

Annual Report 2002

TOMRA Annual Report 2002



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Financial review

2002

Key figures

		2002	2001	2000	1999
Operating revenues	NOK million	2 674	2 924	2 718	2 169
EBITDA	NOK million	523	589	646	524
Operating profit	NOK million	330	(40)	466	381
Ordinary profit before taxes	NOK million	406	63	493	406
Net profit	NOK million	280	16	76	283
Total assets	NOK million	3 137	3 493	3 272	2 348
Equity	NOK million	2 470	2 631	2 636	1 559
Return on equity, ex. other items	%	10.0	(0.3)	15.4	19.7
Return on total assets	%	12.4	2.0	17.7	20.2
Earnings per share	NOK	1.44	(0.08)	0.36	1.67
Earnings per share, ex. other items	NOK	1.44	(0.04)	1.90	1.67
Earnings per share fully diluted	NOK	1.44	(0.08)	0.35	1.66
Net investments	NOK million	155	653	396	203
Number of employees as of December 31		2 048	1 994	1 886	1 744

Operating revenues

NOK million



Highlights

- Sales decline of 9%. Revenues from continuing operations up 3%. Adjusted for currency impact during 2002, revenues from continuing operations up 13%.
- Operating profit of NOK 330 million, up from NOK (40) million in 2001. Ordinary profit before tax of NOK 406 million, up from NOK 63 million in 2001.
- 291% sales growth in Denmark connected to implementation of deposit on non-refillable containers in September 2002.
- Deposit on non-refillable containers implemented in Germany as of 1 January 2003.
- California operations returned to profitability after major restructuring during 2001 and 2002.
- 1,900 reverse vending machine (RVM) installations in North America, up 25% from 2001.
- TOMRA's market share within aluminum can collection in Brazil increased from 25% to 37%.
- First sales of RVMs in Japan.



Directors' report 2002

For TOMRA, 2002 was a year of consolidation and positioning towards future growth opportunities. Due to the weakening of the US dollar and the strong appreciation of the Norwegian currency (NOK) during 2002, the actual growth in markets outside Norway did not come across when reported in NOK. In Europe, operations developed in line with the previous year. A final clarification concerning the new deposit system in Denmark was received in January 2002, which resulted in large orders for TOMRA later in the year. Despite uncertainty regarding the establishment of a deposit system in Germany during 2002, deposit on non-refillable containers was introduced on 1 January 2003. TOMRA's North American operations generated improved financial results after the turnaround of operations in California and successful roll-out of TOMRA's flagship machine; the TOMRA 83 HCp. TOMRA also increased its market share in the collection of aluminum beverage containers in Brazil, while in Japan TOMRA booked its first sales and continued to strengthen its relations with business partners.

Strategic objectives

TOMRA's vision is "to be the world's number one provider of solutions that make it attractive for people to return packaging for reuse and recycling." In pursuit of this vision, TOMRA works toward assuring the highest possible return percentage at the lowest possible cost—the most important success factor in any return system—while simultaneously making the reverse vending machine attractive and easy to use.

TOMRA's technology solutions provide an efficient means of collecting used beverage containers from consumers. Accessibility and ease of use combine to motivate consumers to participate in the recycling effort. TOMRA's machines also contribute to reducing store owners' costs related to the handling of empty beverage containers. These ideas established the basis for TOMRA's formation in 1972, at a time when automated collection was an unknown phenomenon. The company's growth since that time has been driven principally by TOMRA's ability to automate the operation of existing and new deposit systems in various parts of the world. This will continue to make up the core of TOMRA's activities in the years ahead.

In recent years the activities have expanded to include integrated solutions for the entire beverage container recycling value chain. TOMRA seeks to take advantage of the opportunities that an automated collection system provides in reducing the costs of container transport and processing, as well as assuring the efficient operation and control of the total return system. Based on collaboration with the industrial partners who carry the financial responsibility for the recycling process, TOMRA contributes to establishing more cost-effective solutions for all involved parties.

Large parts of the world today have not established effective, incentive-based return systems that can assure a high degree of recycling, reduced litter and contribute to a better environment. The

Board from bottom left: Jørgen Randers, Klaus Nærø, Svein S. Jacobsen, Hanne de Mora, Helge Kroghrud, Erik Thorsen (CEO), Jan Chr. Opsal (Chairman), Tharald Brøvig.

international community is however increasingly focusing on these issues and numerous initiatives have been taken to find sustainable solutions for container reuse and recycling. The working draft of the revision to the EU Packaging and Packaging Waste Directive, as well as new directives and regulatory proposals in other parts of the world, illustrate this trend. This movement offers TOMRA an opportunity to maintain an aggressive growth strategy in the long term.

TOMRA's strategy is to contribute to the establishment of fully integrated systems for collection, processing and material recycling. TOMRA's core areas continue to remain within the technology-related part of the value chain, consisting of reverse vending machines as well as system integration and expertise. TOMRA does not wish to become actively involved within areas that can more effectively be served by established players.

Annual accounts 2002

Operating revenues measured in NOK decreased by nine percent over the previous year, from NOK 2,924 million in 2001 to NOK 2,674 million in 2002. The growth in revenues from continuing activities rose three percent, from NOK 2,592 million in 2001 to NOK 2,667 million in 2002. Adjusted for currency impact during 2002, growth in local currency was 13 percent.

The operating result increased from a loss of NOK 40 million in 2001 to a profit of NOK 330 million in 2002. Ordinary profit after taxes and minority

interest equalled NOK 257 million in 2002 compared to a loss of NOK 15 million in 2001. This corresponds to an earning per share of NOK 1.44, compared to NOK (0.08) in 2001.

TOMRA's balance sheet as of 31 December was NOK 3,137 million, a decrease of ten percent from the beginning of the year. The cash flow from operations developed positively during the year and ended at NOK 501 million for 2002. Liquidity was good and the equity ratio was 79 percent at year-end.

Consistent with formal requirements in Norwegian regulations, the board confirms that the annual accounts are rendered based on the assumption of continuing operations.

Markets

Europe

During 2002 TOMRA continued to strengthen its market position and to improve its operations in existing markets. New deposit legislation in Denmark, new store openings in Finland, increased sales to eastern European countries and high replacement sales in Sweden contributed to generate strong results in these markets. In Germany, TOMRA experienced that investment decisions relating to reverse vending technology for refillable containers were postponed, awaiting the final clarifications of the deposit system on non-refillable containers. Sales in Germany were therefore weaker than expected in 2002. Operating revenues in Europe reached a total of NOK 937

million in 2002 compared to NOK 910 million in 2001—a growth of three percent.

After a number of legal and political hurdles were passed during 2002, deposit on non-refillable containers was started in Germany on 1 January 2003. An interim solution has been implemented based on manual handling in stores. This system will be replaced on 1 October 2003 with automated collection and a national clearing house function. As a consequence, TOMRA expects significant technology sales in Germany in the years to come.

The new deposit system for cans in Denmark was established on 23 September 2002. Before the start date, TOMRA installed and upgraded approximately 2,100 machines in Danish stores. The tender process for backroom handling solutions and compactors has started and TOMRA expects to capture a sizeable share of this market in 2003. In total however, the activity level in Denmark during 2003 is expected to be significantly lower than last year.

The process of revising the European Union's Directive on Packaging and Packaging Waste continued during 2002. The conclusion of this process is expected to be delayed until the second half of 2003. The Directive will apply to the period 2001 to 2008 and is expected to have a stimulating impact on the expansion of collection systems for beverage containers in Europe.

North America

TOMRA's activities in North America generated improved financial performance in 2002, although a weaker USD diminished revenue growth when measured in NOK. Revenue during 2002 was NOK 1,303 million compared to NOK 1,354 million in 2001—a decline of four percent. Measured in local currency, revenue increased by eight percent. After write-downs of certain assets and goodwill related to TOMRA's activities in California during 2001, and major cost reductions and adjustments in the organization during 2002, TOMRA's operations in California returned to profitability during the second quarter of 2002 and generated a profit, though minor, for the year. California is the largest deposit state in the US and as such, is strategic for TOMRA. Some changes in legislation are currently being discussed with the Department of Conservation in California. These changes are important to further improve TOMRA's operating performance in this market, and are expected to be positively concluded by mid-2003.

Through the introduction of the new machine TOMRA 83 HCp, TOMRA was able to realize significant growth in Michigan during 2002. TOMRA installed approximately 500 of these machines and anticipates significant placements also during 2003.

In Canada, TOMRA entered into an agreement with the Canadian Soft Drink Association to process all of its volumes in Quebec at TOMRA's processing plant

outside Montreal. The increased volumes have allowed TOMRA to achieve greater economies of scale. As a result of the continued close cooperation with Canadian industry, TOMRA anticipates significant growth in technology sales in Canada during 2003.

Operations in the other parts of North America developed in line with the initial plans for the year. The focus during 2002 has been on improving profitability in California, launching the new TOMRA 83 HCp, improving operational focus across the business and laying the foundation for future growth in North America.

South America

TOMRA's primary activity in Brazil is in the collection and recycling of used aluminum packaging, which generated revenues of NOK 427 million in 2002 versus NOK 328 million for 10 months in 2001. In June 2002 TOMRA acquired ten collection centers from Imco Recycling Inc., bringing the company's total number of centers up to fifteen. Through this transaction TOMRA has expanded its geographic presence in Brazil and increased its market share of aluminum container collection from 25 percent to 37 percent.

In September, the state of Rio de Janeiro implemented a law requiring all parties responsible for bringing PET bottles into the market to ensure that a 25 percent recycling target is reached. The responsible companies have a limited amount of time to decide on how to fulfil

the requirement. TOMRA has been running an extended pilot consisting of eight automated collection centers focusing on collection of PET and aluminum containers together with a leading local retail chain. Being viewed as the leading recycling company in Brazil, TOMRA is well positioned to fulfil future industry needs for automated collection solutions in this region.

Technology and business development

Innovation is one of the core values in TOMRA and the company today focuses much of its research and development on forward-looking solutions within material identification, compaction and consumer communication. TOMRA's strong technology position will be maintained through cost effective utilization and continuous strengthening of our core technologies.

TOMRA launched the TOMRA 83 HCp during 2002. The launch entailed a fast ramp up of production, and simultaneous completion of major new customized solutions. The TOMRA 83 HCp has completely changed the metrics of automated collection. Better functionality, faster recognition speed, improved compaction capabilities and larger collection capacity are some the advantages of the TOMRA 83 HCp.

Considerable resources have been concentrated on the preparation for the establishment of the deposit system for non-refillable containers in Germany. TOMRA focused these resources on

developing an innovative, cost effective and tailored security solution for the German deposit system by combining and improving upon existing technology.

TOMRA also sold its first machines to Japanese municipalities during 2002, including a completely new PET chipper solution, and continued to strengthen its strategic alliances in order to position the company for further growth in the market.

In addition, considerable resources have been used to execute on TOMRA's technology platform in the Brazilian market, and to refine existing technology for the Israeli market, which opened up toward the end of 2002.

Market outlook

In order to further strengthen our technology leadership and to achieve our long term growth ambitions, TOMRA will continue to invest substantial resources into technology development and business building activities.

However, in 2003, TOMRA's growth will be impacted by a continued weak USD, a more normal activity level in Finland and Denmark, and the uncertainty in the timing of orders related to deposit start-up in Germany.

Corporate governance

Corporate governance practices build upon TOMRA's Core Values (Integrity, Innovation, Personal initiative, Fighting spirit and Enthusiasm), as well as TOMRA's Leadership Principles (Goal- and result-oriented leadership,

Leadership by example, Initiative, Trustworthiness, Innovation and Motivation). In TOMRA corporate governance is defined to include those processes and control features which have been established to protect the interests of TOMRA's stakeholders, hereunder its shareholders.

TOMRA's board of directors is made up of seven non-executive members. Five external board members, including the Chairman, are directly elected by the company's shareholders. The remaining two members are elected from and among company employees in Norway in compliance with Norwegian regulations. The curriculum vitae of TOMRA's board members can be found on TOMRA's web pages at www.tomra.com.

New board members are evaluated and nominated by the five non-executive external board members for election by the general shareholders' assembly. The search processes are led by TOMRA's Chairman and are supported by independent recruitment firms.

Two board members and the SVP Finance currently make up TOMRA's compensation committee, which defines the overall compensation for group management and oversees the group's option programs. As from 2003, the board has also established an audit committee made up of two external board members. The board holds six to eight regular meetings per year. Two of these meetings are held at TOMRA subsidiaries abroad and are tied to specific, strategic market

opportunities. Given the extensive time required for board activities, TOMRA board members have restrictions on other board memberships.

On an annual basis, employees participate in a Job Discussion. This is an important tool to define goals, which must be fulfilled in the coming year. An annual Performance Evaluation is also completed between each employee and manager in order to evaluate the results of the past year. On a regular basis, the board completes a systematic review of top management. Through these described processes, the board seeks to ensure that all employees and management are focused on developing the company in a coordinated and decisive way.

Shareholders and capital

TOMRA completed a share offering to its employees related to the company's bonus and option programs. The total number of shares at the end of the year equalled 178.5 million with face value of NOK 1.

The number of shareholders increased in 2002 to 12,291 at the end of the year, up from 9,137 at the beginning of the year. The portion of shares owned by foreigners was 66.7 percent at the beginning of the year and 57.5 percent as of 31 December 2002. The liquidity in the stock was good, with a total of 342 million shares traded in 2002, compared to 336 million the previous year.

Board items

At the extraordinary shareholders' meeting on 13 June 2002, Hanne de Mora was elected as a member of the board. The other members of the board were re-elected at the ordinary annual shareholders' meeting held in April 2002.

Organization, health, environment and safety

The TOMRA group had 2,048 employees at the end of 2002, 246 of which worked in Norway, compared to 1,994 and 260 respectively the previous year. Employee absence due to sickness in Tomra Systems ASA was 2.0 percent in 2002 and 2.2 percent in 2001.

Through regular customer surveys, TOMRA measures customer satisfaction with its products and organization. The survey results have been positive over the past several years and have been applied as the basis for a continuous improvement of products, services and organization.

An annual value survey conducted among all employees measures their adherence to company core values. The results are used to further develop the company's human resources strategy. TOMRA also uses a management system, which incorporates goal and management orientation for the entire organization.

Being a manufacturer and operator of automated systems for the return and recycling of beverage containers, TOMRA effectively contributes toward closing material cycles, increasing recycling rates, and reducing litter in the markets where it operates. TOMRA also focuses on reducing the direct environmental impacts generated throughout its internal operations, with a special focus on energy usage, greenhouse gas emissions, waste generation and water consumption. TOMRA is certified to ISO14001 and ISO9001. A more comprehensive presentation of TOMRA's environment management

and performance can be found in the report on Corporate Social Responsibility, as well as on TOMRA's web pages at www.tomra.com.

Application of profit

Tomra Systems ASA showed a NOK 30.0 million net profit for 2002. The Board recommends the following allocation of the net profit for 2002, hereunder a dividend of NOK 0.25 per share, up from NOK 0.20 per share the previous year:

Dividend	NOK 44.6 million
Distributable reserves	NOK (14.6) million
Total amount allocated	NOK 30.0 million

ASKER, 13 FEBRUARY 2003

Jan Chr. Opsahl
Chairman of the Board
Sign.

Svein S. Jacobsen
Sign.

