue to search for innovative and cost effective products and solutions to further strengthen our services and business.

1999 HIGHLIGHTS

1999 was a very successful year for Business Unit Europe with strong performance and results across all major markets. Total operating revenues amounted to NOK 952 million for the year – a record-breaking increase of 56 percent compared to 1998. Implementation of the new deposit system for non-refillable containers in Norway was a major growth driver in 1999. However, even excluding the impact from the Norwegian market, European growth showed a solid 24 percent growth compared to 1998.

Business Unit Europe – Revenues (NOK million)



BUSINESS UNIT EUROPE

With the placement of more than 5414 TOMRA machines, installations reached an all-time high in 1999. The majority of the installations were T-600 and T-610 machines, two top of the range products in the Ultima portfolio. These units offer the most advanced technological solutions in a very user-friendly format. Indeed, the market trend toward a stronger focus on improved functions and advanced communication technology continues. This shift has been influenced by the inclusion of non-refillable beverage containers in deposit systems in some European markets.

At Euroshop's February 1999 exhibition, our product portfolio of RVMs was strengthened significantly by the most extensive product launch ever. Four new machines were introduced during the world's largest retail equipment exhibition, the T-610 and T-500 in the Ultima family, and Solo and Duo in the Minima range. With this expanded product portfolio, we are able to offer our customers improved solutions for all the different market segments.

Out of more than 30 000 TOMRA machines in Europe, approximately one third are now connected via modem to local TOMRA service centers. Online communication makes it possible for us to develop and offer innovative and cost

effective services like remote maintenance control, data collection, and consumer promotion programs. Several other alternative projects like charity donations, coupon distribution and loyalty card programs were also piloted during 1999. We plan to continue investing in such innovative ventures.

NORWAY had an exceptional year in 1999 with revenue growth from NOK 33 million in 1998 to NOK 250 million in 1999. The new nation wide system for deposit on non-refillable beverage containers was implemented in May, and the majority of the retail trade selected TOMRA as their preferred supplier of RVM solutions. In total, more than 1800 TOMRA installations were delivered, awarding us a market share above 95 percent. The installation program was the largest and most complex in our history. It was realized through the outstanding efforts and performance of the local sales and service organization, the production team and all our dedicated subsuppliers and third party distributors.

According to reported industry figures, beverage sales indicated a market share for cans in the range of 35–40 percent for beer products during the first six months after start-up, exceeding even the most optimistic predictions. Year-end figures also reported very encouraging returns on cans at a rate of 84 percent, which was higher than expected based on similar introductions in other markets.

GERMANY is a very important market for our European business, and represents a huge potential for future growth. The recorded revenue increase of 38 percent in 1999 was above our expectations for the year, indicating positive results from our increased focus and efforts in the area. The growth reflects an increased number of installations, and a market demand for larger and more complete technological solutions for supermarkets. A strengthened product portfolio and more focused key account management are also important contributors to the accelerated sales activity in Germany.

THE NETHERLANDS continue to be an area of positive development with sales growth topping 26 percent in 1999. Even though the market is already fairly penetrated, solid growth has been achieved through targeted replacements and upgrade programs. Sales of T-600 and T-610 machines represent the majority of new installations, reflecting retailers' preparations for expected changes in the packaging mix.

FINLAND is the most penetrated market in Europe with almost 5000 installed TOMRA machines. Considering the market situation, 1999's revenue growth of 44 percent was a very strong performance. The result reflects focused efforts on replacement of old installations, along with an increased customer demand for greater technological solutions for their largest stores. Finland's newest shopping mall, JUMBO, which opened just outside Helsinki in October, invested in a state-of-the-art TOMRA solution. As a service to their customers, the mall installed 13 RVMs and high capacity accumulation systems. TOMRA's organization in **AUSTRIA** experienced considerable activity during 1999. Much of the year was spent successfully completing the integration of Halton distributor into TOMRA. The company was acquired in late 1998. Fueled by the integration and a broadened product range, reported sales increased by 31 percent for the year. **DENMARK** is also showing considerable development with revenue growth of 20 percent. The dispute between the government and the EU on the unique Danish ban of non-refillable containers for carbonated drinks remains open. Meanwhile, **SWEDEN**'s recorded sales showed an increase of nine percent, in line with our expectations for the year.

MARKET AND INDUSTRY TRENDS

EU Legislation

Adopted in December 1994, the EU Packaging and Waste Directive (92/62/EC) was implemented in member states during 1996/1997. The directive encourages waste reduction with specific recovery and recycling targets to be met by June 2001. A revision to the EU Directive is currently under way and should be completed before December 31, 2000. A working document from this process suggests the following changes for the period 2001–2006:

European Parliament and Council Directive on Packaging and Packaging Waste (94/62/EC)

- Recovery by weight >50 %, <65 % before June 30, 2001
  – Greece, Ireland, Portugal >25 % before Dec. 31, 2005
- Material Recycling >25 %, <45 %, each material >15 %
- Substantially increased targets for the succeeding 5 years
- Reuse and recycling equally important
- Life Cycle Assessments to be documented by industry
- National measures restricting free trade not accepted

Preferences:	Reduce	Reuse	Recycle	Incinerate	Dispose

- Recycling targets of 60 percent overall, 75 percent for glass, 65 percent for paper/cardboard, 55 percent for metals and 20 percent for plastics
- Producers will be responsible for cost of return, collection, reuse and recycling systems
- Incineration is not an accepted recovery process
- Agreement to changes is to be reached before 31.12.2000

How the individual member countries will develop and implement solutions and systems to meet the requirements of the Directive remains to be seen. We believe the industry will need to dedicate significant resources to respond to these challenges in the coming years. TOMRA's aim is to play a central role as a discussion and business partner when these new solutions are developed and implemented in key European markets.

Industrial and Political Initiatives

Germany

Based on a "Packaging Ordinance" passed in 1991, a minimum of 72 percent of all beverages sold in Germany must be bottled in refillable containers. For the remaining 28 percent of non-refillable containers, the German producers and retailers are under legal obligation to utilize one of two recycling methods – a return system involving a deposit, or participation in Duales System Deutschland (DSD). The latter uses a green dot labeling system to mark products disposable through DSD. Compliance costs related to DSD depend on the cost of collection, sorting and overhead, as well as the income generated from collected materials.

In 1997, the German refillable rate, at 71.3 percent, fell just below the minimum target. The law now requires a new measuring period between February 1999 and January 2000. If the quota is not reached during this period, the law mandates deposit on non-refillable containers. The deposit will apply to beverage groups that have failed to reach their targeted reference quota. Based on the 1997 results, mandatory deposits may be placed on all mineral water and beer containers, which amounts to 6 billion of a total 15.4 billion non-refillable containers. A new deposit system will most likely not be introduced before mid-2001.

The Netherlands

The Dutch "Packaging Covenant" outlines the following principles and targets:

- Producers and importers hold main responsibility
- Local authorities retain responsibility for collection
- Targets to significantly (40 percent) reduce landfill use and incineration
- Recycling rates to be a minimum 65 percent by 2001
- Reusable packaging to be prioritized unless proven that non-refillable containers are better for the environment
- Industry has guaranteed minimum of 27 percent recycling on plastics in 2001 (currently 12 percent)

A major industry initiative, including both retail and beverage producers, was launched in 1996. The key objective of the project is to verify through advanced Life Cycle Assessments (LCAs) that current refillable PET bottles can be replaced by non-refillable PET bottles in the deposit system. LCA supports the introduction of a bottle-to-bottle solution where the recycled bottles are used as the primary material source for new bottles. Given the current status of the project, we estimate that the new required infrastructure and systems can not be ready for implementation before 2002.

Packaging trends

The shift toward non-refillable packaging is still the most significant trend across the European markets. PET is gaining market share, and glass in particular is losing precedence in major categories such as carbonated soft drinks, beer and mineral water. PET is the preferred consumer package. Particularly, non-refillable PET bottles provide the beverage industry with opportunities to combine cost effective production and logistics with the many promotional and convenience features this package offers. While global soft drink producers are on the cutting edge in terms of packaging development, major breweries are also piloting new and innovative packaging materials for beer products.

Retail trends

The two major ongoing trends in the retail industry are consolidation and internationalization. While the latter trend may have started with local and national mergers and acquisitions, it has now spread to leading retail groups, which are opting for a multi-national presence. Indeed, large European companies like the Dutch Ahold group are likely to become true global operators in the retail arena very soon. These trends are in turn accelerating the move toward larger and more effective retail outlets. The highest growth is expected in the hypermarket segment, together with large and small supermarkets.