Tharald Brøvig
Sign.

Jørgen Randers
Sign.

Hanne de Mora
Sign.

Helge Kroghrud
Sign.

Klaus Nærø
Sign.

Erik Thorsen (*CEO*)
Sign.

Profit and loss statement

TOMRA SYSTEMS ASA				GROUP			
2002	2001	2000	Figures in NOK million	Note	2002	2001	2000
492.1	406.9	485.1	Operating revenues	1,2	2 673.9	2 924.4	2 718.0
OPERATING EXPENSES							
405.8	285.8	310.1	Cost of goods sold	1,3	1 194.8	1 373.2	1 247.3
83.1	66.3	84.7	Labor cost and social expenses	1,4	703.6	778.8	614.3
8.2	6.7	5.5	Ordinary depreciation	9	192.8	240.0	180.7
-	-	-	Write-down of fixed assets	1,9	-	286.8	-
32.4	30.6	18.7	Other operating expenses	1,8,9	253.0	286.0	210.1
529.5	389.4	419.0	Total operating expenses		2 344.2	2 964.8	2 252.4
(37.5)	17.5	66.1	Operating profit		329.7	(40.4)	465.6
FINANCIAL ITEMS							
-	-	-	Profit from affiliated companies	13	2.4	(2.4)	0.6
-	-	54.7	Dividend from subsidiaries		-	-	-
126.9	184.7	291.6	Financial income		103.7	112.0	30.3
47.4	4.4	4.3	Financial expenses		29.4	6.7	4.0
79.5	180.3	342.0	Net financial items	5	76.7	102.9	26.9
42.1	197.8	408.1	Ordinary profit before taxes		406.4	62.5	492.5
-	-	-	Other items	1,6	-	(12.1)	(383.4)
12.1	59.6	59.1	Taxes ordinary profit	10	126.0	38.9	154.0
-	-	-	Taxes exceptional items	10	-	(4.9)	(121.0)
30.0	138.2	349.0	Net profit		280.4	16.4	76.1
-	-	-	Minority interest		(23.8)	(31.1)	(15.5)
-	-	102.0	Group contribution				
Allocated as follows							
44.6	35.6	35.2	Dividends				
(14.6)	102.6	415.8	Other equity				
30.0	138.2	451.0	Total allocated				
			Earnings per share	17	1.44	(0.08)	0.36
			Earnings per share, ex. other items	17	1.44	(0.04)	1.90
			Earnings per share, fully diluted	17	1.44	(0.08)	0.35

ASKER, 13 FEBRUARY 2003

Jan Chr. Opsahl
Chairman of the Board
Sign.

Svein S. Jacobsen
Sign.

Tharald Brøvig
Sign.

Jørgen Randers
Sign.

Hanne de Mora
Sign.

Helge Kroghrud
Sign.

Klaus Nærø
Sign.

Erik Thorsen (CEO)
Sign.

Balance sheet as of 31 December

TOMRA SYSTEMS ASA			GROUP		
2002	2001	Figures in NOK million	Note	2002	2001
ASSETS					
Fixed assets					
6.9	-	Deferred tax assets	10	130.5	211.1
-	-	Goodwill	9,18	379.9	579.4
6.9	-	Total intangible fixed assets		510.4	790.5
24.3	23.0	Real property, fixed assets	9	436.5	558.8
-	-	Leasing equipment	9	181.2	263.4
24.3	23.0	Total tangible fixed assets		617.7	822.2
1 535.4	1 045.2	Investments in subsidiaries	13,18	-	-
658.9	1 394.5	Intra Group loans		-	-
-	-	Investments in affiliated companies	13	44.8	55.2
-	-	Investments in shares		3.0	3.3
20.2	25.3	Pension funds	14	20.2	25.3
-	-	Long-term receivables	2	144.6	128.2
2 214.5	2 465.0	Total financial fixed assets		212.6	212.0
2 245.7	2 488.0	Total fixed assets		1 340.7	1 824.7
Current assets					
2.8	2.6	Inventory	3	308.1	298.7
-	-	Accounts receivables		394.5	569.5
75.9	118.4	Intra Group receivables		-	-
5.4	20.0	Other short-term receivables		75.9	102.5
81.3	138.4	Total receivables	8	470.4	672.0
675.4	431.1	Bank deposits, cash etc.		1 017.3	697.6
759.5	572.1	Total current assets		1 795.8	1 668.3
3 005.2	3 060.1	Total assets		3 136.5	3 493.0
LIABILITIES AND EQUITY					
Equity					
178.5	178.2	Share capital		178.5	178.2
1 418.3	1 404.4	Share premium reserve		1 418.3	1 404.4
1 596.8	1 582.6	Paid-in capital		1 596.8	1 582.6
1 229.5	1 244.1	Retained earnings		873.3	1 047.9
-	-	Minority interest		118.2	160.5
2 826.3	2 826.7	Total equity	17	2 588.3	2 791.0
Long term liabilities					
-	44.8	Deferred tax liabilities	10	17.8	86.5
17.5	22.5	Liabilities to financial institutions	7	38.0	37.8
17.5	67.3	Total long-term liabilities		55.8	124.3
Current liabilities					
-	-	Liabilities to financial institutions	7	15.2	18.4
4.8	10.9	Accounts payable		173.7	240.3
4.7	-	Intra Group short-term debt		-	-
63.2	72.1	Taxes payable	10	92.0	96.4
88.7	83.1	Other current liabilities	11	211.5	222.6
161.4	166.1	Total current liabilities		492.4	577.7
178.9	233.4	Total liabilities		548.2	702.0
3 005.2	3 060.1	Total liabilities and equity		3 136.5	3 493.0
47.4	-	Warranty liabilities		30.6	27.0

Cash flow statement

TOMRA SYSTEMS ASA			GROUP			
2002	2001	2000	Figures in NOK million	2002	2001	2000
CASHFLOW FROM OPERATING ACTIVITIES						
42.1	197.8	408.1	Ordinary profit before taxes	406.4	62.5	492.5
(72.6)	(4.4)	(29.2)	Taxes paid	(154.0)	(119.2)	(133.5)
-	-	(157.0)	(Gain)/losses from sales of fixed assets	(0.8)	13.1	(0.3)
8.2	6.7	5.5	Ordinary depreciation	192.8	240.0	180.7
28.5	-	(36.2)	Write-down fixed assets	-	286.8	-
(0.2)	(1.8)	(0.2)	Net change in inventory	(52.2)	7.0	(57.3)
14.7	74.0	(88.0)	Net change in receivables	26.9	121.5	(425.1)
(6.1)	3.7	4.5	Net change in payables	(21.1)	51.5	7.6
3.2	2.4	0.9	Difference between booked costs on pension funds and actual cash payments to these funds	3.2	2.4	0.9
-	-	-	Effect of changes in exchange rates	36.8	(49.4)	(69.4)
-	-	-	Profit before taxes from affiliated companies	(2.4)	2.4	(0.6)
0.8	0.3	14.4	Changes in other balance sheet items	65.3	(59.0)	25.4
18.6	278.7	122.8	Net cashflow from operating activities	500.9	559.6	20.9
CASHFLOW FROM INVESTING ACTIVITIES						
-	-	0.1	Proceeds from sales of fixed assets	3.2	33.5	68.4
(11.8)	(16.1)	(8.7)	Investments in fixed assets ¹⁾	(158.2)	(680.2)	(464.0)
-	-	56.1	Proceeds from sales of shares	(0.4)	0.3	-
-	(269.0)	(12.1)	Investments in shares	0.3	(6.2)	(0.7)
(11.8)	(285.1)	35.4	Net cashflow from investing activities	(155.1)	(652.6)	(396.3)
CASHFLOW FROM FINANCING ACTIVITIES						
264.0	-	-	Payments from loan from subsidiaries	-	-	-
(5.0)	(5.0)	(5.0)	Repayments of long-term debt	4.9	(1.2)	(2.3)
-	(133.5)	(803.7)	Payments of loans	-	(20.2)	-
-	-	-	Net change of bank overdraft	(3.2)	18.4	(209.8)
14.2	121.9	1 085.7	New equity, share issues	14.2	121.9	1 085.7
(35.7)	(35.6)	(33.3)	Dividend paid	(35.7)	(35.6)	(33.3)
237.5	(52.2)	243.7	Net cashflow from financing activities	(19.8)	83.3	840.3
-	-	-	Exchange rate effect on cash	(6.3)	(4.7)	(23.0)
244.3	(58.6)	401.9	Net change in cash/cash equivalents	319.7	(9.7)	464.9
431.1	489.7	87.8	Cash and cash equivalents January 1	697.6	712.0	270.1
675.4	431.1	489.7	Cash and cash equivalents 31 December ²⁾	1 017.3	697.6	712.0

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 2.9 million for the parent company and NOK 5.7 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 North America
Tomra Europe AS (N)	Tomra North America Inc. (CT)
Tomra Butikkssystemer 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 (72%) (NY)
Tomra Systems BV (NL)	TNYR LLC (70%) (NY)
Tomra Systems GmbH (D)	Upstate Tomra LLC (55%)
Tomra Leergutssysteme GmbH (A)	Tomra Mass. (55%) (MA)
Tomra Systems SA (F)	Halton System Inc. (ME)
Tomra Systems AG (SWI) (50.5%)	Les Systems Inc. (CAN)
Tomra Systems NV (BEL)	Camco Recycling Inc. (50.5%) (CAN)
Tomsys NV (BEL)	Tomra Pacific Inc. (CA)
B-burken AB (S)	UBCR (51%) (MI)
Halton System GmbH (D)	UltrePET LLC (49%)
BU South America	Production Units
Tomra South America SA (BRA)	Tomra Production AS (N)
Tomra Latasa Reciclagem SA (70%) (BRA)	Tomra Systems OY (FIN)
Tomra Brazil SA (BRA)	
Other	
Tomra Japan Asia Pacific KK (JAP)	

Consolidated 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 9).

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 31 December. Translation differences are shown as a separate item and charged directly to the Group's equity.

Minority interest

The minority interest part of the net profit and equity, is classified 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 is analyzed at the time of each purchase.

At the time of a 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 percent 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 reported under financial items in the 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 expensed 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.

Receivables and liabilities in foreign currencies

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

Cash and cash equivalents

Cash and cash equivalents include cash 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 14 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 10 "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 common share warrants and employee incentive programs payable in company shares.

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 three months that immediately, and with no material exchange rate exposure, can be exchanged for cash.

Notes

1 Continuing operations

Figures in NOK million	2002			2001		
	Continued	Discont.	Total	Continued	Discont.	Total
Operating revenues	2 666.8	7.1	2 673.9	2 591.5	332.9	2 924.4
Cost of goods sold	1 545.1	5.4	1 550.5	1 489.4	340.9	1 830.3
Leasing depreciation	74.4	-	74.4	89.1	-	89.1
Gross contribution	1 047.3	1.7	1 049.0	1 013.0	(8.0)	1 005.0
Operating expenses	599.8	1.0	600.8	597.7	10.0	607.7
Depreciation & write-downs	118.0	0.5	118.5	432.1	5.6	437.7
Operating profit	329.5	0.2	329.7	(16.8)	(23.6)	(40.4)
Associated companies	2.4	-	2.4	(2.4)	-	(2.4)
Net financial items	74.5	(0.2)	74.3	119.7	(14.4)	105.3
Ordinary profit before tax	406.4	-	406.4	100.5	(38.0)	62.5
Losses related to WMG	-	-	-	(42.1)	-	(42.1)
Losses related to Pacific	-	-	-	-	54.2	54.2
Taxes	126.0	-	126.0	70.8	(36.8)	34.0
Net profit	280.4	-	280.4	71.8	(55.4)	16.4

TOMRA restructured at the end of 2001 the activities in California. Parts of the activities, including all activities in non-deposit states, were closed down and NOK 54.2 millions (USD 6 millions) for restructuring cost was charged to the operating profit. The discontinued activities is reported in a separate column above. In addition goodwill and other assets in

connection with the continuing activities in California were written down with NOK 345 million (USD 38 million). In addition NOK 45 million in connection with preparations for introduction of deposit on non-refillable containers in Germany were written down. Both amounts were charged to the operating profit.

2 Segment information

REVENUES BY MARKET

Figures in NOK million	2002	2001	2000	2002	2001	2000
BU EUROPE						
Denmark	227	58	71	8.5%	2.0%	2.6%
Germany	194	225	258	7.2%	7.7%	9.5%
Sweden	133	122	125	4.9%	4.2%	4.6%
Finland	113	105	81	4.2%	3.6%	3.0%
The Netherlands	81	180	136	3.0%	6.2%	5.0%
Norway	66	77	80	2.5%	2.6%	2.9%
Austria	55	52	72	2.1%	1.8%	2.6%
Belgium	20	42	8	0.8%	1.4%	0.3%
Switzerland	30	37	54	1.1%	1.3%	2.0%
Others	18	12	8	0.7%	0.4%	0.3%
BU Europe total	937	910	893	35.0%	31.1%	32.9%
BU NORTH AMERICA						
New York	405	473	465	15.1%	16.2%	17.1%
California	304	597	736	11.4%	20.4%	27.1%
Michigan	289	236	228	10.8%	8.1%	8.4%
Massachusetts	104	108	98	3.9%	3.7%	3.6%
Connecticut	92	85	84	3.4%	2.9%	3.1%
Canada	94	97	71	3.5%	3.3%	2.6%
Non deposit states	7	86	137	0.3%	2.9%	5.0%
Others	15	4	4	0.6%	0.1%	0.1%
BU North America total	1 310	1 686	1 823	49.0%	57.7%	67.1%
BU SOUTH AMERICA						
Brazil	425	324	-	15.9%	11.1%	0.0%
Others	2	4	2	0.1%	0.1%	0.1%
BU South America total	427	328	2	16.0%	11.2%	0.1%
Total operating revenues	2 674	2 924	2 718	100.0%	100.0%	100.0%

REVENUES BY ACTIVITY

Figures in NOK million	2002	2001	2000	2002	2001	2000
BU EUROPE						
Sales, leasing	637	597	628	23.8%	20.4%	23.1%
Service	282	295	250	10.5%	10.1%	9.2%
Administration & promotion	18	18	15	0.7%	0.6%	0.6%
BU Europe total	937	910	893	35.0%	31.1%	32.9%
BU NORTH AMERICA						
Sales, leasing	235	166	154	8.8%	5.7%	5.7%
Service	107	132	134	4.0%	4.5%	4.9%
Materials handling	708	1 050	1 196	26.5%	35.9%	44.0%
Recycling centers	195	242	240	7.3%	8.3%	8.8%
Administration & promotion	65	96	99	2.4%	3.3%	3.6%
BU North America total	1 310	1 686	1 823	49.0%	57.7%	67.1%
BU SOUTH AMERICA						
Sales, leasing	2	4	2	0.1%	0.1%	0.1%
Materials handling	170	142	-	6.4%	4.9%	0.0%
Recycling centers	255	182	-	9.5%	6.2%	0.0%
BU South America total	427	328	2	16.0%	11.2%	0.1%

TOMRA GROUP

Figures in NOK million	2002	2001	2000	2002	2001	2000
Sales, leasing	874	767	784	32.7%	26.2%	28.9%
Service	389	427	384	14.6%	14.6%	14.1%
Materials handling	878	1 192	1 196	32.8%	40.8%	44.0%
Recycling centers	450	424	240	16.8%	14.5%	8.8%
Administration & promotion	83	114	114	3.1%	3.9%	4.2%
Total operating revenues	2 674	2 924	2 718	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.