As a result of trade consolidation, we expect to see increased competition among retailers within customer service in order to build and retain customer loyalty. TOMRA is committed to supporting the retailers' efforts in this area by developing consumer-friendly, innovative and effective solutions for recovery of beverage containers. We believe that our technology and products can add significant value to our customers' operations.

OUTLOOK

Business and growth opportunities in the European market remain very strong. 1999 results best illustrate the growth potential that can be realized when we act on some of the opportunities developing throughout Europe.

Our strategic and operational focus will continue to be shared between two major areas of growth potential:

- Aggressive development and growth within our base business as the industry leader in RVM solutions
- Exploration of new business opportunities within the entire container recycling value chain

We have gained strength in our RVM base business across all markets, and will continue to invest in related ventures. We will also continue to exercise our strength and product portfolio to penetrate and break into all major segments of the retail trade. Focused replacement programs for older installations will provide significant opportunities in the coming years. New and innovative technology and products will be used to stimulate and trigger the process.

TOMRA is currently the only true international supplier in the RVM industry. As the preferred business partner for a host of fast growing international groups, we continually strive to earn and maintain our position. We can assure all of our customers that we are more committed than ever to delivering products and services that meet or exceed their expectations.

In countries like Germany, The Netherlands and Denmark, some changes in the packaging mix and structure have been widely expected. Such changes could provide TOMRA with significant business opportunities. Indeed, there is vast potential in the huge and complex German market, considering its nearly 50 billion beverage containers. The results of the second measurement period of the refillable quota are expected to clarify the short and medium term potentials in this important market. TOMRA is strongly committed to being involved in larger parts of the value chain as a major service provider in all suitable European markets.

Within the next few years, both The Netherlands and Denmark will also most likely see significant changes related to packaging mix. TOMRA is well positioned in both markets to seize these upcoming opportunities.

Forging new business possibilities in Europe means expanding current products and services within existing markets, entering new geographical areas and becoming more broadly involved in the container recycling value chain. We believe the best way to approach the challenges is through partnering with key beverage and retail organizations, and through utilizing the experiences TOMRA has gained in the American operations. Accordingly, Business Unit Europe will dedicate considerable focus and resources to these opportunities in close cooperation with TOMRA's new Global Business Development Group.

Materials | 04. Marketing/Trading

The marketing and trading of materials, and collected waste materials, is a growing business with considerable value, a business that has attracted the attention of an increasingly environmentally concerned society. In many markets, TOMRA has taken over the full materials handling on behalf of the retailers and bottlers.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Business Unit America

Our existing business continued to thrive and become more operationally efficient while we launched several new and exciting initiatives.

BREAKING NEW GROUND IN AMERICA

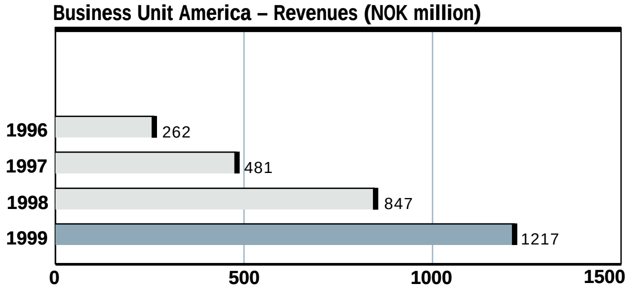
TOMRA is a company of builders. Our culture supports and encourages building value for clients by finding innovative solutions within the beverage recycling industry. Over the past five years, Business Unit America (BU America) has created the most complete and sophisticated used beverage container recovery enterprise in the market. Thus, we achieved another year of healthy growth and cemented our position as the undisputed leader in the beverage recycling industry in America.

From state of the art RVM technology and innovative consumer collection concepts to container value added processing, BU America has put in place the building blocks of a closed loop beverage recycling solution. This is positively transforming the recycling habits of consumers and the beverage industry.

Throughout 1999, both acquired and newly developed businesses were successfully consolidated and ramped up. At the same time, our existing business continued to thrive and become more operationally efficient. Building on TOMRA's core competency of innovation, the year also saw the launch of a number of important future growth initiatives.

The year witnessed renewed media attention on declining recycling rates and the challenges facing the beverage and recycling industries. There was an intensified dialogue in various state agencies on the need for improved recycling solutions whereas California took action by expanding its existing bottle bill. Through focus and strategic investments, TOMRA has secured a unique position in providing innovative recycling solutions for these unmet needs.

Business Unit America – Revenues (NOK million)



Through the extension and consistent execution of TOMRA's successful business model, BU America's operating revenues grew to NOK 1217 million compared with NOK 847 million in 1998 (up 44 percent). Sales growth was driven by consumer collection services in California and materials handling services in Michigan. What follows is a summary of the year's highlights.

EXISTING MARKETS

Overall, 1999 was a solid year for RVM sales and service operations in the Northeast and Michigan. TOMRA secured multi-year lease agreements with all of its major customers. Several new customers were brought on board while some larger customers turned to TOMRA for expanded service contracts.

Due to unusually high retail store consolidations, the Northeast markets showed only moderate growth in RVM sales and leases. This slower volume growth, however, was offset by a continuing expansion of additional pickup and processing services to the beverage industry throughout the Northeast. Through effective adjustments to the operating model, TOMRA Massachusetts realized a major improvement in its economic contribution and is now performing within expectations. During the second and third quarters of the year, TOMRA sold a 30 percent ownership interest in TOMRA New York Recycling to local beverage distributors, resulting in a gain of USD 2 million. The sale fulfilled commitments connected to the acquisition of CARCO Inc. in August 1997.

The Michigan RVM business continued to enjoy strong sales, further solidifying its market leadership in sales, service and customer satisfaction with all major retailers in the state.

In January 2000, TOMRA negotiated and subsequently signed a Letter of Intent with Wise Metals Group LLC to sell its 50 percent interest in Wise Recycling LLC for USD 10.5 million. The transaction, effective January 1, 2000, will result in a gain of USD 1.5 million. In April 1999, Wise Metals Group acquired a large aluminum rolling mill from Reynolds Aluminum. The mill is the primary customer for all of Wise Recycling's collected aluminum, and the transaction will allow Wise to fully integrate the recycling operations with the mill.

TOMRA's original investment was consistent with our strategy of creating business opportunity through market presence. Working together, Wise and TOMRA have successfully built up the non-deposit network of collection and processing centers acquired from Reynolds in 1998. The business has been engineered through implementation of new systems and technology. This engineering process is now being completed through Wise Recycling's integration with the mill. TOMRA will retain the benefits of market presence, low cost processing and a premium customer for TOMRA's collected aluminum through a long-term strategic partnership.

DEVELOPING MARKETS

In the California market, TOMRA aggressively established itself as the largest operator of recycling centers during 1998, securing 425 out of a total 1100 centers in operation. The second half of 1999 then saw the passage of an expanded bottle bill without an expiration provision. This legislation will benefit TOMRA Pacific's operations with higher handling and processing fees and increased volume by the expansion of redeemable container types.

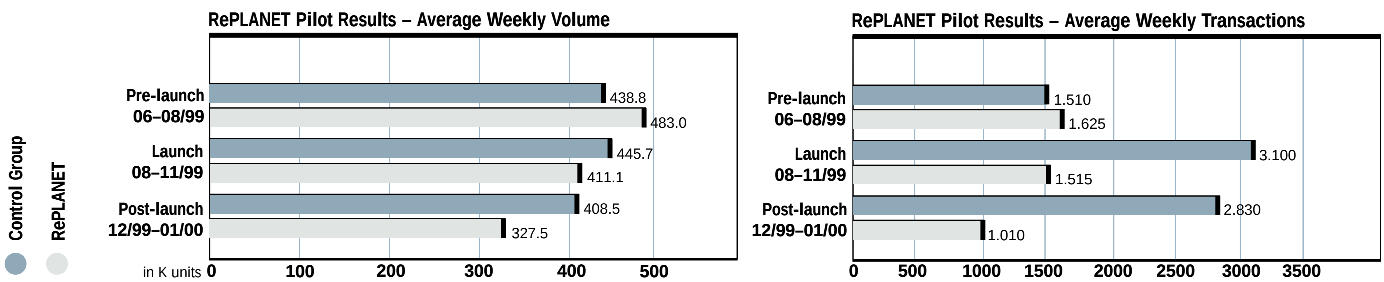
TOMRA now looks forward to an environment of stable legislation and the opportunity to make long term investments in order to build the California market. The focus for 1999 was to successfully complete the integration of four distinct companies acquired in 1998 and drive improved operational efficiency. We further realized added productivity benefits as a result of contract negotiations with local recyclers for their used beverage container material. With the startup and integration challenges now behind us, we anticipate strong growth and improved profitability from our California operations.