Balances by market	2002					2001				
	Europe	North America	South America	Others	Total	Europe	North America	South America	Others	Total
Intangible assets	112.9	253.3	132.1	12.1	510.4	111.9	403.6	274.2	0.8	790.5
Real property, fixed assets	22.2	477.9	37.0	80.6	617.7	37.3	642.3	61.5	81.1	822.2
Interest bearing fixed assets	-	59.0	-	-	59.0	-	64.5	-	-	64.5
Other financial fixed assets	24.0	128.2	0.1	1.3	153.6	19.8	102.2	-	25.5	147.5
Total fixed assets	159.1	918.4	169.2	94.0	1 340.7	169.0	1 212.6	335.7	107.4	1 824.7
Inventory	79.9	139.1	1.7	87.4	308.1	82.3	132.6	1.5	82.3	298.7
Receivables	135.4	301.1	13.7	20.2	470.4	166.7	459.0	12.3	34.0	672.0
Bank deposits, cash etc.	204.6	193.5	31.9	587.3	1 017.3	163.1	73.9	59.8	400.8	697.6
Total current assets	419.9	633.7	47.3	694.9	1 795.8	412.1	665.5	73.6	517.1	1 668.3
Total assets	579.0	1 552.1	216.5	788.9	3 136.5	581.1	1 878.1	409.3	624.5	3 493.0
Equity	315.6	736.0	196.2	1 340.5	2 588.3	243.3	413.7	376.7	1 757.3	2 791.0
Interest bearing liabilities	133.5	585.8	-	(666.1)	53.2	174.0	1 115.0	-	(1 232.8)	56.2
Non-interest bearing liabilities	129.9	230.3	20.3	114.5	495.0	163.8	349.4	32.6	100.0	645.8
Total liabilities and equity	579.0	1 552.1	216.5	788.9	3 136.5	581.1	1 878.1	409.3	624.5	3 493.0

The balance sheet items are distributed according to their geographic belonging. The Group's production and development units as well as the headquarters are reported as others.

3 Cost of goods / inventory

PARENT COMPANY			GROUP		
2002	2001	2000	2002	2001	2000
			COST OF GOODS SOLD		
405.8	285.8	310.1	1 179.7	1 384.0	1 187.0
-	-	-	15.1	(10.8)	60.3
405.8	285.8	310.1	1 194.8	1 373.2	1 247.3
			INVENTORY		
-	-	-	63.0	68.7	-
-	-	-	14.2	10.9	-
2.8	2.6	-	118.0	106.3	-
-	-	-	112.9	112.8	-
2.8	2.6	-	308.1	298.7	-

4 Labor cost

PARENT COMPANY				GROUP		
2002	2001	2000	Figures in NOK million	2002	2001	2000
70.0	43.8	34.6	Salary	597.1	637.9	495.3
10.0	17.1	45.2	Social security tax/pension cost	81.8	100.3	87.6
3.1	5.4	4.9	Other social expenses	24.7	40.6	31.4
83.1	66.3	84.7	Total labor cost	703.6	778.8	614.3
110	113	93	Average number of employees	2 010	1 912	1 829

5 Financial items

PARENT COMPANY				GROUP		
2002	2001	2000	Figures in NOK million	2002	2001	2000
-	-	-	Profit from affiliated companies	2.4	(2.4)	0.6
-	-	54.7	Dividend from subsidiaries	-	-	-
87.3	146.0	85.2	Interest income ¹⁾	64.1	37.2	17.1
39.6	38.7	13.2	Foreign exchange gain	39.6	74.8	13.2
-	-	157.0	Gain on sales of shares	-	-	-
-	-	36.2	Reversed write-down on fixed assets	-	-	-
126.9	184.7	291.6	Total financial income	103.7	112.0	30.3
3.8	4.4	4.3	Interest expenses ¹⁾	6.0	6.7	4.0
43.6	-	-	Other financial expenses ²⁾	23.4	-	-
47.4	4.4	4.3	Total financial expenses	29.4	6.7	4.0
79.5	180.3	342.0	Net financial income and expenses	76.7	102.9	26.9

1) Interest income and expenses for the parent company, includes interest income and expenses from subsidiaries of respectively NOK 45.6 million and NOK 1.4 million.

2) Other financial items in Tomra Systems ASA includes a NOK 28.6 million write-off of shares in subsidiaries. The write-off affects only the reporting of Tomra Systems ASA and has no effect on the Group figures.

6 Other items

PARENT COMPANY				GROUP		
2002	2001	2000	Figures in NOK million	2002	2001	2000
-	-	-	Loss related to Wise Metals Group	-	(42.1)	383.4
-	-	-	Loss related to Pacific	-	54.2	-
-	-	-	Total other items	-	12.1	383.4

Wise Metals Group

TOMRA had as of 31 December 2000, an exposure of NOK 383.4 million (USD 43.5 million) toward Wise Recycling LLC and Wise Metals Group LLC related to accounts receivables, investments, and guarantee liabilities.

The total exposure was written down, as there was a material uncertainty regarding both the receivables and investment. Due to reduced exposure on the guarantee liability, NOK 42.1 million of the accrual was reversed in 2001.

7 Interest-bearing liabilities

Annual installments on long-term loans are NOK 5.0 million. The loan has been submitted with negative pledge agreements. No part of the total debt is due more than five years after the

balance day. Unused, committed drawing rights per 31 December 2002 is NOK 50.0 million for the Group.

8 Receivables

PARENT COMPANY			GROUP	
2002	2001	Figures in NOK million	2002	2001
-	-	Accounts receivables, gross	405.4	582.8
75.9	118.4	Intra group short-term debt	-	-
5.3	20.0	Other short-term receivables, gross	75.9	102.5
-	-	Provision for bad debt	(10.9)	(13.3)
81.2	138.4	Total receivables	470.4	672.0

Total bad debt written off in 2002 amounted NOK 1.2 million for the Group. Bad debt written off is reported as other operating expenses. Receivables with due dates more than one year after the balance day, are reported as fixed assets.

9 Fixed assets

Figures in NOK million	Buildings & Land	Machinery & Fixtures	Vehicles	Total	Intangibles ⁴⁾	Leasing equipment
GROUP ¹⁾						
Historical cost January 2002	243.9	444.7	79.3	767.9	680.9	479.5
Additions this year	4.8	74.4	8.8	88.0	12.0	58.2
Disposals this year	9.4	11.2	8.6	29.2	0.2	34.9
Accumulated depreciation/write-down ³⁾	31.7	316.5	42.0	390.2	312.8	321.6
Book value 31 December 2002 ²⁾	207.6	191.4	37.5	436.5	379.9	181.2
Ordinary depreciation this year	7.1	56.7	16.6	80.4	38.0	74.4
Depreciation rates ⁵⁾	2-4%	10-33%	15-33%		5-20%	14%
Economic life, until	50 yrs	10 yrs	7 yrs		20 yrs	8 yrs
PARENT COMPANY						
Historical cost 1 January 2002	-	66.8	1.1	67.9		
Additions this year	-	11.7	0.1	11.8		
Disposals this year	-	-	-	-		
Accumulated depreciation ³⁾	-	54.9	0.5	55.4		
Book value 31 December 2002 ²⁾	-	23.6	0.7	24.3		
Ordinary depreciation this year	-	8.0	0.2	8.2		
Depreciation rates ⁵⁾		15-25%	20%			
Economic life, until		7 yrs	5 yrs			

1) Exchange rates as of 31 December 2002 are used in calculating fixed assets of foreign subsidiaries.

2) Including land of NOK 47.6 million

3) Total accumulated depreciation as of 31 December 2002 was NOK 1,120.9 million for the group and NOK 44.9 million for the parent company. Accumulated write-down on intangible assets per 31 December 2002 was NOK 161.1 million.

4) Book value of intangible assets per 31 December 2002 consists of goodwill amounting to NOK 371.4 million and other intangible assets to NOK 8.5 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 2002 used NOK 118.2 million on research, development and other future-oriented projects. The amount is expensed.

Tomra Systems ASA rents its offices in Asker for an annual lease of NOK 9.8 million with a fixed annual adjustment of 1.9 percent. The lease period is another 6 years, with the right to renew for additional 10 years. TOMRA previously owned the property, and the company has the right to purchase the property back at the end of the initial lease period. The lease contract is not booked in the balance as it is not seen, according to Norwegian GAAP, as a financial lease.

The companies within the TOMRA group had 6,774 reverse vending machines leased to customers at the end of 2002. 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.

MINIMUM LEASE INCOME FROM THE LEASE PORTFOLIO

	2003	2004	2005	2006	2007+
Figures in NOK million	51.0	41.1	25.3	10.8	2.0

10 Taxes

PARENT COMPANY				GROUP		
2002	2001	2000	Figures in NOK million	2002	2001	2000
			TAX BASIS			
42.1	197.8	408.1	Profit before taxes			
-	-	(54.7)	Dividend from subsidiaries			
1.0	(0.1)	(167.8)	Permanent differences			
184.5	59.8	(185.2)	Change in temporary differences			
227.6	257.5	0.4	Basis for taxes payable			
			TAXES			
63.8	76.3	0.1	Taxes payable	133.2	180.8	67.3
-	-	7.2	Taxes share issue costs, charged against equity	-	-	7.2
(51.7)	(16.7)	51.8	Net change in deferred taxes	(7.2)	(141.9)	79.5
12.1	59.6	59.1	Tax expense	126.0	38.9	154.0
			Net change in deferred taxes exceptional items	-	(4.9)	(121.0)
			Tax expenses exceptional items	-	(4.9)	(121.0)
			Tax rate	31.0%	62.3%	31.3%

Deferred tax represents the net change in deferred tax assets and liabilities through changes in timing differences and loss carried forward. Deferred tax assets and liabilities are presented net of

their respective tax effect using tax rate of the applicable jurisdiction applied to amounts which represent future tax deductions or taxes payable and consist of the following as of 31 December:

PARENT COMPANY				GROUP	
2002	2001		Figures in NOK million	2002	2001
			DEFERRED TAX ASSETS		
(6.9)	-		Current assets	16.2	77.5
5.1	-		Fixed assets	(26.6)	-
14.4	-		Current liabilities	15.6	0.7
(5.7)	-		Pension reserves	-	-
-	-		Loss carried forward	125.3	132.9
6.9	-		Total tax advantage	130.5	211.1
			DEFERRED TAX LIABILITIES		
-	4.9		Current assets	(6.9)	5.9
-	42.5		Fixed assets	10.8	67.3
-	(9.7)		Current liabilities	8.2	6.2
-	7.1		Pension reserves	5.7	7.1
-	44.8		Total deferred tax liabilities	17.8	86.5

▶ 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 that is sufficient to realize the deferred tax allowance.

11 Other current liabilities

PARENT COMPANY			GROUP	
2002	2001	Figures in NOK million	2002	2001
10.9	13.2	Tax deductions, social security tax, holiday pay	87.9	124.1
-	-	Advances from customers	11.7	1.0
33.2	34.3	Non interest-bearing debt	67.3	61.9
44.6	35.6	Accrued dividend	44.6	35.6
88.7	83.1	Total current liabilities	211.5	222.6

12 Shares, loan, and remuneration to Officers

	Shareholding ¹⁾	Loan ³⁾	Board member fee ⁴⁾	Options granted ⁵⁾
Jan Chr. Opsahl (Chairman)	148 096		340 000	
Jørgen Randers (Board member)	32 100		170 000	
Svein S. Jacobsen (Board member)	79 692		170 000	
Tharald Brøvig (Board member)	349 644		170 000	
Hanne de Mora (Board member)				
Klaus Nærø (Employee representative)	3 112		120 000	
Helge Kroghrud (Employee representative)	60		120 000	
Erik Thorsen (CEO) ²⁾	158 096	1 000 000		610 668
Morthen Johannessen (COO)	121 068			416 200
Terje Hanserud (CTO)	44 868	500 000		240 045
Gregory Knoll (President BU North America)				200 000
André Løvestam (President BU Europe)	16 900			318 000
Espen Gundersen (SVP Finance)		1 000 000		140 000
Svánaug Bergland (SVP Org. development/Corp. communication)		424 239		110 000
Fredrik Witte (VP Investor Relations)	100			45 000

Loan to employees as of 31 December, amounts to NOK 4.5 million for the parent company and NOK 5.5 million for the group.

1) Shareholding

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

2) Remuneration CEO

The CEO has received NOK 2,547,098 in salary. The CEO participates in the ordinary pension plan for employees in Norway, where this years pension premium is NOK 58,973. For the year 2003, the CEO will be able to earn variably salary up to NOK 900,000 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 management

The loans are secured by mortgage in real estate and are installment and interest free.

4) Board member fee

The Board member fees regarding 2001, paid in 2002.

5) Options and other compensations to management

Group Management and key personel granted options as of year-end 2002.

Options

At the annual General Meeting in 2000, TOMRA established a share bonus program for all employees in wholly owned TOMRA companies. Under the plan, all employees in entities meeting their budget were granted up to 1,200 options with a strike price of NOK 68.00, equal to the market price at the beginning of 2000. By end 2002 there are 232,589 options not exercised.

Similar plans were established at the General meetings in 2001 and 2002, with a strike price of NOK 171.00 and NOK 86.00. Not exercised options equals 210,000 and 1,310,000.

TOMRA has also share option plans for management tied to specific performance targets (variable plans). The incentive plans which include 6,350,000 options, were extended for another two years on the annual General Meeting, spring 2002.

Outstanding options are:

	Shares	Price range		
		Low	High	Average
Granted	5,501,270	45.90	166.50	73.64
– of this vested not exercised	3,364,724	51.75	166.50	72.51
– of this not vested	2,136,546	45.90	127.00	75.41

Auditors' fees

NOK 0.7 million has been paid out in auditors' fees to KPMG AS for auditing Tomra Systems ASA. NOK 0,- has been paid for consulting services. Total auditors' fees for the Group amounted to NOK 4.4 million, and NOK 2.9 million for consulting fees.