Through the third quarter of 1999, TOMRA was operating with interim systems and procedures. As part of implementing an intergrated financial control system during the fourth quarter, significant balance sheet misstatements, amounting to USD 4.0 million, were discovered.

Detailed investigations of these differences determined that USD 2.5 million related to 1998 and USD 1.5 million to the first and second quarter of 1999. The differences principally relate to receivable collections and inventory valuation. Our external auditors have confirmed the nature and timing of the financial adjustments.

In September, TOMRA successfully launched 10 pilot sites in Southern California for an entirely new consumer collection concept named RePLANET. The concept features RVM technology combined with consumer branding to attract higher recycling volumes. TOMRA's goal was to improve the financial performance of the acquired consumer collection business in California while demonstrating the program's ability to drive higher container volumes through a completely re-engineered redemption kiosk. RePLANET's success in attracting the recycling consumer will determine the program's expansion into non-deposit markets.

The company is encouraged by results to date and by the continued growth in volume and transactions seen during the launch and ramp-up of the program. Compared to the control group, the 10 RePLANET centers realized an overall 17 percent increase in volume between the pre-launch period and the September to December launch period. This volume increase has continued, rising to 37 percent in the December to January period. Transaction volume shows an even stronger trend with transactions increasing by 187 percent at the RePLANET centers during the test period. We are confident that continued execution of the RePLANET concept will allow us to achieve our targeted minimum volume increase of 50 percent.



The pilot results combined with excellent retailer acceptance have reinforced our plans to roll out RePLANET to all possible California locations during year 2000. The market research data indicate that heavier reliance will be placed on direct in-store promotion. Operational assumptions are being reviewed with a focus on opportunities to better leverage labor resources. The net result of marketing and operational assumptions may be a reduction in the communicated overall investment level.

In the Michigan market, 1999 saw the accelerated ramp up and the first fully developed year of operation for UBCR LLC, TOMRA's Michigan third party pickup and processing partnership. UBCR represents the largest, most sophisticated and cost effective collection and processing system ever implemented. Over 1.3 billion containers were collected and processed in 1999. Nearly 400 of the largest retail stores in the state and 74 soft drink and beer distributors now participate in the program. Progress continues to be made in addressing operational efficiencies through improved retailer compliance and the expansion of beer distributor participation. The program is largely operating at the proforma assumptions, however not fully achieving our profit expectations. Continued management focus and program development will improve profitability. Strategies for revenue enhancement will be reviewed with the Michigan Softdrink Association during year 2000.

ORGANIZATION AND INFRASTRUCTURE

During 1999, TOMRA further strengthened the management team by bringing on board a President for the North American operation. The company made strategic investments in infrastructure and technology throughout the year and concluded with a smooth and successful Y2K transition. Major improvements in customer service were realized through technology upgrades that brought online communications for data collection and machine maintenance to take over 7000 RVMs in the market place. TOMRA's technology investments also included the implementation of an advanced enterprise financial and management information system which will drive further productivity gains and improved management decision making.

NEW BUSINESS: EXPANSION OF THE VALUE CHAIN

As part of TOMRA's strategy to more actively participate in the process of engineering a closed loop "bottle-to-bottle" technology for PET containers, the company acquired an equity position in wTe. The company, now renamed UltrePET, is the premier PET processor in the Northeast region. Based in Albany, New York, the company recorded sales of over USD 14 million in 1999. Several TOMRA facilities providing PET feedstock to UltrePET are being re-engineered to generate operational efficiencies and improved product quality. The benefits of these efforts will be realized by both UltrePET and TOMRA during 2000.

OUTLOOK

2000 will be another exciting year for BU America on a number of important business development fronts. Significant revenue and profit growth will be driven by further increases in market penetration opportunities, increased operational efficiency and geographic expansion. Year 2000 will bring the aggressive roll out of the RePLANET redemption center concept to over 300 sites in California. The new concept will drive container volume while providing significant operational synergies. BU America will also continue to strengthen its position in additional areas of the beverage container recycling value chain. Numerous expansion opportunities remain, including acquisition.

INCREASED MARKET PENETRATION

Profit growth in developed markets will be driven through new machine placements and by increasing market share in the materials handling business via acquisitions and joint ventures. TOMRA will continue to further expand into collection channels with the roll out of TOMRA owned and operated redemption centers in Metro and Upstate NY. TOMRA's recycling capabilities will be pushed out into new areas such as container redemption and processing efforts linked to internet grocers and the introduction of RVM technology into high-traffic beverage consumption venues such as theme parks and sporting events. Plans are also in place to take advantage of the sizable but untapped smaller store customer segment through the introduction of a new scaled down, lower cost, RVM platform

CONTINUED GEOGRAPHIC EXPANSION

Given its size and the fact that most of the country has some form of deposit legislation, Canada represents an excellent vehicle for TOMRA's growth initiatives during 2000 and beyond. The Canadian market is largely fragmented with many business opportunities ranging from RVM placement, consumer collection and materials handling and processing. TOMRA plans to aggressively pursue long-term supply agreements with major retail customers world wide.

DEPOSIT LEGISLATION

Expansion of the California bottle bill represented the first major change in deposit legislation over the past 10 years. Activity at the state level is continuing to increase, namely involving the expansion of existing deposit laws and the enactment of new deposit legislation. This activity is occurring in an environment with overall declining recycling rates and renewed public awareness. While TOMRA takes no position or role in these discussions, the company's focus remains on building relations with the beverage industry in established markets while exploring viable non-deposit alternative collection schemes.

Global Business Development

To effectively participate in industry-driven recovery systems, it is critical that we take the widest possible view of the Container Recycling Value Chain.

BACKGROUND

TOMRA is an organization rooted in client value and new product technology. We seek to provide innovative recycling solutions and service to ensure quality, value and satisfaction. From this base, we have integrated other services into our business concept to meet current and upcoming market demands and to fortify our Value Chain. The strong market demand for recycling is challenging the traditional refillable systems. More and more industry is being required to recover packaging as non-refillable containers continue to gain ground in the market. Faced with the prospect of mandatory deposit schemes, industry is beginning to initiate its own container recovery systems.

For TOMRA to effectively participate in industry-driven recovery systems, it is critical that we take the widest possible view of the Container Recycling Value Chain. Recognizing that these business opportunities will require highly skilled, dedicated business resources, TOMRA has formalized a business organization designated as Global Business Development, (GBD), effective January 2000.

GBD's mission is to develop TOMRA's role in the Container Recycling Value Chain in new geographical areas. In order to drive future growth of the business in a "World of Opportunities", it is necessary to intensify the building of industry relationships and develop geographic leverage.

GBD ACTIVITIES

GBD activities fall into four categories:

Strategic Project Initiatives

- GBD will be responsible for formulating and developing strategic business opportunities through project leadership and coordination of Business Unit resources. Specific projects have been identified in the US non-deposit market, the UK, Germany and Brazil.

Industry Relationships

- Develop bottler, retailer, and recycling industry relationships, and use them as leverage on a global basis.

Strategic Equity Investments

- Establish a portfolio of business expansion opportunities through equity investments and joint ventures within existing logistics and recycling infrastructures in targeted geographic markets. Equity positions will be an important element in securing integrated industry solutions. The equity portfolio will be established in direct coordination with our Strategic Project Initiatives.

Consulting

- Provide leading market resources to industry and government organizations in the design and development of efficient, cost-effective container recovery systems.