13 Shares and investments

Figures in NOK million	Country	Year of acquisition	Vote and owner share	Book value
GROUP COMPANIES				
Tomra North America Inc	USA	1992	100.0%	1 166.2
Tomra Systems Inc	Canada	1988	100.0%	42.5
Tomra Systems OY	Finland	1997	100.0%	21.7
Tomra Europe AS	Norway	1998	100.0%	10.0
Tomra Production AS	Norway	1998	100.0%	15.0
Camco Recycling Inc	Canada	2000	50.5%	10.9
Tomra Japan Asia Pacific KK	Japan	2000	100.0%	-
Tomra South America SA	Brazil	2001	100.0%	269.1
Total shares in subsidiaries				1 535.4

Shares in affiliated companies	Ultre Pet
Book value 31 December 2001	55.2
Profit before taxes 2002	2.4
Currency calculation difference	(12.8)
Book value 31 December 2002	44.8

Equity at date of acquisition	41.0
Country	USA
Year of acquisition	1999
Vote and share ownership	49.0%

14 Pension and pension obligations

	2002	2001	2000
Net present value of this year's pension earnings	4.3	4.2	3.2
Interest cost on pension obligations	2.5	2.2	1.8
Yield on pension funds	(4.0)	(4.2)	(4.1)
Amortization of deferred deviations	0.4	0.2	-
Net pension costs	3.2	2.4	0.9
FINANCIAL STATUS AS OF 31 DECEMBER			
Pension obligations	(43.0)	(37.8)	
Pension funds at market value	54.4	56.7	
Deferred liability to be amortized	8.8	4.6	
Advanced payment of social security tax	-	1.8	
Pension funds	20.2	25.3	
BASIS FOR CALCULATION			
Discount rate	7.0%	7.0%	
Expected wage increase	3.3%	3.3%	
Expected increase of base amount	3.3%	3.3%	
Expected yield on funds	8.0%	8.0%	

Insured pension plans cover all employees in Norway in permanent positions with at least 50 percent 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 percent of that part of the pension base which exceeds 1.5 times the base amount (currently NOK 53,233) and 30 percent of the pension base which exceeds eight times the base amount. There are no other compensation agreements for reductions in State benefits. The premium calculation structure remain unchanged in the years 1999-2002. 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 cost. Only the Norwegian companies have pension plans based on benefit principals. The parent company's plan which also covers employees in Tomra Butikkssystemer AS, Tomra Europe AS and Tomra Production AS includes 264 employees and seven retirees by year-end 2002. The plan gives right to defined future benefits. This benefit is mainly dependent upon years 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. No payments were made to the pension premium fund in 2002.

15 Warranty Liabilities

The minority shareholder, LATASA SA, has an option to sell their 30 percent share in Tomra Latasa Reciclagem SA to Tomra South America SA. The option can first time be executed after December 2003. The strike price is dependent upon Tomra Latasa's performance in the period until the execution.

16 Off Balance Sheet Items

Tomra Systems ASA is in principle the only company within the Group with currency exposure, due to all transactions between Tomra in Norway and its foreign subsidiaries are done in local currency. Tomra Systems ASA uses forward exchange contracts to hedge foreign currency exposure. Forward contracts are recorded at the year-end rate.

OUTSTANDING FORWARD FOREIGN EXCHANGE CONTRACTS, AS OF 31 DECEMBER 2002:

Amount forward sold (million)	Currency	Book exch.rate	Due date
EURO/NOK	9.0	7.2910	2003
USD/NOK	24.0	6.9657	2003
REAL/USD	4.7	3.5375	2003

17 Equity

TOMRA SYSTEMS ASA

Figures in NOK 1000	Share capital	Share premium	Paid-in capital	Retained earnings	Total equity	Number of shares
Balance per 31 December 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 warrants, May 1998	618		618	8 590	9 208	40 869 700
Execution of warrants 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 31 December 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 warrants May 1999	21	1 317	1 339		1 339	41 673 833
Share issue costs		(239)	(239)		(239)	41 673 833
Stock split 1:1 December 1999						83 347 666
Dividend accruals 1999				(33 339)	(33 339)	
Balance per 31 December 1999	166 695	200 587	367 282	726 289	1 093 571	83 347 666
Net profit 2000				349 021	349 021	
Group contribution 2000				102 000	102 000	
Employee placement March 2000	307	16 943	17 250		17 250	83 501 000
Execution of warrants April 2000	366	18 064	18 430		18 430	83 683 832
Execution of warrants May 2000	250	13 874	14 124		14 124	83 808 832
Private placement September 2000	8 000	1 032 000	1 040 000		1 040 000	87 808 832
Execution of warrants September 2000	50	3 422	3 472		3 472	87 833 832
Execution of warrants November 2000	359	18 199	18 558		18 558	88 013 332
Share issue costs		(18 836)	(18 836)	(61)	(18 897)	
Stock split 1:1 November 2000						176 026 664
Dividend accruals 2000				(35 205)	(35 205)	
Balance per 31 December 2000	176 027	1 284 253	1 460 280	1 142 044	2 602 324	176 026 664
Net profit 2001				138 162	138 162	
Execution of warrants March 2001	2 056	111 775	113 831		113 831	178 083 285
Execution of warrants April 2001	62	4 148	4 210		4 210	178 145 198
Execution of warrants June 2001	26	1 773	1 799		1 799	178 171 659
Execution of warrants November 2001	52	2 706	2 758		2 758	178 223 225
Share issue costs		(269)	(269)	(424)	(693)	
Dividend accruals 2001				(35 645)	(35 645)	
Balance per 31 December 2001	178 223	1 404 386	1 582 609	1 244 137	2 826 746	178 223 225
Net profit 2002				29 990	29 990	
Execution of warrants March 2002	264	13 966	14 230		14 230	178 486 559
Share issue costs		(9)	(9)	(51)	(60)	
Dividend accruals 2002 ¹⁾				(44 622)	(44 622)	
Balance per 31 December 2002	178 487	1 418 343	1 596 830	1 229 454	2 826 284	178 486 559

GROUP

Figures in NOK 1000	Paid-in capital	Currency Translation difference	Retained earnings	Total Majority Equity	Minority Interest	Total Equity
Balance per 31 December 2000	1 460 280	21 919	1 154 327	2 636 526	72 900	2 709 426
Net profit			(14 666)	(14 666)	31 095	16 429
Equity issue 2001	122 329			122 329		122 329
Changes in translation difference		(77 572)		(77 572)	(12 671)	(90 243)
New consolidated subsidiaries/dividend minorities			(424)	(424)	69 082	68 658
Dividend accruals 2001			(35 645)	(35 645)		(35 645)
Balance per 31 December 2001	1 582 609	(55 653)	1 103 592	2 630 548	160 406	2 790 954
Net profit			256 644	256 644	23 772	280 416
Equity issue 2002	14 221			14 221		14 221
Changes in translation difference		(381 553)		(381 553)	(57 128)	(438 681)
New consolidated subsidiaries/dividend minorities			(5 132)	(5 132)	(8 880)	(14 012)
Dividend accruals 2002 ¹⁾			(44 622)	(44 622)		(44 622)
Balance per 31 December 2002	1 596 830	(437 206)	1 310 482	2 470 106	118 170	2 588 276

1) Accrued dividend is NOK 0.25 per share in 2002.

	2002	2001	2000
Number of shares 31 December	178 486 559	178 223 225	176 026 664
Average number of shares	178 435 335	177 714 765	169 968 687
Average number of shares, fully diluted	178 435 335	179 632 077	173 485 329
Majority equity 31 December (NOK 1000)	2 470 106	2 630 548	2 636 526
Equity per share	13.84	14.76	14.98
Net profit after minority interest (NOK 1000)	256 644	(14 666)	60 557
Earnings per share	1.44	(0.08)	0.36
Earnings per share, fully diluted	1.44	(0.08)	0.35

Registered at 31 December, 2002	Number of shares	Ownership
1. Folketrygdfondet	17 650 300	9.89%
2. JP Morgan Chase Bank Clients Treaty Account	9 082 085	5.09%
3. State Street Bank & Client Omnibus D.	8 885 414	4.98%
4. CDC Ixix c/o Sparebanken NOR	6 090 000	3.41%
5. Clearstream Banking CID Dept, Frankfurt	3 831 228	2.15%
6. ABN Amro Bank – Danish clients	3 586 124	2.01%
7. Danske Bank A/S 3887 Operations Sec.	3 456 571	1.94%
8. J.P. Morgan Bank Lux S/A Carnegie FCP's	3 448 200	1.93%
9. Nordea Bank Denmark S/A Nordea (DK) CCA	3 316 573	1.86%
10. Deutsche Bank AG Kundendepot	3 187 762	1.79%
11. Vital Forsikring ASA v/DnB Kapitalforvaltning	2 794 240	1.57%
12. BSDT - ABN Amro Glob c/o GN Sparebank Ver	2 509 115	1.41%
13. Verdipapirfondet AVA c/o Avanse Forvaltning	2 275 460	1.27%
14. Boston Safe Dep & Tr c/o GN Sparebank Ver	2 119 196	1.19%
15. Skandinaviske Enskil A/C Clients Account	2 107 714	1.18%
16. UBS AG, London Branch Equities	2 045 035	1.15%
17. Verdipapirfondet AVA	2 013 500	1.13%
18. Bank of New York, BR S/A JPM SECS. Ltd. T	2 000 000	1.12%
19. JPMorgan Chase Bank omnibus lending acco	1 840 534	1.03%
20. JPMorgan Chase Bank omnibus lending acco	1 839 253	1.03%

Registered at 31 December 2002	Number of shares	Ownership
Total	84 078 304	47.11%
Other shareholders	94 408 255	52.89%
Total (12.291 shareholders)	178 486 559	100.00%
Shares owned by Norwegian shareholders	75 925 924	42.54%
Shares owned by foreign shareholders	102 560 635	57.46%
Total	178 486 559	100.00%

18 Acquisitions in 2000 – 2002

Tomra Systems AG

With effect from 1 January 2000 Tomra Europe AS acquired 50.5 percent of its Swiss distributor TOMRA AG. The purchase price was NOK 26.0 million, and included goodwill of NOK 12.2 million.

CAMCO Recycling Inc

Effective 8 April 2000 TOMRA acquired 50.5 percent of the Canadian materials handling company CAMCO Recycling Inc. The purchase price was USD 1.2 million (NOK 10.9 million) and included goodwill of NOK 9.9 million.

Polar Beverages

TOMRA Massachusetts signed 31 May 2000 a Joint Venture agreement with Polar Beverages. TOMRA North America owns 55 percent of the new established company. The transaction involved a goodwill of USD 0.7 million (NOK 6.3 million).

Tomra NV

Tomra Europe AS Acquired the Belgian distributor TOMRA NV with effect from 1 January 2001. The purchase price of NOK 36.0 million included goodwill of NOK 27.6 million.

USIPack

TOMRA acquired in January 2001 the Canadian machine producer USIPack. The transaction included goodwill of CAD 2.3 million (NOK 13.2 million).

Tomra Latasa Reciclagem SA

On 7 March 2001, TOMRA acquired 70 percent of the aluminum recycling company Tomra Latasa Reciclagem SA through the Brazilian subsidiary Tomra South America SA. The purchase price of USD 28.0 million included goodwill of NOK 288.4 million.

Eleiko

Tomra Systems AB acquired in May 2001 the service agreements and technology of their former competitor Eleiko Sanera AB. The acquisition included goodwill of NOK 8.4 million.

Other minor acquisitions

TOMRA has additionally done some minor acquisitions mainly in America. Total purchases included goodwill of NOK 22.1 million in 2001 and NOK 12.0 million in 2002.

Auditor's report

To the Annual Shareholders' Meeting of TOMRA SYSTEMS ASA

Respective Responsibilities of Directors and Auditors

We have audited the annual financial statements of Tomra Systems ASA as of 31 December 2002, showing a profit of NOK 30.0 million for the parent company and a profit of NOK 280.4 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 31 December 2002, 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, 13 FEBRUARY 2003

KPMG AS

Henning Aass

State Authorized Public Accountant

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



Key figures

Figures in NOK million	2002	2001	2000	1999	1998
PROFIT AND LOSS STATEMENT					
Operating revenues	2 674	2 924	2 718	2 169	1 456
Other income	-	-	-	5	43
Cost of goods sold	1 551	1 727	1 522	1 192	740
Depreciation and write-offs	74	192	80	66	60
Gross contribution	1 049	1 005	1 116	916	699
Operating expenses	601	608	550	458	329
Ordinary depreciation/ write-down	118	437	100	77	99
Operating profit	330	(40)	466	381	271
Profit from affiliated companies	2	(3)	1	13	8
Net financial items	74	105	26	12	(25)
Ordinary profit before taxes	406	62	493	406	254
Other items	-	(12)	(384)	-	-
Taxes related to other items	-	(5)	(121)	-	-
Taxes related to ordinary profit	126	39	154	123	81
Net profit	280	16	76	283	173
Minority interest	(24)	(31)	(15)	(6)	(6)
ASSETS					
Intangibles	510	791	444	364	361
Real proerty, fixed assets	437	559	546	343	286
Leasing equipment	181	263	253	251	263
Financial fixed assets	213	212	200	271	145
Total fixed assets	1 341	1 825	1 443	1 229	1 055
Inventory	308	299	312	233	212
Receivables	471	672	805	616	495
Bank deposits, cash, etc.	1 017	697	712	270	56
Total current assets	1 796	1 668	1 829	1 119	763
Total assets	3 137	3 493	3 272	2 348	1 818
LIABILITES AND EQUITY					
Paid-in capital	1 597	1 583	1 460	367	315
Retained earnings	873	1 048	1 176	1 192	948
Minority interest	118	160	73	45	21
Total equity	2 588	2 791	2 709	1 604	1 284
Deferred taxes	18	86	77	124	77
Other long-term liabilities	38	38	39	41	49
Total long-term liabilities	56	124	116	165	126
Liabilities to financial institutions	15	18	-	210	105
Accounts payable	174	240	184	151	107
Other current liabilities	304	320	263	218	196
Total current liabilities	493	578	447	579	408
Total liabilities and equity	3 137	3 493	3 272	2 348	1 818

Figures in NOK million	2002	2001	2000	1999	1998
PROFITABILITY					
Operating margin ¹⁾	12.3%	-1.4%	17.1%	17.6%	18.6%
Profit ratio, ordinary profit ²⁾	15.2%	2.1%	18.1%	18.7%	17.4%
Return on equity ex. other items ³⁾	10.0%	-0.3%	15.4%	19.6%	14.6%
Return on total assets, ordinary profit ⁴⁾	12.4%	2.0%	17.7%	20.2%	18.1%
EBITDA (NOK million) ⁵⁾	523	589	646	524	430
CAPITAL 31 DECEMBER					
Majority equity (NOK million) ⁶⁾	2 470	2 631	2 636	1 559	1 263
Equity ratio ⁷⁾	78.7%	75.3%	80.6%	66.4%	69.5%
Bankers ratio ⁸⁾	3.6	2.9	4.1	1.9	1.9
Acid test ⁹⁾	3.0	2.4	3.4	1.5	1.4
Working capital (NOK million) ¹⁰⁾	1 303	1 090	1 382	540	355
SHARES					
Share capital 31 December (NOK million)	178.5	178.2	176.0	166.7	164.4
Earnings per share (EPS) ¹¹⁾	1.44	-0.08	0.36	1.67	1.02
Earnings per share, ex. other items	1.44	-0.04	1.90	1.67	1.02
EPS, fully diluted ¹²⁾	1.44	-0.08	0.35	1.66	1.01
Dividend per share, adjusted (NOK)	0.25	0.20	0.20	0.20	0.13
Share price Dec. 31, adjusted (NOK) ¹³⁾	45.10	86.00	171.00	68.00	62.50
Market capitalization (NOK million)	8 047	15 327	30 101	11 335	10 272
Price/earnings ratio (P/E) ¹⁴⁾	31.3	neg.	90.0	40.7	61.3
EMPLOYEES					
Total employees (average)	2 010	1 912	1 829	1 724	1 318
Sales per employee (1000 NOK)	1 330	1 529	1 486	1 258	1 105

- 1) Operating profit as a percentage of operating revenues
- 2) Ordinary profit before taxes as a percentage of operating revenues
- 3) Net profit exclusive other items after minority interests as a percentage of average equity (as defined in footnote 6)
- 4) Ordinary profit before taxes and interest expenses as a percentage of average total assets
- 5) Operating profit exclusive depreciations and write-downs
- 6) Equity exclusive minority interest
- 7) Equity as defined in footnote 6 as a percentage of total assets
- 8) Current assets divided by short-term liabilities
- 9) Current assets excluding inventories divided by short-term liabilities
- 10) Current assets less short-term liabilities
- 11) Net profit after tax divided by average number of shares
- 12) Net profit after tax divided by average number of shares incl. vested warrants
- 13) Adjusted for split in 1999 and 2000
- 14) Stock price as of 31 December, divided by earnings per share exclusive other items

Shares and shareholders

Pursuant to its shareholders' policy, TOMRA endeavors to provide its shareholders and the financial markets in general with information in as much detail and as frequently as possible so that the TOMRA share price reflects the underlying values as well as future growth potential of the company. In this way, TOMRA seeks to maximize our shareholders' return on investment over time measured in terms of both dividend and increase in share price. It is also TOMRA's policy to maintain a high equity ratio to provide a platform for the company's high growth expectations. Based on this need, TOMRA shareholders can expect a dividend distribution within the range of 10 to 15 percent as long as the company's growth reaches targeted levels.

TOMRA's Articles of Association has no limitations on the transferability of shares. Each share carries one vote at the company's general meeting. Foreign ownership stood at 57.5 percent at the end of 2002, down from 66.7 percent at the beginning of the year. The shares in TOMRA are currently traded on the Oslo Stock Exchange and through an ADR (American Depository Receipts, Level 1) program in the US. TOMRA is included in the Dow Jones Sustainable Group Index as one of the 200 top sustainable companies.

The TOMRA share price was NOK 45.10 (-47.6 percent) at the end of 2002, down from NOK 86.00 at the beginning of the year. The Oslo Stock Exchange All Share Index decreased by 31 percent dur-

ing the same period. The highest price quoted in 2002 was NOK 89.00 in January, while the lowest was NOK 38.70 in September.

At the end of 2002 the stock market capitalization of TOMRA was NOK 8.0 billion compared with NOK 15.3 billion at the beginning of the year. Total TOMRA shares traded equalled 342 million during 2002 compared to 336 million in 2001. Tomra Systems ASA and its subsidiaries do not own any TOMRA shares.

The Board of Directors proposes a dividend of NOK 0.25 per share for 2002, which is up from NOK 0.20 per share the previous year.

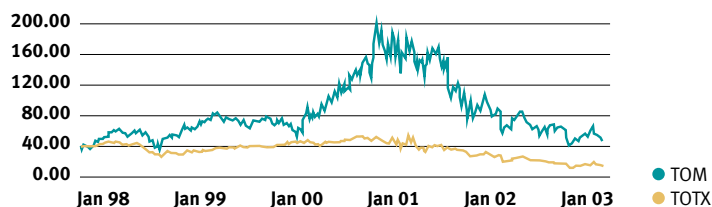
THE COMPANY'S LARGEST SHAREHOLDERS

Registered at 31 December 2002	Number of shares	Ownership
1. Folketrygdfondet	17 650 300	9.89%
2. JP Morgan Chase Bank Clients Treaty Account	9 082 085	5.09%
3. State Street Bank & Client Omnibus D.	8 885 414	4.98%
4. CDC Ixix c/o Sparebanken NOR	6 090 000	3.41%
5. Clearstream Banking CID Dept, Frankfurt	3 831 228	2.15%
6. ABN Amro Bank – Danish clients	3 586 124	2.01%
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9. Nordea Bank Denmark S/A Nordea (DK) CCA	3 316 573	1.86%
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16. UBS AG, London Branch Equities	2 045 035	1.15%
17. Verdipapirfondet AVA	2 013 500	1.13%
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19. JPMorgan Chase Bank omnibus lending acco	1 840 534	1.03%
20. JPMorgan Chase Bank omnibus lending acco	1 839 253	1.03%

SHARE ADJUSTMENT FACTORS

Figures in NOK 1,000			Share capital increases			Nominal share capital		
Year	Type of issue		Paid in	Share capital	Total	Par value	Shares	Adj. factor
1985/Jan	Intro. at Oslo Stock Exchange	-	-	-	36 700	50	734 000	-
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
2000/Nov	Stock split	1:2	-	-	176 027	1	176 026 664	0.500

TOMRA'S SHARE PRICE, 1998-2002, OSLO STOCK EXCHANGE (NOK)



TOMRA on the Internet

On www.tomra.com you will find annual and interim reports as well as an overview of shareholders, key figures, shareholder policy and listing of analysts that follow TOMRA. You will also find useful links to quarterly presentations as well as to the Oslo Stock Exchange. If you have any comments concerning information you feel should be included on our website, please contact us.

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Progress: moving in the right direction

It has been said that just as all motion is not forward, all movement is not progress. TOMRA works hard to ensure that progress is the end result of all our efforts as we pursue our mission of helping the world recycle. Progress in the sense of creating smarter, more cost-effective and ecologically efficient products and systems for recycling used packaging. Progress in terms of delivering increased value to all of our company's stakeholders, including our customers, suppliers, employees, shareholders and society in general. Progress is always, in our view, an attainable destination – the key is knowing the right direction to take and having the determination to get there.



Tomra Group Management (from left to right): André Løvestam, President, Tomra Europe; Svånaug Bergland, Senior VP Organizational Development/Corporate Communications; Greg Knoll, President, Tomra North America; Morthen Johannessen, Executive VP & Chief Operating Officer; Erik Thorsen, President and Chief Executive Officer; Espen Gundersen, Senior VP Finance; Terje Hanserud, Senior VP & Chief Technology Officer; Fredrik Witte, Vice President, Chief Analyst & Investor Relations Officer.



Achieving progress requires clear vision and proper focus. Our vision is to be the world's number one provider of solutions that make it attractive for people to return packaging for reuse and recycling. In pursuing this vision we are committed to providing the most efficient and cost-effective systems available, and to focusing our efforts in those regions where recycling has been recognized as an important priority.

Determining the right
focus

Pursuing the vision

We made great progress in 2002. Our efforts to execute on new business opportunities and consolidate our operations brought a solid profit for the year and helped to fortify our foundation for future growth. It was a year in which most of our units delivered strong performances in the face of a difficult economy and other challenges outside of our control. And it was a year in which several markets performed beyond all our expectations, as was seen in Denmark, Finland and Michigan.



Photo: TOMRA

We knew going into 2002 that the implementation of deposit on non-refillable containers in Denmark would bring a substantial increase in sales revenue in this market, however the growth in sales of almost 300 percent was quite beyond what we had expected. In Finland, TOMRA also came in with higher than expected results, a tribute to the organization's effectiveness in providing TOMRA solutions to new customers in this market. The launch of our TOMRA 83 HCp reverse vending machine in the US provided better than expected revenues in the Tomra East business region, particularly in the state of Michigan where over 400 machines were installed during the year.

The political and legal processes steering the implementation of deposit on non-refillable containers in Germany continued to have a significant impact on our operations. The unpredictability of these processes was without a doubt the most decisive factor contributing to the downward trend of our stock price during the year, and our sales performance in this market as well. We have however continued our focus on developing the market-specific technological solutions

and organizational capacity needed to capitalize on the opportunities in Germany. With the full implementation of the new deposit system scheduled to take place on October 1, 2003, we are confident that sales will soon begin to pick up in this market.

Getting our activities in California back on track was highly prioritized in 2002. Numerous measures were taken during the year to reduce costs and establish a sustainable basis for operating our business in this key market, and these efforts resulted in this market turning in a profit for the year.

Determining the right focus

Striking the right balance between delivering satisfactory short-term results and cultivating long-term growth opportunities is one of management's most challenging and important responsibilities. The nature of our business, where the operating framework in each market varies and most often demands solutions that are unique to each market, requires a significant investment of time, patience and of course, money. Providing predictable timeframes for return on investment



Photo: Jukka Rapo



“One of the most important conditions for being at the right place at the right time, is being ahead of your time ”

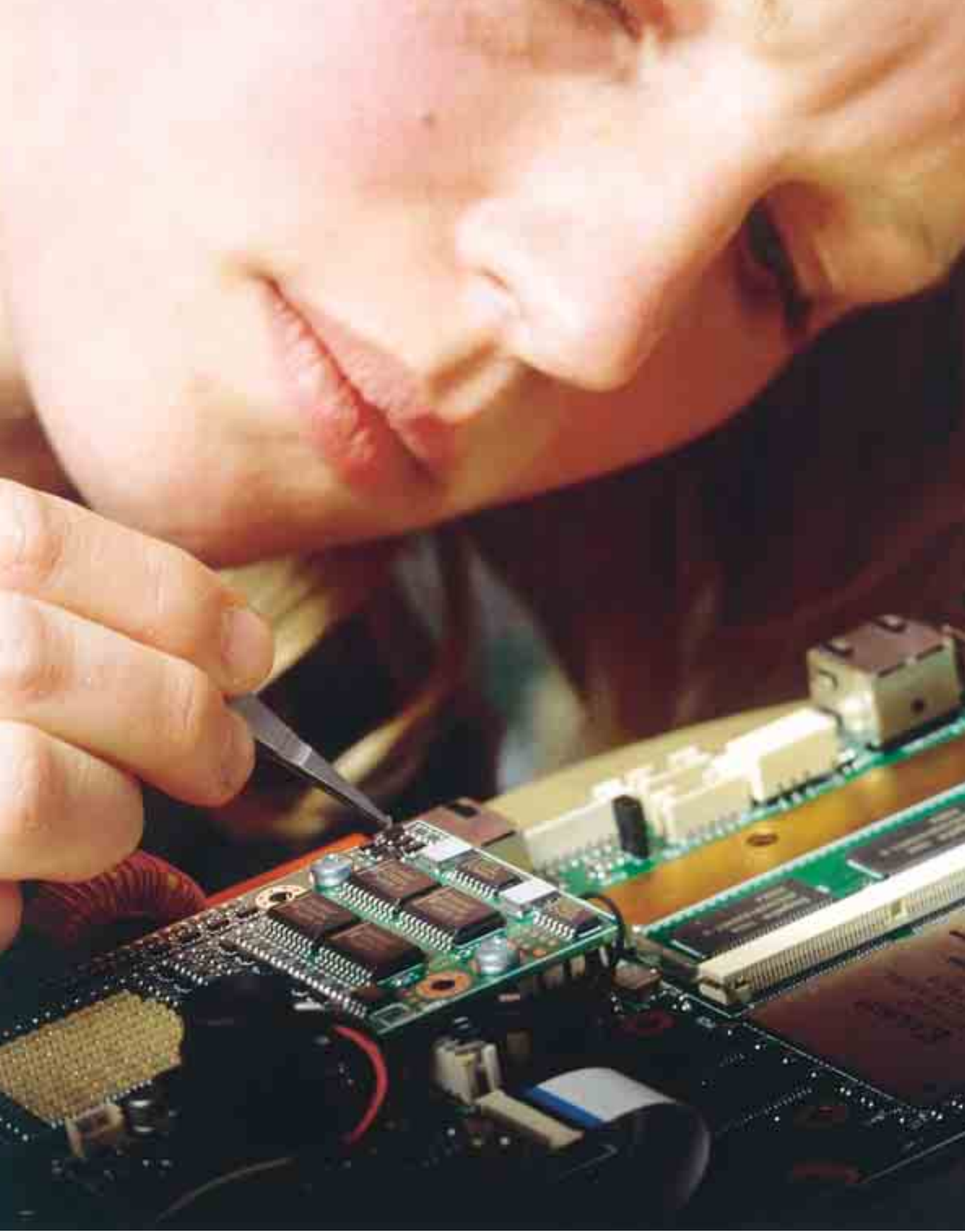
within the context of this scenario is difficult. We are committed however to growing the company and to maximizing the value of our shareholders' investment over time, and to encourage this we are concentrating considerable resources toward innovation and the development of new market opportunities.

Timing is critical in creating new business opportunities, and we believe that one of the most important conditions for being at the right place at the right time, is being ahead of your time. In other words, we are focused on being proactive and creating growth by developing new markets and providing ever more efficient and cost-effective solutions to the challenges of recycling. Our research and business development expenditure amounted to NOK 140 million in 2002 alone, and we are excited about the new possibilities that may result from this in the near future.

TOMRA has always led the way in providing innovative solutions for recycling used beverage containers since it created the reverse vending industry in 1972, and we are confident our increased investment in both technology and new

market development will maintain our high growth expectations. We believe we are moving toward a new stage in our organization's development, one that will bring us much closer toward our company vision. We believe our vision is focused and our direction is clear, and we look forward to the progress we can achieve ahead.

Erik Thorsen
President and CEO





For over 30 years we have led the way in developing and applying state-of-the-art technology and processes for automating the collection of used beverage containers. In this time we have developed a wealth of knowledge about what does and doesn't work, and our team of scientists, engineers and innovators continually draw on this experience as they work to develop even better solutions for the future.

Revealing the right
solutions

Tomra Technology

2002 was a highly productive year for Tomra Technology, a year in which we implemented more new products and options than ever before, and brought the realization of exciting new concepts for the future considerably closer.

Terje Hanserud, Senior VP & Chief Technology Officer, discusses the highlights for Tomra Technology in 2002:

“The biggest event of the year was the introduction of the TOMRA 83 HCp. Delivery was focused primarily in Michigan, but a fair number of machines also made their way to New England, Japan and Sweden. This machine has taken TOMRA far above the current industry standard in container handling speed, reliability and capacity, delivering an increase in collection volume that is nearly seven times that of its predecessor (free-standing model).

Deliveries of the TOMRA 83 HCp in Michigan moved very fast once underway in June. The rapid rollout schedule quickly revealed however certain technical challenges that required us to set in additional R&D resources in order to bring about a prompt resolution. Through the excellent teamwork between Tomra North America and R&D personnel, solutions were quickly identified and applied. These installations are now performing exceptionally, and our customers in Michigan are very satisfied with the huge leap in performance that the TOMRA 83 HCp has provided.

Further product advancements include the release of our newest all-container machine for Europe, the TOMRA 710. Also, our strengthening of the TOMRA Duo has brought this machine forward within the small store market segment in the US, and our further development of the TOMRA Bravo during the year has made this machine an ideal solution for medium-sized stores in the German market.”

New deposit systems, new solutions

“New deposit systems for non-refillable containers have been introduced in Europe, and Tomra Technology has of course dedicated significant resources toward developing the technology that drives these systems. In Denmark, where deposit on non-refillables was implemented in September, we developed special software, interfaces and options to fulfill the system requirements of the Danish deposit administration organization, DRS. This technology laid the foundation for our sales success in this market in 2002.

Work related to the startup of the new deposit system in Germany was also a high priority in 2002, and perhaps our most important contribution was related to the development of an innovative and cost-effective system for preventing the payout of deposit refunds for containers not included in the German deposit system. Even though the board of German beverage industry representatives has concluded on a security system that does not completely embrace our proposal, our layered security approach with triple recognition technology and



TOMRA security marking detection system.



Design Excellence
Awarded by the Norwegian Design Council

Over 1,000 units of the TOMRA 83 HCP have been produced, almost all of which occurred in 2002.

detection of lid and ultraviolet markings has played a key role in directing the development of this new system.”