TOMRA's Evolving Business Model

Gain Market Position → **Engineering** → **Baseline Operating Metrics** → **Outsource/Franchise**

- Technology
  - RVM
  - Info. Systems
- Site locations
- Logistics
- Processing infrastructure
- Materials value added
- Branding
- Promotions
- Couponing
- Charity
- Lottery

TOMRA Value (Intellectual Property) Technology • Systems • Integrator • Consumer/Brand Loyalty • Industry Relationships

ORGANIZATION

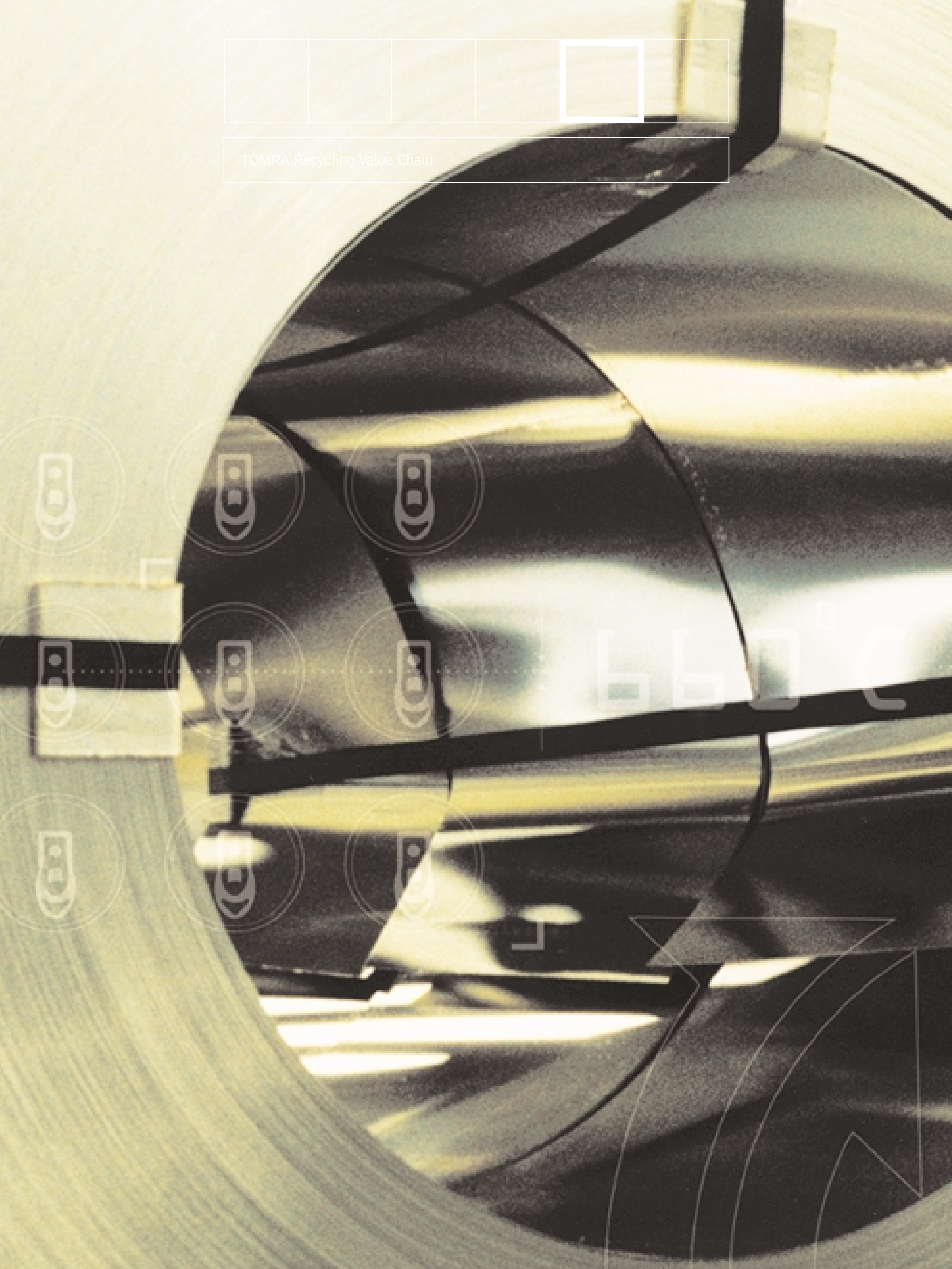
GBD will focus on business building activities and hold no operational responsibility. The plan is to build an organization that will eventually be led by nine to ten highly skilled, senior business executives. In the beginning phase, only two of these executives will be in place. Key resources will be recruited in targeted geographic markets tied to specific business initiatives. GBD represents the most critical investment undertaken by TOMRA to position and secure long-term growth potential.

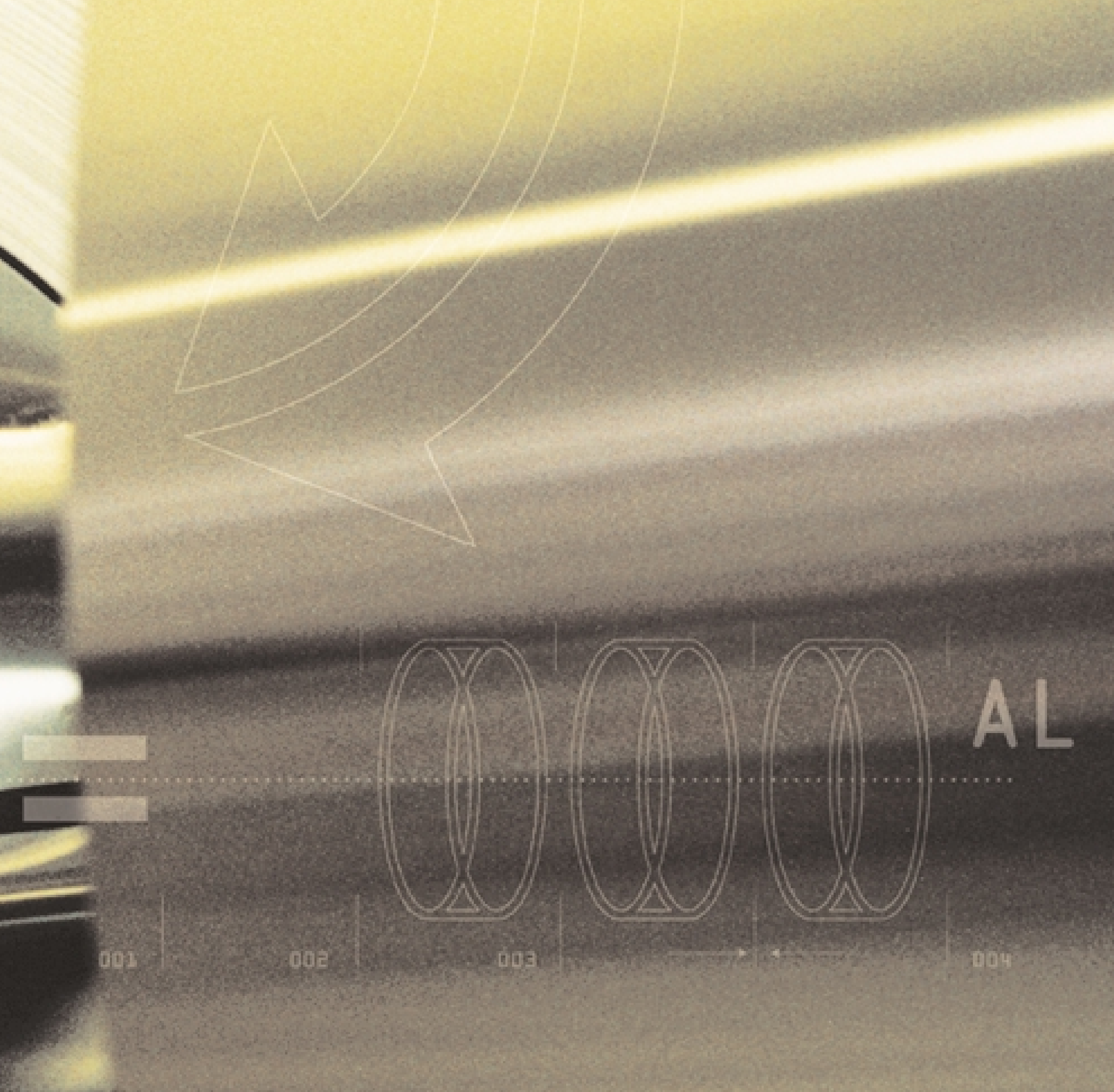
THE EVOLVING BUSINESS MODEL

As TOMRA expands its presence in the Container Recycling Value Chain through acquisitions, joint ventures and equity investments, sales growth may accelerate while negatively impacting margins. The "Evolving Business Model" describes TOMRA's long-term ambitions. Our participation in new market opportunities requires industry relationships and market position at an early stage. We plan to contribute to these processes by building and utilizing our competence in engineering the business and establishing baseline operating metrics. This will at a later stage create opportunities to outsource or franchise operations. The process is best illustrated in our California strategy.

In California, TOMRA established a market position through acquisitions of existing manual collection centers. The engineering process is currently applying technology to the centers, refining the materials handling, transportation and back-end processing operations. Branding has been introduced through the test of the RePLANET concept and will be further expanded during 2000. Through the engineering process, we will establish detailed operating metrics for site operations, transportation and processing. These experiences will help us establish the basis for outsourcing transportation and processing, and create a franchise concept for the collection sites.

The fully engineered business will result in TOMRA realizing the value of technology, engineering and system integration defined as our "Intellectual Property".


TOMRA Recycling Value Chain
660°C



Recycling | 05.

The recycling of the waste materials is carried out in an increasing number of plants, transforming the waste – glass, plastic and aluminum – into refined materials for the final stage in the container recycling value chain: container production and reuse. TOMRA is only involved in recycling through its 38,5 % ownership in UltrePET.

Shares and

Shareholders

We strive to provide our shareholders, and the financial markets in general, with detailed information about the company as frequently as possible.

TOMRA's value to shareholders can be measured by our consistent growth, strong financial position and an excellent market reputation. In the November 1999 issue of Forbes, a leading international business magazine, the editors ranked TOMRA as one of the world's 300 best small companies. TOMRA has also been included in the recently created Dow Jones Sustainable Group Index, which tracks the 220 top sustainable companies in 68 industries and 22 countries. And while TOMRA share prices did not perform in line with the market in 1999, the company won the Stockman Prize, awarded by analysts in Norway and the UK to the best performing Norwegian blue-chip company in Investor Relations.

TOMRA's shareholder policy is built around one simple concept; To maximize shareholder return over time measured by the aggregate dividend and increase in share price. This means that we will provide our shareholders, and financial markets in general, with detailed information as frequently as possible. We are committed to informing shareholders and financial markets about the company so that its share price not only reflects the underlying value of the company, but also our growth potential. TOMRA's dividend policy represents our dedication to maintaining and building equity in line with high growth expectations. Our distribution ratio should remain stable in the 10–15 percent range as long as our growth continues at targeted levels. TOMRA's Articles of Association do not place any limitations on the transferability of shares. Each share carries one vote at the company's general meeting. At the end of 1999, foreign ownership stood at 65.4 percent, down from 68.6 percent at the beginning of the year. Shares in the company are currently traded on the Oslo Stock Exchange and through an ADR (American Depository Receipts, Level 1) program in the US. The TOMRA share price was NOK 136.00 (+9 %) at the end of 1999, up from NOK 125.00 at the beginning of the year. The Oslo Stock Exchange All Share Index increased by 36 percent during the same period. The highest price quoted in 1999 was NOK 167.00 in April, while the year low, posted in August, was NOK 123.25.

At the end of 1999, TOMRA's stock market capitalization was NOK 11.3 billion, compared with NOK 10.3 billion at the beginning of the year. 71.8 million TOMRA shares were traded during 1999 compared to 72.4 million in 1998. Tomra Systems ASA and its subsidiaries do not own any TOMRA shares. The Board of Directors proposes a dividend of NOK 0.40 per share for 1999, up from NOK 0.25 in 1998 (up 60 %). The recommended dividend represents a distribution ratio of 12 percent.

Share Adjustment Factors

Figures in NOK 1000		Share capital increases			Nominal share capital		
			Share		Par		Adj.
Year	**Type of issue**	**Paid in**	**capital**	**Total**	**value**	**Shares**	**factor**
1985/Jan	Intro. at Oslo Stock Exchange	–	–	36 700	50	734 000	–
1985/Jan	Split 5:1	–	–	36 700	10	3 670 000	0.200
1986/Dec	Rights issue 5:2	51 992	48 933	68 506	4	17 126 655	0.633
1992/Apr	Bonus issue 1:10	–	7 694	84 634	4	21 158 500	0.909
1994/Jan	Rights issue 1:2	45 691	44 107	132 321	4	33 080 250	0.746
1999/Dec	Stock split 1:2	–	–	166 695	2	83 347 666	0.500

SHARES

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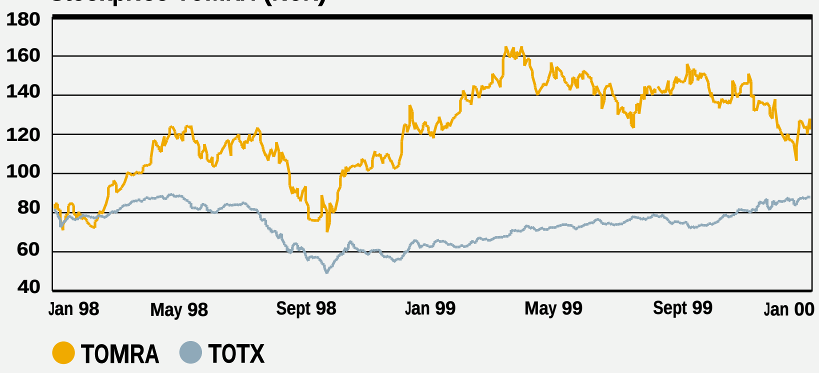
Stockprice TOMRA (NOK)



Key Figures for the Group 1995–1999

Figures in NOK million	1999	1998	1997	1996	1995
PROFIT AND LOSS STATEMENT					
Operating revenues	**2 169**	**1 456**	**996**	**700**	**470**
Other income	5	43	–	–	–
Cost of goods sold	952	578	360	281	187
Gross contribution	**1 222**	**921**	**636**	**419**	**283**
Operating expenses	700	491	337	213	167
Ordinary depreciation/write-down	141	159	93	54	32
Operating profit	**381**	**271**	**206**	**152**	**84**
Profit from affiliated companies	13	8	2	3	3
Net financial items	12	(25)	(10)	(6)	(7)
Profit before taxes	**406**	**254**	**198**	**149**	**80**
Taxes	123	81	63	45	17
Net profit	**283**	**173**	**135**	**104**	**63**
Minority interest	(6)	(6)	(4)	(2)	–
ASSETS					
Intangibles	364	361	305	159	94
Real property, fixed assets	343	286	200	122	93
Leasing equipment	251	263	266	186	96
Financial fixed assets	271	145	65	46	30
Total fixed assets	**1 229**	**1 055**	**836**	**513**	**313**
Inventory	233	212	177	141	109
Receivables	616	495	267	186	124
Bank deposits, cash etc.	270	56	129	44	60
Total current assets	**1 119**	**763**	**573**	**371**	**293**
Total assets	**2 348**	**1 818**	**1 409**	**884**	**606**
LIABILITIES AND EQUITY					
Paid-in capital	367	315	313	301	292
Retained earnings	1 192	948	714	199	103
Minority interest	45	21	15	4	–
Total equity	**1 604**	**1 284**	**1 042**	**504**	**395**
Deferred liabilities	124	77	50	26	4
Other long-term liabilities	41	49	73	140	84
Total long-term liabilities	**165**	**126**	**123**	**166**	**88**
Liabilities to financial institutions	210	105	–	6	4
Accounts payable	151	107	75	73	44
Other current liabilities	218	196	169	135	75
Total current liabilities	**579**	**408**	**244**	**214**	**123**
Total liabilities and equity	**2 348**	**1 818**	**1 409**	**884**	**606**

Key Figures for the Group 1995–1999

	1999	1998	1997	1996	1995
PROFITABILITY					
Operating margin[1]	17.6 %	18.6 %	20.7 %	21.7 %	17.9 %
Profit ratio[2]	18.7 %	17.5 %	19.9 %	21.3 %	17.0 %
Return on equity[3]	19.7 %	14.6 %	17.2 %	22.8 %	20.7 %
Return on total assets[4]	20.2 %	18.1 %	18.9 %	21.7%	17.7 %
CAPITAL December, 31.					
Majority equity (NOK million)[5]	1 559	1 263	1 027	500	395
Equity ratio[6]	66.4 %	69.5 %	72.9 %	56.8 %	65.3 %
Bankers ratio[7]	1.9	1.9	2.3	1.7	2.4
Acid test[8]	1.5	1.4	1.6	1.1	1.5
Debt service ratio[9]	(0.2)	2.0	(0.4)	1.2	0.7
Working capital[10]	540	355	329	157	170
SHARES					
Share capital December, 31. (NOK million)	166.7	164.4	162.5	150.6	149.1
Earnings per share (EPS)[11]	3.34	2.04	1.69	1.36	0.93
EPS. fully diluted[12]	3.32	2.02	1.66	1.35	0.90
Dividend per share. adjusted (NOK)	0.40	0.25	0.20	0.15	0.13
Share price December, 31. adjusted (NOK)[13]	136.00	125.00	82.50	49.75	25.25
Market capitalization (NOK million)	11 335	10 272	6 705	3 746	1 883
Price/earnings ratio (P/E)[14]	40.7	61.3	48.8	36.6	27.4
EMPLOYEES					
Total employees (average)	1 724	1 318	788	633	404
Sales per employee (NOK million)	1 258	1 105	1 264	1 106	1 163

Definition of key figures

[1] Operating profit as a % of operating revenues.
[2] Profit before taxes as a % of operating revenues.
[3] Net profit after minority interests as a % of average equity (as defined in footnote 5).
[4] Net profit before taxes and interestexpenses as a % of average total assets.
[5] Equity excl. minority interest.
[6] Equity as defined in footnote 5 as a % of total assets.
[7] Current assets divided by short-term liabilities.
[8] Current assets excluding inventories divided by short-term liabilities.
[9] Net interest-bearing debt divided by net cash flow from operating activities.
[10] Current assets less short-term liabilities.
[11] Net profit after tax divided by average number of shares (1999 = 82 989 463).
[12] Net profit after tax divided by average number of shares incl. earned warrants (1999 = 83 543 793).
[13] Adjusted for splitt in 1999.
[14] Stock price at 31.12. divided by earnings per share (see footnote 11).