Poised for new breakthroughs

“Organizationally, Tomra Technology was strengthened in 2002 with the integration of the Technical Education and Support (TES) Group that was formerly a part of Tomra Europe. This organizational change will help us deliver the same high level of support services to all parts of the TOMRA Service network worldwide, and further strengthen Tomra Technology’s market orientation. Bringing our technology professionals closer to the marketplace is one of our key focus areas, and the creation of our Custom Engineering (CE) group in 2002 is also another example of this focus. Our CE initiative will allow us to more quickly develop market opportunities by having an additional engineering channel in parallel with the structured and cost-intensive product development process.

Looking ahead, we will continue to stay focused on further developing our core strengths. Recognition resources will be added and significant Norwegian state funding for new research initiatives has been granted for the coming two years. We will continue to expand our backroom portfolio of processing and accumulation solutions, and expect to deliver a new level of technical advancements to strengthen our technology and cost leadership in all aspects of container collection.”

FACTS

Key technology developments 2002



Logistima

The Logistima system represents a major breakthrough in on-site container handling, offering improved sorting and compaction capabilities that can be placed virtually anywhere behind the machine.

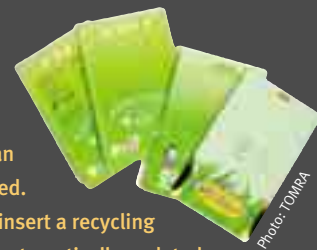


PET Chipper

This is a newly designed compaction module for the TOMRA 83 HCP that cuts up plastic bottles accepted by the machine into small chips, increasing container accumulation capacity. Developed primarily for Japan.

Point Card System

For the TOMRA municipal recycling program in Japan, new technology was developed to enable a point incentive system where consumers can earn points for every container returned. With this technology, consumers can insert a recycling point card in the machine and it gets automatically updated with the total points of the current transaction.



Photos: TOMRA



The TOMRA 710 is TOMRA’s newest all-container machine which takes advantage of the single chamber recognition technology first developed for the TOMRA 83 HCP. This technology enables the T-710 to be a very fast and compact machine, which when combined with the TOMRA’s newest Logistima sorting and compaction equipment, will allow our customers to completely reshape the level of service, efficiency and space utility that they can achieve from their reverse vending installation.

Bottle Return





The most crucial element in determining the overall efficiency of a recycling system is the way in which containers are collected. Providing an efficient means of collection is what started our business, and this remains our core business today. In some markets we also operate other steps in the recycling value chain if by doing so we can better ensure that the efficiency enabled by our collection systems is carried throughout the entire recycling process.

Improving recycling efficiency

Business Unit North America

For Business Unit North America, improving financial results was priority one in 2002. New technology sales, stronger management focus, and efficiency improvements across all areas of its business set the stage for the business unit to deliver improved financial performance.



The TOMRA 83 HCP is setting the new benchmark for efficiency and high volume processing of non-refillable beverage containers.

Revitalizing the business to drive future growth

With the arrival of Tomra North America President Greg Knoll in January 2002, the company's senior management team set to work on establishing its strategy for rebuilding momentum to deliver growth in North America and sustainable profitability in California. Stronger management focus and new operational controls were implemented to reduce costs, increase efficiency, and improve the overall effectiveness of the operations.

Technology sales lead the way – strengthening the portfolio

A total of 1,900 TOMRA reverse vending machines were installed in North America in 2002 (+25 percent vs. 2001), giving TOMRA its highest revenue from the sale of reverse vending machines ever in North America and providing clear evidence that TOMRA's strengthened product portfolio is highly valued by retailers. The most important addition to the portfolio: the TOMRA 83 HCP reverse vending machine, setting a new benchmark for efficiency and high volume processing of non-refillable beverage containers. Due to this successful product launch, TOMRA strengthened its overall market share to over 80 percent in TOMRA's core eastern US markets last year and increased RVM revenue by 42 percent.

Cultivating market growth

Pursuing opportunities to grow the business is an ongoing part of TOMRA's strategy for improving performance in North America, and in 2002, one of the

FACTS

BU North America 2002



TOMRA processing facility in Quebec, Canada.
Photo: TOMRA.



A rePLANET recycling center in California.
Photo: TOMRA.

most promising growth initiatives occurred in Canada. In April, TOMRA signed an agreement with the Canadian Soft Drink Association to process the used beverage containers collected on behalf of Coca-Cola, Pepsi-Cola and Alex Couombe Ltd. at the TOMRA processing facility in Montreal. This agreement, which more than doubled the number of containers being processed at the plant, improved operations at the plant and positively impacted the financial performance of TOMRA's Canadian operations. The agreement is an important step toward implementing further efficiencies throughout the container collection process in Quebec and will act as a platform for increased technology sales in the Canadian market. In Canada, TOMRA demonstrated revenue growth of 11 percent measured in Canadian dollars in 2002.

Regaining profitability in California

In California a number of measures were taken to stabilize the operations, aggressively control costs, and build a platform for sustained profitability. Led by a new management group, a new team of regional sales managers for northern, western, and southern California was put in place to better manage and control the business. A new incentive program was established focusing on efficiency and cost reduction programs in order to improve ongoing operations and recycling center performance. During the first quarter 2002, poorly performing recycling centers were closed, leaving 380 recycling centers in the state at year-end 2002. TOMRA's operations in California returned to profitability during the second quarter 2002 and generated a minor profit for the year.

- Business Unit North America had an eight percent increase in revenues over the previous year measured in USD. However, when measured in the reporting currency of NOK, the year-end result of NOK 1,303 million was four percent lower than the previous year.

- Revenues were spurred by sales of the new TOMRA 83 HCp, with over 500 of these reverse vending machines being installed during the latter half of the year (primarily in Michigan). Revenue growth of 22 percent USD was achieved in the 4th quarter 2002.

- Total RVM's installed in 2002: 1,900, a 25 percent increase vs. 2001.

BU North America in brief

- TOMRA operates in nine container deposit states in the USA, and two provinces in Canada that have deposit systems.

- BU North America has three regional subdivisions: Tomra East, Tomra Canada, and Tomra Pacific.

- Of TOMRA's three business units, BU North America has the most extensive involvement throughout the entire recycling loop. This includes automated collection and on-site handling systems, accounting/administration, machine servicing, container pick-up and transport, and material processing.

Moving forward

TOMRA North America President Greg Knoll talks briefly about the initiatives that ensure that TOMRA's operations in North America will continue to be a vital contributor to the total TOMRA business portfolio.

“We made a great deal of progress in 2002 to revitalize the business and regain momentum, increase efficiency in all aspects, be stronger leaders, and set in place a business strategy to ensure a healthy business long-term. We'll continue to focus on driving profitable growth by building and leveraging the

strengths of each of the three North American divisions and honing the operational effectiveness of the entire organization through strong management practices and continuous improvement initiatives. Focus will also be maintained on fostering innovation, expanding our technology base, and developing new

sales channels and business opportunities. We see a bright future with a lot of work ahead.

Within the area of technology for example, we expect that the TOMRA 83 HCp will continue to be a very important revenue driver, as we plan to expand this in major markets. We will also be working hard to develop other opportunities, for example we believe that there is a great deal of untapped potential within the lower volume segment (which includes smaller retail stores, convenience stores, drug stores, etc.), and we will concentrate efforts

Thinking outside the box

TOMRA prides itself on its innovative solutions, and the new TOMRA 83 HCp is one example of progressive thinking. The TOMRA 83 HCp system installed in Michigan takes the entire collection, material transport and processing operations into consideration and maximizes efficiency by engineering each part to work together.



The TOMRA 83 HCp's high capacity collection bins are enclosed in cabinets accessed in the backroom behind the machine.



Full bins are easily removed from the cabinet with a jack.



The full bins are loaded onto a dedicated trailer that stays at the store until it is completely filled. When filled, a driver is dispatched to the store who picks it up, exchanges it with an empty trailer, and returns with the full trailer to the TOMRA processing plant.



The durable, space-saving collapsible bins designed by TOMRA can be quickly assembled by store personnel.

FACTS

RVM Portfolio
Tomra North America

strongly in getting the message to this channel of the benefits of the TOMRA Duo platform. To help identify potential customers for this technology, we have initiated a very professional telemarketing program that will work exclusively on generating leads for the TOMRA Duo sales staff. Another area which we will be expanding with a number of applications, is our wireless communication technology. With this technology we will be able to increase our efficiency in numerous ways, including our online communications with our reverse vending machines and the automation of our field service management. We are also excited about the potential of our new receipt validation software, AccuDeem, a product that will allow our customers to eliminate deposit receipt fraud.

Other areas that offer potential include providing centralized billing services, incorporating a greater number of machines into service agreements, and increasing efficiency within our material handling activities. These are some examples of how we can leverage our strength as a full solutions provider throughout the entire market.

We are very interested in the growth potential offered within non-deposit markets. TOMRA is committed to testing and developing a successful business model for recycling used beverage containers in a non-deposit environment, and a key project that we initiated in the state of Florida in 2002 has demonstrated initial positive results. TOMRA will continue in 2003 to further develop this concept as a part of our focused approach in building new market opportunities.”



High volume



TOMRA 83 HCp



Medium volume



Illustration: TOMRA

TOMRA x2 series

Low volume



TOMRA Duo



Business Unit Europe

2002 was a very dynamic and positive year for TOMRA in Europe, with strong sales growth coming both from well-established markets such as Denmark, Sweden and Finland, and new markets such as the Central and Eastern European (CEE) Countries and Israel.



The Nordic countries have led the way in Europe in developing deposit systems for non-refillable containers.

FACTS

Key figures 2002

Explosive growth in Denmark

The implementation of a new deposit system for non-refillable containers in Denmark on 23 September encouraged a dramatic sales increase for TOMRA in this market, with revenues going up by 291 percent compared to the previous year. TOMRA installed or upgraded approximately 2,100 machines in Denmark during the year, with the majority of these occurring in the months preceding the implementation date. New machine sales were also very strong in Sweden and Finland, primarily as a result of the replacement of older TOMRA models in Sweden and the opening of new retail outlets in Finland.

New markets contribute to growth

TOMRA's subsidiary in Austria, which in addition to Austria is responsible for TOMRA's activities in the CEE Countries, delivered sales growth of six percent measured in Norwegian currency and 14 percent measured in local currency. Almost half of Austria's revenues came in fact from the CEE Countries, with the largest portion coming from the Czech Republic.

Another highlight for the year occurred in Israel, where a new distribution contract was signed in November with Afcon Control & Automation Ltd., the company chosen as the supplier of reverse vending machines to the central deposit administration organization in the country. The initial order of 50 machines was delivered in December 2002 and January 2003. The potential exists for delivering an additional 450 machines to this market in 2003.

A number of markets experienced a decline in revenue, which in most cases was due to a normalization of sales activity after the implementation of a unique occurrence in the previous year. Such was the case with Belgium and the Netherlands, which both experienced high growth in 2001 due in large part to the upgrading of our RVMs to handle the conversion to the EURO. In Germany however, the fourteen percent decline in revenues in 2002 was due to the uncertainties throughout the year surrounding the implementation of its new deposit system for non-refillable containers, as well as a strong Norwegian currency.

- Revenues from continuing operations: NOK 937 million (an increase of three percent from 2001). Measured in local currencies, BU Europe's revenue growth equaled 10 percent.
- Strongest sales performance in Denmark (+291 percent), Sweden (+9 percent), and Finland (+8 percent).
- Approximately 4,800 machines installed (including upgrades), up from 4,100 in 2001 and 3,800 in 2000. TOMRA's installed machine base in Europe equals approximately 36,000.

BU Europe in brief

- BU Europe has activities in 31 markets, with subsidiaries in nine countries (Austria, Belgium, Denmark, Finland, Germany, The Netherlands, Norway, Sweden and Switzerland).
- BU Europe also holds administrative responsibility over activities in certain markets outside of Europe, including those within the Middle East.
- Sales and service of TOMRA reverse vending machines generate the large majority of BU Europe's revenue stream.

Progress: increasing the recycling rate of non-refillable containers in Europe

In Europe, deposit has long been the method of choice for achieving a high rate of return of empty bottles and cans for reuse or recycling, and for providing a sufficient and equitable mechanism for funding the costs of this activity. The deposit system, built around an automated collection system based in supermarkets and other retail food outlets, was developed at first to handle the return of refillable containers. The success of this system has encouraged many countries to develop a similar system also for non-refillable containers, which is becoming the predominant container type in Europe as it is in other parts of the world.

The Nordic countries have led the way in developing deposit systems for non-refillable containers in Europe, beginning with Sweden in 1984, Finland in 1996, Norway in 1999, and most recently, Denmark in 2002. Many other countries in Europe are now also looking at implementing a deposit system as an effective way of increasing the recycling rate of non-refillable containers, spurred both by the success of existing systems and the need to meet the targets required by the EU Directive on Packaging and Packaging Waste.





The TOMRA 710 enables highly effective handling of beverage containers, both in terms of space utilization and integrating backroom sorting and processing equipment. Photo: Jukka Rapo.

Germany implemented on 1 January 2003 a deposit on the approximate 14 billion non-refillable containers used for soft drinks, beer and mineral water in the country each year. Currently these containers are being collected manually through an interim chain- or store-based solution. A fully automated national collection system is to be introduced on 1 October 2003. This represents a major growth opportunity, with our estimate for the number of reverse vending machines required for the new system to be around 40,000. With a product portfolio that has been developed to meet the specific needs of the German non-refillable market, our extensive experience in handling non-refillable containers in Scandinavia and the US, as well as our experience and leadership position in the existing refillable market in Germany, we feel that we are well positioned to capitalize on this opportunity.

In the Netherlands it has been indicated that deposit on non-refillable containers will be introduced if litter resulting from this type of container—which has an estimated circulation of 50 million units at any point in time—is not reduced by 80 percent by the end of 2004. In this event, deposit legislation could become effective 1 January 2006.

FACTS

Key areas of focus within the BU Europe product portfolio in 2003

The TOMRA 710 TOMRA's most advanced high volume all container machine, was released in October 2002. This RVM has to date been introduced in Finland and Sweden, and will continue to be rolled out into other European markets throughout the year. In connection with the introduction of deposit in Germany, special focus will also be given to promoting the TOMRA 83 HcP TOMRA's high capacity RVM for non-refillable containers, as well as the TOMRA Bravo.

Behind the scenes lies a whole spectre of products that will continue to gain increased focus throughout 2003. TOMRA's line of on-site container handling systems, Logistima made huge advances in 2002 and we expect that this new line of equipment will become an indispensable element for customers who wish to maximize efficiency and space utilization in the backroom area of their stores. Demand for Logistima products is expected to be particularly strong in Finland and Germany.

A product that has received much interest from our customers in 2002 was TOMRA's Electronic Receipt system. This product, which eliminates payouts based on fraudulent receipts through an electronic verification and cancelling process that occurs by connecting a store's RVM installation and its cash register system, has been rolled out on a nationwide basis by customers in Denmark, Germany, Holland and the Czech Republic. We are confident that sales of this product will continue to grow in 2003.

Business Unit South America

As the first full year of operation, 2002 was a year that set the benchmark for Business Unit South America. Not only in terms of evaluating future business opportunities, but also for the progress made in expanding and optimizing its existing business within the collection and processing of used aluminum beverage containers in Brazil.



TOMRA is now the single largest collector of used aluminum containers in Brazil.



Eight rePLANETA centers are currently in operation in Rio de Janeiro.