TOMRA Recycling Value Chain

Container Production | 06.

The container production – with an increasing component of recycled waste material, glass and plastic bottles or cans – is the final stage in the container recycling value chain. When the new containers are bottled and distributed to the retailers, the chain starts over again. TOMRA is not involved in the production of containers.

Progress Report 1999:

Optimizing environmental performance

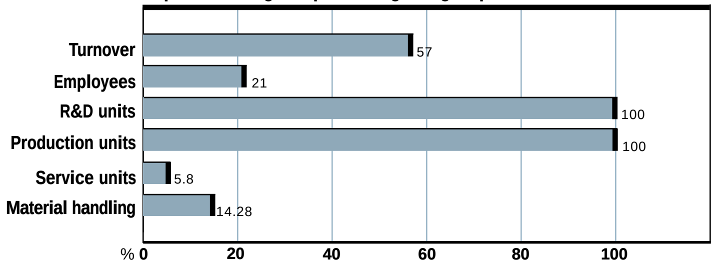
Environment

TOMRA's business is to develop and operate solutions that make it attractive for people to return packaging for reuse and recycling. This business concept provides TOMRA with the unique opportunity to create an overall net positive environmental impact and bring used natural resources back for reuse in the economy. While generating positive environmental impacts, we also need to manage our internal processes in order to minimize the negative impacts created by TOMRA's operations.

In our 1998 environmental report we established TOMRA's environmental policy and strategy which is based on a life-cycle view of our products and services. In this report, we will establish a baseline of performance across the TOMRA group and describe the life cycle of TOMRA's products and services in more detail.

Having established a certified ISO14001 environmental management system for the activities undertaken at our headquarters, we will now broaden the scope of our environmental programs. The next step is to implement and align policies and tools in the other companies in the group.

Report coverage in percentage of group totals



The R&D and production unit in Finland, Tomra Systems OY, has initiated the ISO14001 implementation process with an aim to achieve certification by second quarter 2001.

STRATEGY

TOMRA's environmental management strategy is focused on the life cycle of our products and services. We place special emphasis on those processes that have a potential for creating significant negative environmental impacts. We always keep in mind that the different stages of the product life cycle are interlinked and interdependent. For example, reducing the energy consumption of our RVMs would not create an environmental gain if this meant that the reclaimed material was not compacted at an optimal rate. This would simply move the environmental impact away from the collection point and create an increased need for transportation of material from collection points to materials handling units.

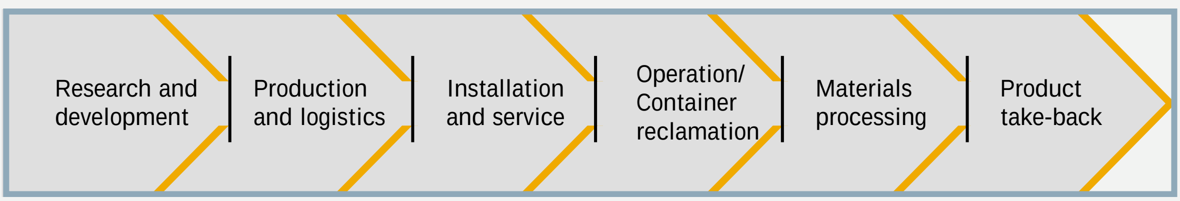
Life Cycle Assessments (LCA) for any TOMRA value chain are always carried out in conjunction with a Life Cycle Cost (LCC) analysis to ensure that we create a win-win situation or make the right trade-off between environmental and economical performance.

While we have a clear definition of strategy and objectives in our environmental efforts, we still have a number of improvement areas. This report will provide an outline of the progress we have achieved during 1999 and establish a process-wide baseline of performance.

REPORT SCOPE

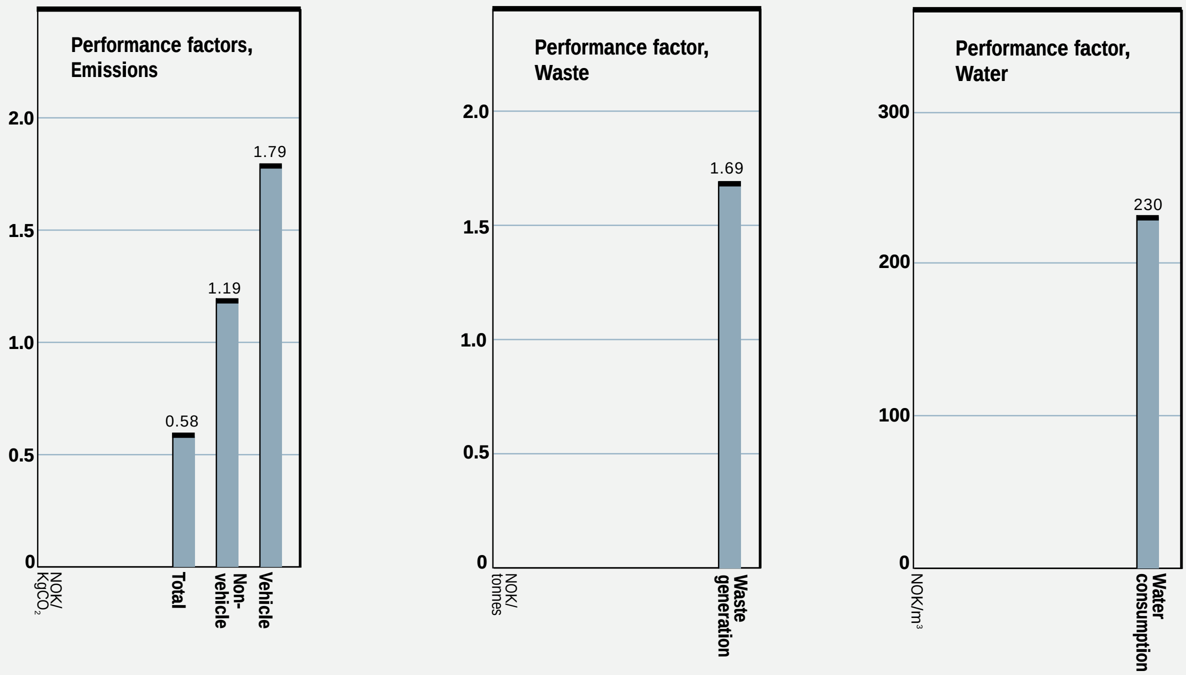
This report is based on performance data from five companies representing TOMRA's products and services value chain.

Participating companies	Company activities	Country
Tomra Systems ASA	Group HQ functions, R&D, Production logistics	Norway
Tomra Production AS	Production	Norway
Tomra Butikksystemer AS	Sales and service	Norway
Tomra Systems OY	R&D, Production logistics, production	Finland
Tomra Metro, LLC	Sales, service and materials handling	United States



Tomra's product- and services life-cycle from product development through operation to product take-back. Optimization of environmental performance must consider all stages in the process to avoid sub-optimization of performance leading to inefficiencies in other stages.

PERFORMANCE FACTORS, 1999



The number of reporting companies will be gradually increased in forthcoming years with an aim of including all relevant companies in the environmental reporting program.

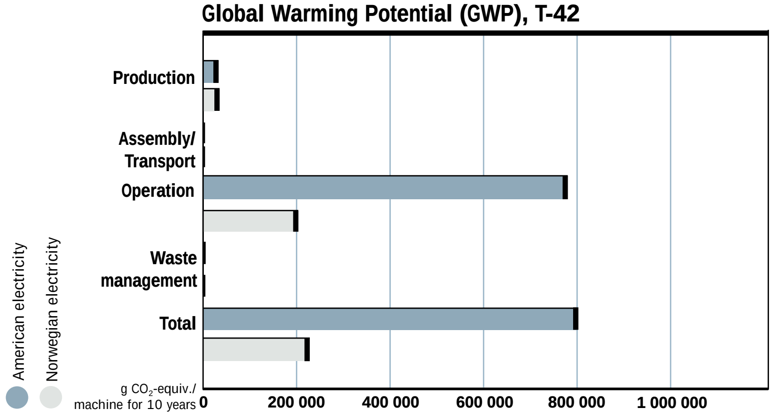
PERFORMANCE INDICATORS

Aggregated performance figures are related to the aggregated turnover of the reporting companies in order to present a scalable indicator of environmental performance related to a measure of value. These indicators will illustrate environmental progress on group level over time and are based on WBCSD's definition of eco-efficiency. Performance factors should increase over time as more value is created with fewer resources used.