Background

Brazil has developed a system of recycling that has been effective in achieving a very high recycling rate for aluminum cans. The incentive for consumers is based on the intrinsic material value of aluminum, which is greater than its cost of recycling and therefore allows recyclers to pay out a portion of that value to give consumers a financial incentive to bring back empty containers. Such an incentive scheme is however, not feasible for PET bottles, and consequently the country is experiencing an escalating environmental problem caused in large part by PET bottle litter.

TOMRA expanded network of collection centers in 2002

TOMRA entered the Brazilian market in March of 2001 through the acquisition of a 70 percent stake in Tomra Latasa Reciclagem S.A., which operated an existing network of collection centers solely focused on the collection of aluminum beverage containers. In June 2002 TOMRA signed an agreement with Imco Recycling Inc., a leading international aluminum recycler, to acquire their 10 collection centers for used beverage containers (UBCs) in eight Brazilian states. The addition of these centers to the five that TOMRA already had has made TOMRA the largest single collector of UBCs in Brazil. These centers are essentially warehouses where large volumes of containers are brought to be cleaned, sorted and compacted before being sent off to another facility for further processing. With this expansion, TOMRA now has a collection infrastructure that reaches 90 percent of the area in the country where packaged beverages are consumed.

New business development in Brazil

With its ownership position in Tomra Latasa Reciclagem S.A., TOMRA has set a strategic course to establish an attractive retail-based collection infrastructure that could significantly increase the collection of PET at the lowest possible cost for retailers and beverage manufacturers. To test the feasibility of a wide-scale implementation of an automated container collection system primarily for PET bottles in Brazil, TOMRA initiated in the latter half of 2001 a pilot project based on TOMRA's automated collection center concept, Replanet.

FACTS

Key figures 2002

- Revenues: NOK 427 million, compared to 10-month revenues in 2001 of NOK 328 million.
- TOMRA increased its market share within the collection of used beverage containers (UBCs) in Brazil from 25 to 37 percent in 2002, making TOMRA the single largest collector of UBCs in the country.

BU South America in brief

- Although TOMRA is active in six countries in South America (Brazil, Paraguay, Uruguay, Argentina, Chile, and Peru), operations in Brazil account for nearly 100 percent of Business Unit South America's revenues.
- The largest subsidiary in South America is Tomra Latasa Reciclagem S.A., with about 170 employees working within the areas of container collection, handling, and processing.
- Tomra South America is headquartered in São Paulo, Brazil.

Going under the name of Replaneta in Brazil, eight of these centers were set up in key locations in the Rio de Janeiro metropolitan area. The project was developed in cooperation with Ambev (representative of beverage manufacturing industry) and Pao da Acucar (representative of the retail sector). Since their introduction, these centers have collected over 13 million cans and PET bottles, and provided TOMRA with a wealth of knowledge about what elements need to be addressed in order to generate high collection volumes of PET bottles in Brazil. In 2003 TOMRA will focus on further developing the financial parameters of the business model and moving toward implementation. New recycling legislation during the year may play a key role in determining how the model is structured and developed for implementation.

**New recycling legislation:
Rio de Janeiro**

A number of new recycling laws have been approved or are under consideration in Brazil that could potentially impact our business. In September the State of Rio de Janeiro signed into law new regulations that places responsibility on all companies involved in the sale of beverages in PET bottles in the state to secure a minimum recycling rate for these containers of 25 percent. The return rate of PET bottles will be measured annually and a fine will be imposed on the responsible companies if this rate drops below the specified percentage.

As the leading provider of recycling solutions in the state, TOMRA is engaged in the process and working to help producers, bottlers and retailers find the most cost-effective

Recycling the aluminum can in Brazil



1 Collection

TOMRA is working to increase recycling effectiveness in Brazil by fully integrating all parts of the container recycling loop. The most important step: an attractive and efficient means of collection.



2 Materials handling

Collected cans are first taken to a TOMRA regional processing facility where they are compacted into large bales.



3 Smelting

Aluminum bales are melted down into large ingots at TOMRA's smelting facility in Pindamonhangaba.

4 Sheet production

The aluminum ingots are taken to the Alcan rolling mill in Pindamonhangaba where they are pressed into large rolls of aluminum sheet.



5 Can production

The rolls of aluminum sheet are taken to Latasa can factories in various locations in Brazil.



means of meeting their recycling targets. TOMRA is well positioned to succeed in this endeavor through its technology base and through the example set by its eight Replaneta centers in the metropolitan area of Rio de Janeiro.

National legislation

A bill calling for a national packaging and solid waste law has been proposed and is expected to be voted on in the Brazilian Congress by the end of 2003. The preliminary draft of the bill states that those responsible for bringing beverage containers to the consumers—

importers, producers, fillers and retailers—shall be responsible for creating a collection system that provides incentive to recycle by remunerating the consumer and the recycling industry. The point of sale (retail stores) shall be one of the main point-of-returns for the empty beverage containers. The proposal also requires a return rate of 70 percent, and would penalize those companies which fail to reach this target with a fine. Companies that comply with the law will receive tax incentives. Recycling companies such as TOMRA might also receive tax concessions and incentives.



6 Beverage production

The printed cans are then taken to the various beverage manufacturers for filling.



The School Project

TOMRA's "School Project", a unique program operated through schools and other institutions in Brazil, has collected millions of aluminum cans over the years and provided these organizations with useful products in exchange for the aluminum cans that they have collected. More than 70,000 items have been given to the schools and institutions to date. In 2002, this activity was split into two programs: The School Project (now directed solely to schools), and the "Recycle More" program, which focuses on other types of organizations. Increased efforts were placed on promoting the two initiatives including newspaper and radio ads, which had an immediate effect in increasing container collection volume. The collection of PET bottles was also introduced into the two programs in 2002.







Creating opportunities for growth

The recycling movement has come a long way and we are proud of the contribution that we have made to this effort, yet the number of beverage containers recycled annually is still only a small fraction of those consumed worldwide. We are excited that a growing number of countries however are trying to increase their rate of recycling, and about having the chance to provide the solutions that can achieve this.

Developing new business opportunities

As the worldwide consumption of packaged beverages continues to grow, more and more countries are turning to recycling as an effective way of dealing with the vast numbers of used beverage containers left behind as a result. In order to better identify, shape and develop the business opportunities that exist within this context for TOMRA, a function was created in January 2000 dedicated solely for this purpose: Global Business Development (GBD).

GBD pursues four main lines of activity: developing strategic business opportunities through project leadership and coordination; building relationships with key stakeholder groups; serving as a knowledge resource to relevant stakeholders in the design and development of efficient, cost-effective container recovery systems; and, establishing a portfolio of business expansion opportunities within equity investments, joint ventures and other relevant partnerships. To help execute these functions, this department also carries out a range of support activities such as monitoring up and coming markets to keep on top of all the lat-

est developments, and continuously developing and adjusting tools and methodologies for effectively steering business development projects.

Relationship between TOMRA GBD and business units:

GBD involvement		BU involvement	
Growth projects	Growth pilots	Emerging core business	Current core business

Objectives within business development in TOMRA

The business development unit in TOMRA has four main objectives:

- To serve as TOMRA's engine for new market penetration and future growth.
- To maintain a pipeline of growth initiatives to be executed according to different time horizons.
- To maintain dedicated resources focused on business model development, system modelling, legislative developments, market mapping, and developing strategic relationships.
- To support TOMRA business units on pursuing major strategic new business growth initiatives.



A beach right outside Rio de Janeiro impacted by PET bottles. Photo: O. Globo.



An example of the mounting recycling challenges in China. Photo: Reuters/Scanpix.

The PET challenge

TOMRA is focused on responding to the increasing challenges posed by the non-refillable beverage container, and in particular, the PET bottle. The challenge for recycling PET bottles lies in the fact that the value of recycled PET as a raw material does not cover the cost it takes to produce it, and therefore voluntary PET collection and recycling systems are rare. In those areas where PET recycling is low, the result is often that these containers often end up littering the environment. TOMRA is working with relevant stakeholders in a number of markets to overcome this challenge by developing effective solutions for PET collection and recycling.

Why is the use of PET bottles increasing?

The use of the non-refillable plastic bottle is steadily increasing around the world due to several factors:

Consumer convenience

Out-of-home consumption of packaged beverages is increasing, and the lightweight, resealable PET bottle is an alternative favored by consumers.

Distribution

Lightweight non-refillable containers make good economic sense in areas where there are large transportation distances between the manufacturer and its market.

Manufacturing

The price of the resin used to make PET bottles is low compared to other container materials.

GBD Highlights 2002

Germany

- Facilitated relevant stakeholders with information in connection with the establishment of a deposit system for non-refillable containers in Germany. Among other, this included developing and publishing a blueprint which reviewed all components of a deposit system spanning from collection to transportation requirements, processing needs, as well as clearing house functions.

Brazil

- Realized successful pilot results for the Replaneta recycling center concept.
- Positive dialogue initiated with key stakeholders on rollout of container collection infrastructure at major retail locations.
- Monitored the extensive developments within new recycling legislation across the country.

Japan

- Implemented a new recycling business model for municipalities.

USA

- Feasibility of a non-deposit market business model demonstrated by Replanet pilot project in Florida.

Other

- Exploratory activities initiated in several markets, including Malaysia, Australia, Mexico, UK, Poland, the Baltic countries.

Case in point: Business development in Japan



Municipalities in Japan are interested in applying TOMRA's cost-effective approaches to meeting recycling targets. Photos (right): Chunichi Shimun Owari Branch 18 June 2002; (above) TOMRA.



Background

Japan has a large and highly dense population with very little space that can be afforded to waste landfill, and is therefore highly motivated to recycle. The high recycling rate that the country has achieved for cans and glass (between 70 to 80 percent) without any financial incentive for the consumer is unequalled anywhere else in the world. However, the curbside collection system that is in place is expensive, and municipalities are interested in finding a more cost-effective way to meet their recycling targets.

New business development

TOMRA founded its subsidiary Tomra Systems Japan Asia Pacific KK in January 2001 to provide alternatives to existing systems which could bring high recycling rates at a low cost. GBD has pursued the development of both retail and a municipal-based business models for this market, and has developed important partnerships to handle the distribution and servicing of these systems.

In 2002, the development of the municipal model received greatest focus, and TOMRA ended the year with five recycling stations installed in four municipalities. Three out of the four municipal programs utilized a point card system to provide a financial incentive for consumers to use the stations. The TOMRA recycling stations have allowed these municipalities to cut their collection costs while maintaining a high collection rate.

Project direction

The main priority in this market in the near term will be to step up the implementation of the municipal business model. There are 3,240 municipalities in Japan, and the success that has been achieved thus far with the existing municipal programs indicates significant potential for growth.

Business Development Priorities in TOMRA 2003–05

Latin America

Our business development activities in Latin America will continue to focus primarily on Brazil, with increased resources going toward refining and implementing a successful retailer-based collection model in this market. New recycling legislation being considered in the country will if passed further support our recycling initiatives. We will also continue to monitor developments in Mexico where new opportunities could emerge for TOMRA.

Asia

TOMRA will further develop the municipal business model initiated in Japan in 2002. This program will be the main priority in Japan over the next few years, but we will use our success in this market to leverage new opportunities in other countries in the region that are considering ways to increase recycling of used beverage containers, such as Malaysia, Australia, China, Korea and Singapore.

Identifying new market opportunities

There are many opportunities that lie on the horizon for TOMRA, but we cannot of course look in all directions at once. All potential opportunities go through a screening process to determine first whether a development project is warranted, and second, what level of priority it should be given.

There are a number of factors that weigh into this decision process. A market's population and beverage consumption level are two key factors in the initial analysis of determining priority. Highly populated markets deliver higher economies of scale and are therefore more likely to be prioritized higher.

Other important factors taken into consideration include the existing and/or proposed recycling legislation in the market and the degree to which its government wants to achieve higher recycling rates. The motivation of other stakeholders is also analyzed, as are the costs and efficiency of existing systems, the types of containers in use in the market, the degree of environmental awareness among the population, as well as the costs and capacity of its landfill system.



Technology and new markets

TOMRA realizes that pursuing new opportunities in a non-deposit market setting may require completely different concepts and technology solutions than those we have developed for our traditional deposit markets. TOMRA's business development unit therefore works very closely with a dedicated group of engineers and designers in TOMRA that are allocated solely to exploring and developing these new horizons.

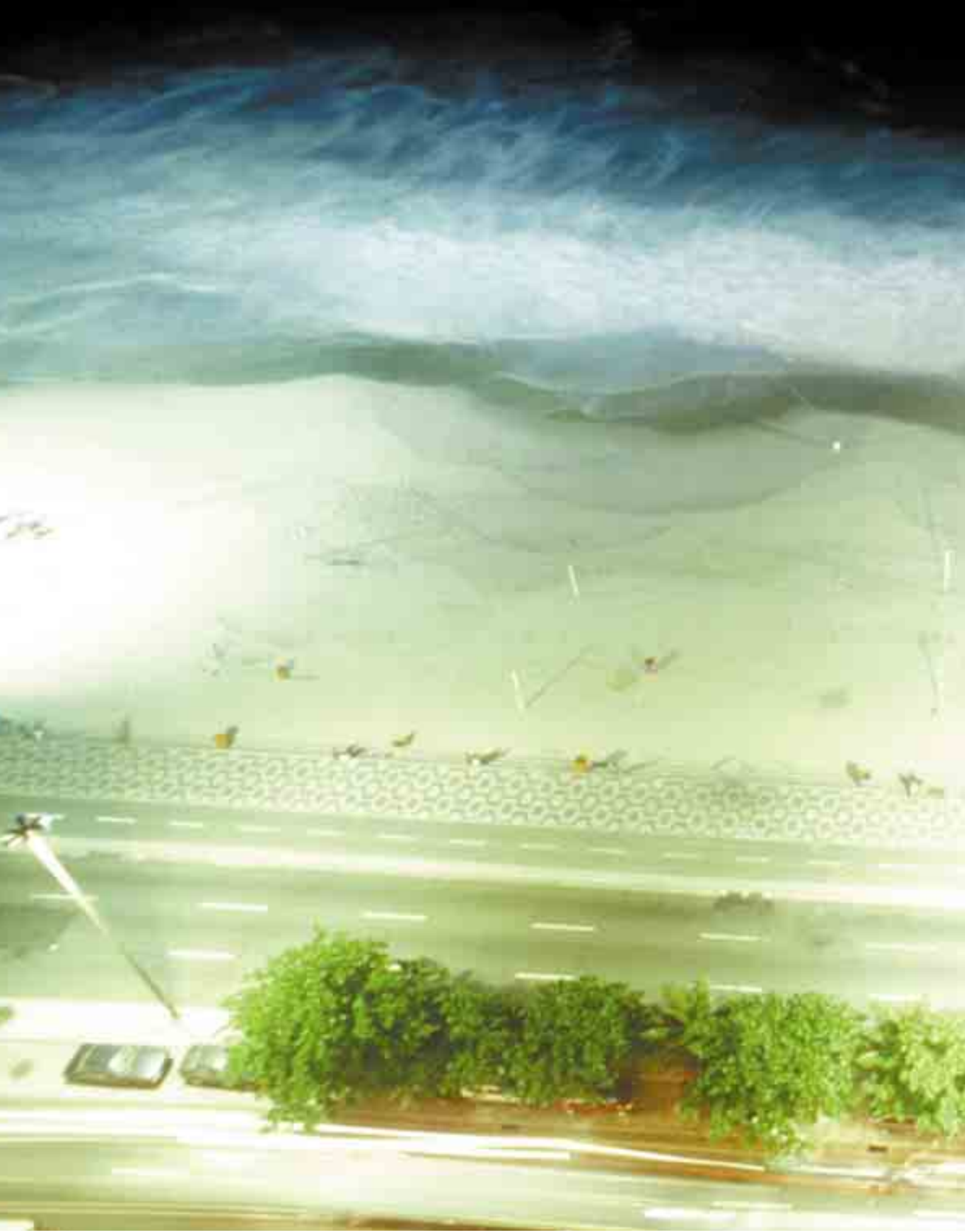
We are stretching our imagination to develop the innovative solutions for the future.
Illustration: TOMRA.

Europe

TOMRA's business development resources in Europe will continue to have their primary focus on Germany in the near term, but will also be exploring new business opportunities in countries where there is a strong political will to increase recycling targets for used beverage containers. New opportunities are viewed to be particularly relevant in the United Kingdom, Slovakia, the Baltic countries, Poland and The Netherlands.

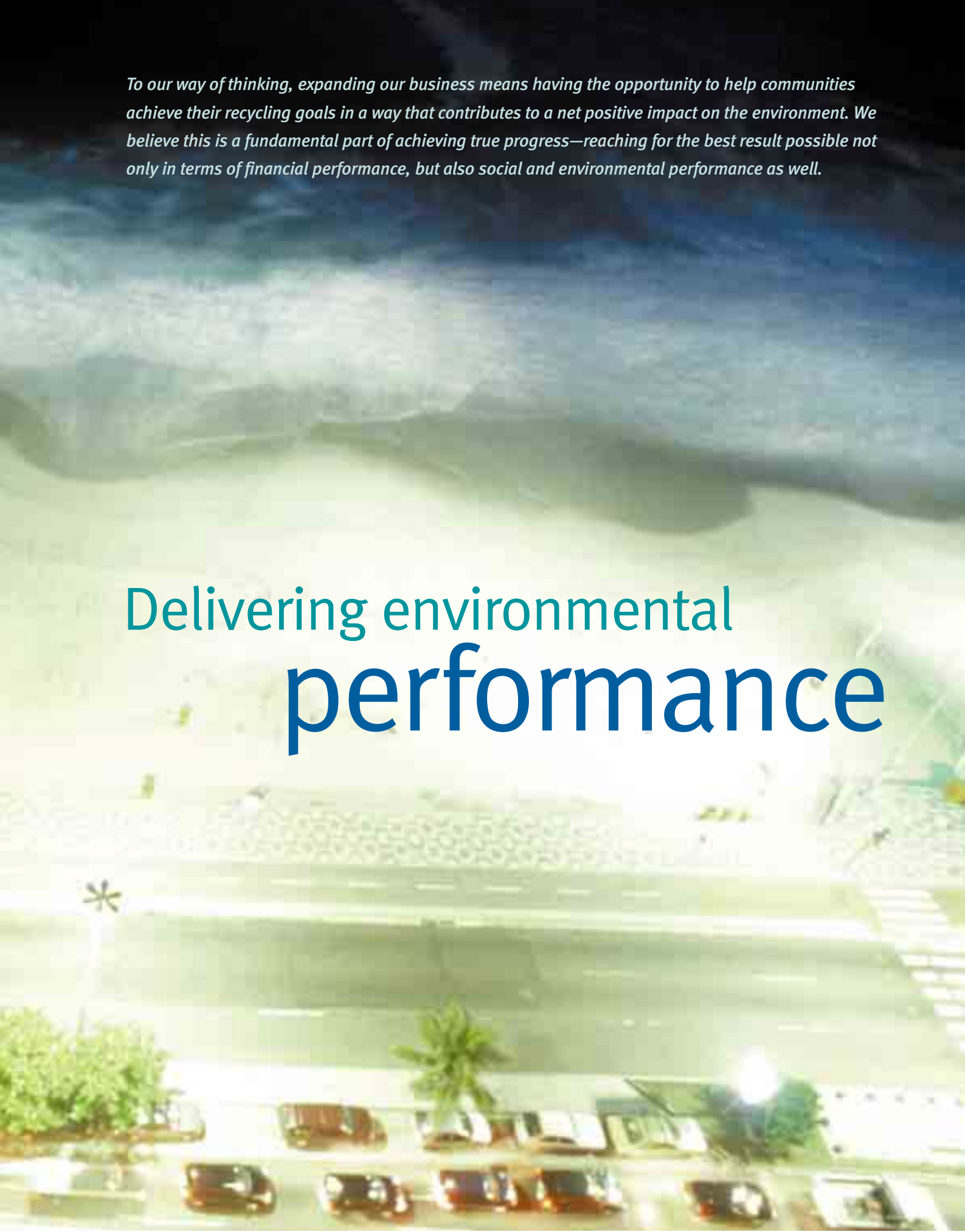
North America

Within business development, TOMRA's focus in North America will be on further developing and implementing the Replanet concept for non-deposit markets that was successfully tested in Florida in 2002. Operational responsibility for this initiative will for the most part be carried out by Tomra North America staff based in Stratford, Connecticut.



To our way of thinking, expanding our business means having the opportunity to help communities achieve their recycling goals in a way that contributes to a net positive impact on the environment. We believe this is a fundamental part of achieving true progress—reaching for the best result possible not only in terms of financial performance, but also social and environmental performance as well.

Delivering environmental performance



Corporate social responsibility

From concept to practice

TOMRA has been exploring the concept of "Corporate Social Responsibility" (CSR) through integration of data on the environmental and social aspects of its operations in its annual reports since 2000. While the social aspects are managed through TOMRA's strong focus on its well established Core Values, Leadership Principles, and integrated leadership process and tools, environmental performance needs to be managed through integration in all aspects of TOMRA's operations.

In the 2000 annual report, TOMRA board member and professor, Jørgen Randers set the scene for Corporate Social Responsibility in TOMRA through an interview entitled "Time for Responsibility." In this interview, professor Randers explained how an increasingly globalized marketplace creates new challenges for responsible companies. In response to these challenges TOMRA also presented its CSR Policy, a document which sets out TOMRA's commitment to responsible corporate citizenship.

The following year, TOMRA presented group-wide performance data related to its direct impacts, as well as focusing in detail on its role in facilitating eco-efficient systems for the recycling of used beverage containers.

This willingness to report transparently on non-financial performance has led to widespread recognition for TOMRA as being an industrial sustainability leader. This is evidenced through the inclusion of TOMRA in all major international socially responsible investment (SRI) indices.



While gratifying to receive public acclaim for sustainability leadership, the internal learning and experience drawn from the exploration of the concept of CSR has been the most valuable outcome of the process. This year TOMRA will focus on its direct environmental performance and establish targets to complement the environmental objectives that were published in the 2001 annual report.

Key figures	2002	2001
Financial Profile		
Reporting scope, % of group operating revenue	99	100
Operating revenue, MNOK	2,674	2,924
Value added ¹⁾ , MNOK	1,286	1,024
Equity, MNOK	2,470	2,631
Return on Equity, %	10	(0.3)
Environmental Profile (Direct Impacts)		
Energy consumption, GWh ²⁾	106	91.5
Carbon dioxide emissions, metric tonnes ²⁾	27,900	22,413
Water consumption, cubic meters	30,600	30,101
Waste generation, metric tonnes ³⁾	1,750	1,898
Environmental Profile (Indirect Impacts)		
Used beverage container ⁴⁾ throughput, billions	26.2	25.1
Weight of container material; (tonnes x1000)		
– Collected through RVMs	4,679	4,470
– Secondary processing	319	350
– Aluminum reclamation	49	44
– Handled in total	5,047	4,864
Number of RVM installations (total)	50,330	44,480
Number of new RVMs manufactured	5,610	5,036
Social Profile		
Number of employees	2,048	1,994
Female employees	19%	19%
Ethnic minority employees	27%	25%
Number of reportable injuries	308	359 ⁵⁾

1) Value Added = (Operating Revenue – COGS – Depreciation), restated for 2001.

2) Includes grid electricity, natural gas, vehicle fuels, LPG

3) Excludes aluminum reclamation process wastes

4) Estimated number of containers returned through TOMRA products/ systems regardless of ownership

5) The 2001 reportable injuries have been restated to properly include all business units.

Indirect environmental impact

Helping the world recycle

The global consumption of beverages equalled 793 billion containers in 2000, up 13 percent from 1996. The majority of these containers are non-refillable containers made out of aluminum, PET or glass—all materials that are well suited for materials recycling. Unfortunately, non-refillable containers are normally not part of an effective recycling system designed to maintain the recycling value of the material. A large part of the global container universe therefore ends up either in the municipal waste stream, or as litter in local communities.

Intelligent container collection

During 2002, more than 50,000 TOMRA reverse vending machines (RVMs) on three continents accepted, sorted, compacted and redeemed deposits for 26.2 billion used beverage containers. Converted to weight this equals 4.7 million tonnes of material, all destined for material recycling. A high proportion of the weight generated stems from refillable glass bottles collected in Europe.

Logistics and container handling

In most European deposit markets, non-profit organizations set up jointly by the authorities and the beverage industry handles the deposit clearinghouse and material logistics operations. However, in the United States and elsewhere, TOMRA has taken responsibility for undertaking this task and was responsible for secondary processing and marketing of 319,000 tonnes of container material during 2002.

Aluminum reclamation and smelting

TOMRA goes even further in the processing of container material in Brazil through its involvement in aluminum reclamation. The reclamation facility reclaimed 49,000 tonnes of aluminum, a process which uses only five percent of the energy required compared to manufacturing primary aluminum from virgin material.

Material output

All of the material handled by TOMRA in total, approximately five million tonnes, is brought back into productive use as new containers or as raw material for other products. This helps to preserve valuable natural resources and saves energy, reduces greenhouse gas emissions, reduces the volume of landfilled material, avoid reductions of landscape value and increases public environmental awareness.

FACTS

Direct environmental impact

- Direct impacts are the impacts on society that TOMRA is responsible for creating as a direct consequence of its internal operations.
- Examples are the use of vehicle fuels, waste generation, water usage and emission of greenhouse gases.

Indirect environmental impact

- Indirect impacts are the positive impacts on the environment that TOMRA is responsible for creating as a result of the use of TOMRA's products and services.
- One example is the avoided energy and greenhouse gas emissions resulting from collection and reuse of five million tonnes of aluminum, PET and glass.



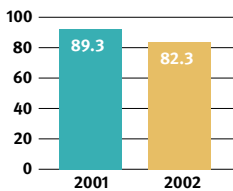
The reclamation of aluminum uses only five percent of the energy required compared to manufacturing aluminum from virgin material.

Direct environmental impact

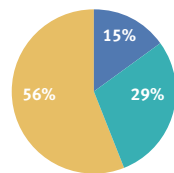
Reducing eco-intensity

Eco-intensity, Energy

GWhs / Value-added



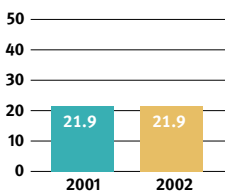
Energy usage by source 2002



- Grid electricity
- Natural gas
- Vehicle fuels

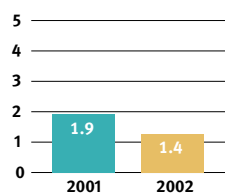
Eco-intensity, CO₂

tCO₂ / Value-added



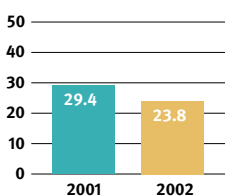
Eco-intensity, Waste (RVM business)

t / Value-added



Eco-intensity, Water

m³ / Value-added



While TOMRA's positive contribution to the environment is significant, certain negative direct impacts are generated during the realization of TOMRA's products and services.

These impacts are related to the use of natural resources such as fossil fuels, water and materials.

TOMRA's objective is to reduce its eco-intensity over time, or in other words, to use less resources to create more value.

Energy usage and greenhouse gas emissions

Energy usage figures includes vehicle fuels, natural gas and grid electricity. While the total usage of energy in 2002 was 106 GWhs, up from 92 in 2001, energy eco-intensity was slightly reduced in the same period.

The vehicle fleet is the single largest user of energy within the group followed by the aluminum reclamation activities in Brazil.

Greenhouse gas emissions (CO₂) is closely linked to energy usage. No significant changes in greenhouse gas eco-intensity is evidenced from 2001 to 2002.

Waste generation

Waste generation includes waste from TOMRA's reverse vending machine factories, sales and service organizations and materials handling units. Total waste volume was reduced from 1,898 to 1,750 tonnes during 2002.

By-products from the aluminum reclamation activities in Brazil are not reported as waste, as these products are sold and used for other industrial processes.

Water usage

No single unit within the group is the major water consumer. Water is used primarily for hygienic purposes and industrially in materials handling and aluminum reclamation.

Water eco-intensity was reduced during 2002.



FACTS

Eco-intensity indicators

Eco-intensity is a measure of direct environmental impact per unit of value added (VA).

$$\text{Eco-intensity, Energy} = \text{GWh} / \text{VA}$$

The above formula relates the energy used to the value created within the TOMRA Group.

TOMRA's aim is to achieve reductions in eco-intensity over time, i.e. use less resources to create equal or increased financial value.

Extraordinary financial write-downs in 2001 have resulted in slightly inflated eco-intensity figures for 2001.

“The recycling of only two percent of the containers collected by TOMRA RVMs offsets the entire direct CO₂ emissions created by the organization worldwide”

Environmental objectives and targets

Environmental targets for the TOMRA Group is established by group top management to complement the environmental objectives and the CSR Policy. It is TOMRA's ambition to reduce its direct impacts with the following targets from 2001 level by 2007:

DIRECT IMPACT	ECO-INTENSITY TARGETS (2007)
Energy usage	10 percent reduction
CO ₂ emissions	10 percent reduction
Waste generation	15 percent reduction
Water usage	10 percent reduction

Environmental management systems

All of TOMRA's R&D and manufacturing units are certified to both ISO9001 and ISO14001 quality and environmental management systems. The environmental management system certification includes a focus on “design for environment.”

Expanded CSR report on www.tomra.com

This corporate social responsibility report is also available in an expanded form as part of the web edition of the 2002 TOMRA Annual Report. We hope you will take the opportunity to visit our website and view in more detail the progress we are making in our CSR reporting.

Further information

TOMRA's environmental program is described in further detail on TOMRA's corporate website: www.tomra.com

Please contact TOMRA's environmental managers if you have questions, comments or suggestions related to TOMRA's environmental performance or programs.

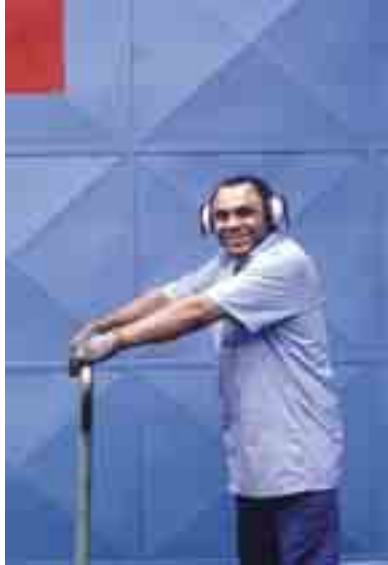
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Helping the world





recycle



A focus on progress