Indicator format: *aggregated turnover / aggregated environmental impact = performance factor.*

In addition to the long-term performance factors, environmental impacts are presented graphically in order to illustrate the current level of impact generated by TOMRA's operations. The conversion factors for CO_2 used in this report are based on the UK DETR Guidelines for Company Reporting on Greenhouse Gas Emissions.

Global Warming Potential (GWP), T-42



PROCESS OVERVIEW

Research and Product Development

The total environmental efficiency of TOMRA's services is largely determined by the environmental characteristics of our Reverse Vending Machines (RVMs).

To fully understand the environmental impacts created by our operations, TOMRA has undertaken a full-scale life-cycle assessment of two product lines. We chose the T-42 RVM and the container product history from bottle/can production to use and recycling for new material in two states in the US. The T-42 LCA study was primarily used to identify the most effective design for reducing the negative and maximizing the positive impacts of TOMRA's operations.

Focus on energy consumption

The LCA study indicates that the most significant environmental impact of a TOMRA machine is the greenhouse gas emissions from energy consumption during operation. The figure below illustrates the emission of CO_2-equivalents during the machine life (10 years) based on two different sources of electricity; fossil fuel based US electricity and hydropower based Norwegian electricity.

TOMRA R&D engineers are faced with the challenge of reducing machine energy consumption while increasing the container compaction rate. High compaction rates are important in order to increase transport efficiency from container reclamation points to materials handling units.

Design for Environment

In order to facilitate design for reduced environmental impact, TOMRA utilizes LCA studies developed in cooperation with external research organizations. TOMRA also participates in a wide range of research programs that aim to increase the common knowledge of environmental issues and eco-efficiency. Our "R&D Greenbook" is one result of these

Research and product development process, key facts

Total number of R&D units	2
Projects released to market 1999	5
Number of reporting R&D units	2
– of which eco-requirements	1

RVM model	**T-42**	**Solo**
Designed in	Norway	Finland
Power consumption operation	370 W	75 W
Power consumtion idle	200 W	30 W
Power consumption stand-by	90 W	N/A
Compaction rate	75 %	30 %

RVM model	**T-42**	**Solo**
Total weight	250 Kg	190 Kg
Steel contents	210 Kg	175 Kg
Plastic contents	14 Kg	10 Kg
Recycled plastic contents	0 Kg	0 Kg
Electronics contents	1.6 Kg	2 Kg
Cables Contents	10 Kg	3 Kg

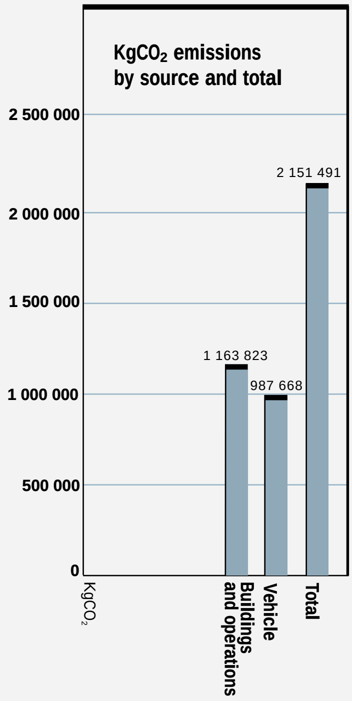
Logistics and production process, key facts

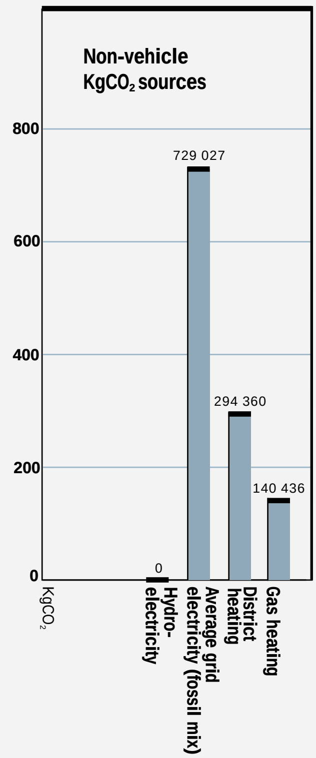
	1998	**1999**
Total number of production units	2	2
Production units reporting	1	2
Energy per units produced[1] (kWh)	499	533
Waste per unit produced[1] (Kg)	13.98	13.20[2]
Water per unit produced[1] (m^3)	0.58	0.67

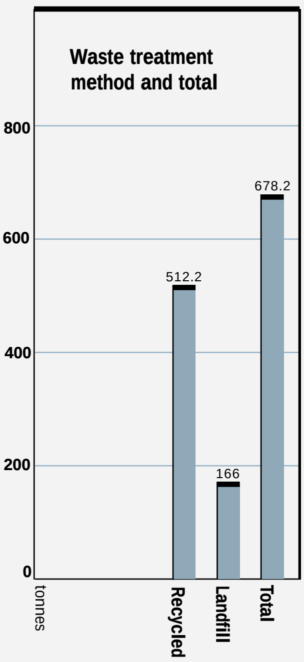
[1]Includes building maintenance, offices and support functions.

[2]Tomra Production AS only

SELECTED SIGNIFICANT IMPACTS, 1999







activities containing a design for environment guideline and functions as a manual for engineers and designers.

The R&D Greenbook is a vital ingredient in our design process and outlines inter alia our policies, the environmental properties of materials and processes and provides guidance on design for disassembly. The R&D Greenbook is a living document which is continually updated as we learn more about design for eco-efficiency.

Environmental targets, product development (R&D, Tomra Systems ASA)

- 20 percent reduction of power consumption during operation through software reengineering for existing RVMs
- 30 percent reduction in energy consumption in relation to compaction rate for new RVMs
- Minimum 20 percent recycled polymers content for new RVMs and equipment
- Eliminate the current need for flame retardants in RVM doors and panels
- All new machines to be delivered with a basic product content declaration and a dismantling guide that includes a description of how main modules (electronics and material fractions) can be disassembled for recycling

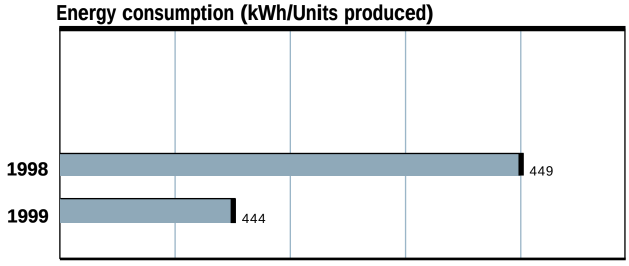
LOGISTICS AND PRODUCTION

TOMRA's two production units in Norway and Finland manufactured a total of 6293 RVMs in 1999. TOMRA's production is based on a strong and flexible supplier network which delivers quality assured components and modules directly to our assembly lines. The environmental impacts from TOMRA's in-house production units are therefore limited to energy consumption, transportation and transport packaging waste.

Supply-chain management

Most of the environmental impacts associated with the production of a TOMRA machine are generated by our suppliers. TOMRA is therefore continuously in dialogue with the suppliers and encourages and assists them in implementing environmental management practices. In May 1999 we ran our first supplier survey in order to establish the baseline of environmental performance among our 20 largest suppliers. The results were encouraging and showed that 79 percent of our suppliers have an environmental policy, 67 percent have identified environmental aspects but only 43 percent have developed an environmental improvement program.

Energy consumption (kWh/Units produced)



During the year we issued two guidance documents to our supplier network. The documents – 'Purchasing requirements, environment' and 'Packaging guidelines, suppliers' – are part of our ISO14001 system and were distributed to all suppliers approved for deliveries to the production unit in Norway. Our production unit in Finland is currently implementing ISO14001 and is in the process of establishing environmental supply-chain management procedures. The documents describe our environmental purchasing criteria and outline our requirements for transport packaging.

Energy consumption

Consumption of energy per unit produced in Norway has been reduced from 449 kWh in 1998 to 444 kWh during 1999. The production process consuming the most energy is the final twelve-hour quality test, which stresses all machine functions continuously to identify quality issues and errors. The production unit in Norway changed the previous energy generator system with a more energy efficient UPS system in order to reduce energy consumption and stabilize the test process.

Transport packaging and waste management

Waste generation from production consists primarily of transport packaging. Our packaging guidelines encourage the use of paper-based shock absorbers for transport rather than bubble-wrap and other petroleum-based products. The aim of our waste initiatives is primarily to reduce the level of waste generation and secondly to sort all unavoidable waste for recycling.

In order to reduce transport waste volumes, TOMRA reuses packaging like transport racks, ESD-safe electronics board cases, and standard EURO-pallets between our facilities and the largest suppliers.

Another objective is to shift volume from the "general waste" category to paper and corrugated paper. The waste composition in 1998 and 1999 illustrates that this has so far not been successful, and further initiatives will be implemented to reach this goal, which aims to increase effective recycling of our waste stream.

The two waste fractions increasing in volume, are electronic/electrical components and metal scrap. This is due

Materials handling, key facts

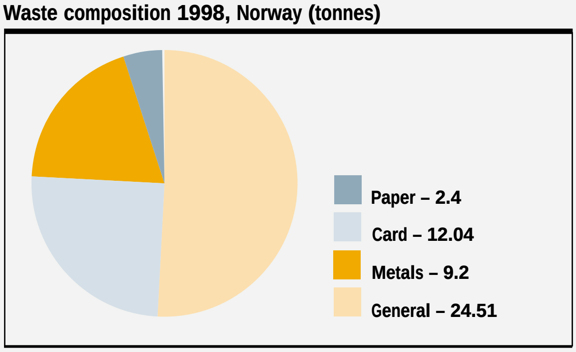
Materials handling process, key facts			
Number of units	7	Units reporting	1
Transport impacts, collection fleet			
Total distance (Kilometers)	423 288	Distance per tonne (Kilometers)	24.49
Vehicle emissions (KgCO_2 per tonne)	65.63		
Process output (tonnes)			
Glass	12 202	Waste: 54.0	kWh per tonne: 18.9
Aluminium	2 449	Waste: 1.0	kWh per tonne: 19.9
PET	2 630	Waste: 24.7	kWh per tonne: 79.9
Total output	17 281	Waste: 79.1	

Waste fractions

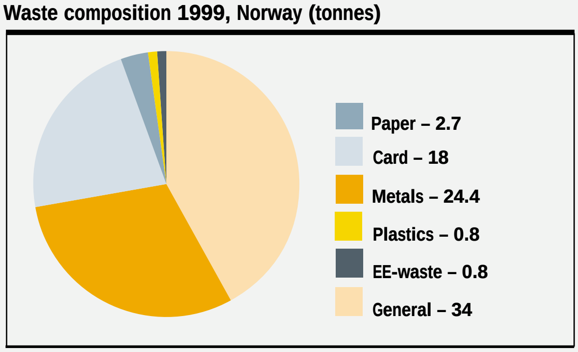
Waste fractions (tonnes)	1998	1999
All units, Norway		
Paper	2.4	2.7
Corrugated paper	12.04	18
Metals	9.2	10 (+14.4[1])
Electronics	0.2	0.8
Plastics	–	0.6
General	24.51	34.06
Waste per unit produced (Kg.)	14.02	13.17

[1] Metal scrap recycled from discarded RVMs from the Norwegian market

Waste composition 1998, Norway (tonnes)



Waste composition 1999, Norway (tonnes)



Service process, key facts

Total number of service units	36	Units reporting	2
Number of RVMs serviced	5 683	Number of service technicians	58
Number of vehicles	48	Vehicle KgCO_2 per serviced unit	65.89
RVMs installed	1 905	RVMs discarded	825
		– of which recycled	522
		– of which scrapped	303

both to an increasing awareness and to the introduction of producer responsibility regulations in Norway. TOMRA has a universal goal of recycling our products when they reach the end of their useful life. During 1999, discarded machines from the Norwegian market have been disassembled and sent to recycling. In the future it is likely that this activity will be contracted to a professional electronics recycler.

Distribution

Fast and reliable delivery of RVMs and spare parts is important to TOMRA. The distribution department sends RVMs and parts to an increasing number of countries under a quick delivery guarantee. There is a well established practice to do co-shipments of machines and spares to reduce transportation cost and environmental impact.

Initiatives for reducing the environmental impact of distribution of machines and spare parts are currently under development. This process will be concluded during 2000 and will result in revised procedures for distribution as well as concrete improvement targets.

Environmental targets, production and logistics, Asker

The production unit in Norway is monitoring all incidents of non-compliance to our packaging guidelines. The environmental targets for waste minimization are as follows:

- Achieve 10 percent reduction in the number of packaging non-compliance from the 20 largest suppliers by fourth quarter 2000, compared to first quarter 2000
- Achieve a 7.5 percent reduction in production waste per produced unit compared to 1998 figures

INSTALLATION AND SERVICE

TOMRA's international service units are responsible for installation of new RVMs, and maintenance of the approximately 40 000 RVMs currently operating in the markets. The most significant environmental impacts from service activities are transportation and scrapping of machines and spare parts.

In most cases, TOMRA is servicing and upgrading installed RVMs during their lifetime. This means that TOMRA can influence how and when RVMs are discarded. TOMRA will comply with producer responsibility regulations, and recycle discarded RVMs when possible.

MATERIALS HANDLING

Materials handling units receive containers from collection points, and sort and compact the materials before they are sent to recycling plants. All of TOMRA's materials handling units are located in the US.

The primary environmental impact from materials handling is related to fossil fuel consumption in transport and process equipment.

Process waste generation is relatively insignificant when compared to productive output. Tomra Metro LLC in Connecticut processed 17 281 metric tonnes of reclaimed beverage containers of which only 0.45 percent were unsuitable for materials recycling.

GENERAL ASPECTS

Increasing demand for environmental information

A wide range of green and ethical investment funds follows TOMRA. Our business concept coupled with our environmental management initiatives make TOMRA an attractive company for socially responsible investors. Analysts requesting environmental management and performance information frequently contact TOMRA. TOMRA welcomes such requests and is prepared to discuss our environmental performance with interested parties.

Toward the end of the year, TOMRA obtained a top sustainability score within the pollution control and waste management industry group in the Dow Jones Sustainability Group Index (DJSGI).

Video-conferencing

Video conferencing equipment is installed in 12 major TOMRA offices internationally and is used extensively to reduce the need for air travel, and to ensure effective international communication. The equipment located at our headquarters was used for 260 hours during 1999.

ISO14001

Tomra Systems ASA achieved ISO14001 certification in October 1999. TOMRA's environmental management system includes procedures for internal audits, training programs, communication, legal compliance and process control. Our management system is audited annually by an accredited third-party quality and environment auditor.

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TOMRA

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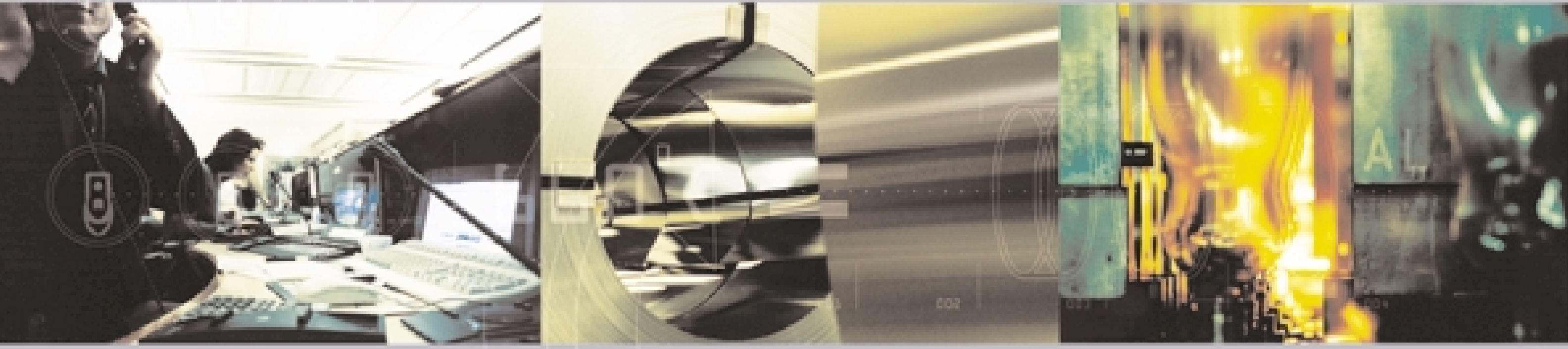

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