



Living our Values

TOMRA has always been a very special company, and it's doing what it can to remain that way.

Of course, some people will claim that all companies are unique, that it's unjustified bragging to claim that yours stands out. Others will say that all companies including TOMRA simply exist to make money. Still others may protest that even though TOMRA is the world leader in supplying reverse vending machines for recycling beverage containers, it does not deserve to be protected by a green "mantle". TOMRA's profit motivation maintains the interests of its owners, employees, and society at large.

But TOMRA is a special company ever since day one when an inspired idea was made concrete and tested in real life. In the more than 25 years that have passed since then, TOMRA's corporate culture has evolved, too. At first it was characterized by the strong personalities and enthusiasm typical of pioneers and inventors. Then, the individualistic and entrepreneurial culture matured so as to involve employees in a different way. The new objective was to create fertile grounds for integ-

rity, innovation, personal initiative, and enthusiasm through building emotional and financial co-ownership.

In the last few years, efforts to build and enhance TOMRA's corporate culture have become more systematic. Not to structure and manage in a hierarchical manner, but rather the opposite. The objective is to remain open to opportunities that may come from society, the market, and from each employee. Only in this way may the hint of anarchism that characterized the company in its first phase survive the transition to becoming a larger company in which few people know many and nobody knows everyone. Interpretations of TOMRA's corporate culture may vary. And with business operations in 32 countries, it is influenced and colored by a host of national cultures.

The annual report presentation you are now reading is different. A bit more philosophical at times, our objective is to illustrate why we feel that our values and how we live them influence TOMRA as a company.

Through a company-wide process with top-to-bottom participation from

employees, five core values for TOMRA emerged: integrity, innovation, personal initiative, fighting spirit, and enthusiasm. No dictionary definitions define or confine our core values. They represent individual perceptions among employees of what drives us.

By giving concrete examples of how our five core values function, we'll throw the spotlight on TOMRA at work. A self-congratulatory exercise? Yes, perhaps, but it is also honest and direct. Instead of delving into the complexities of shape recognition and data telecommunications that we build, or examine lessons we learned (nobody's perfect!), we feel that by focusing on some contributions by regular team members worldwide, we can offer a better understanding of why TOMRA is succeeding and how we plan to stay ahead.

Products & Concepts

Technology can affect how we organize things. Sometimes it happens out of pure necessity, like when the invention of the automobile required the establishment of gas stations and repair shops. Other times the technological development enables new organizational forms. Consider the sensational developments of the past few years, based on combining computer technology and telephone lines. Soon, only our thoughts will set limits.

Throughout its lifetime TOMRA has based its existence on the link between a good idea and current technology. From initially building on the necessity of recycling, TOMRA's main interests now lay in the opportunities opened by recycling. At first, TOMRA's markets were to be found in those countries and states where authorities had required recovery on bottles and cans. In such places, TOMRA was one of a few that could meet the need for efficient handling. Now it is the possibilities found in the positive, long-term effects of caring for resources that is the challenge.

TOMRA's goal is to make recycling an attractive alternative for everyone. This requires convenience and efficiency in handling returns as well as direct appeals to consumer motivation. The relative emphasis placed on the factors may vary among markets, or from one year to the next. Market mix is fascinating to project and a headache to figure out. Those who believe that manu-

facturers of reverse vending machines can ride an ever-lasting wave of "green" enthusiasm should rethink his or her position. It's simply not that easy!

TOMRA has chosen "Helping the World Recycle" as its mission statement. Naturally, there's an element of environmental enthusiasm. No less than 40 percent of household waste, according to some surveys, is made up of beverage packaging. Remove it from the trash bin, and municipal landfills grow more slowly. Recycle the packaging glass, plastics, and metal using simple methods, and everyone benefits because access to raw materials and energy is ultimately limited.

TOMRA's expertise brings our slogan to life by automating the reception of used beverage packaging, recognizing who made it and what it's made of, and streamlining further handling of the used packaging. That's our core business.

"The market!" some say. "The market will solve the problems of recycling in the best way". But market mechanisms tend to have very local variations and values to be "interpreted" according to which conclusions one wants to find. We find that more people benefit when we recognize the opportunities that the market affords rather than passively believing that the market will handle the problems of recycling.

Generally, waste collection has been a common responsibility handled by local authorities. However, the costs of

garbage handling have increased in step with national affluence. In an age where marketing and packaging are increasingly important, the costs of handling the burgeoning amounts of waste, including packaging suitable for recycling, are virtually overlooked. To solve this dilemma, authorities try to transfer the responsibility for the recycling of materials to the producers in order to utilize market mechanisms to help solve the problem. But the key challenge for politicians and policy makers is finding solutions that are

equitable, and the solutions they reach are not always adequate.

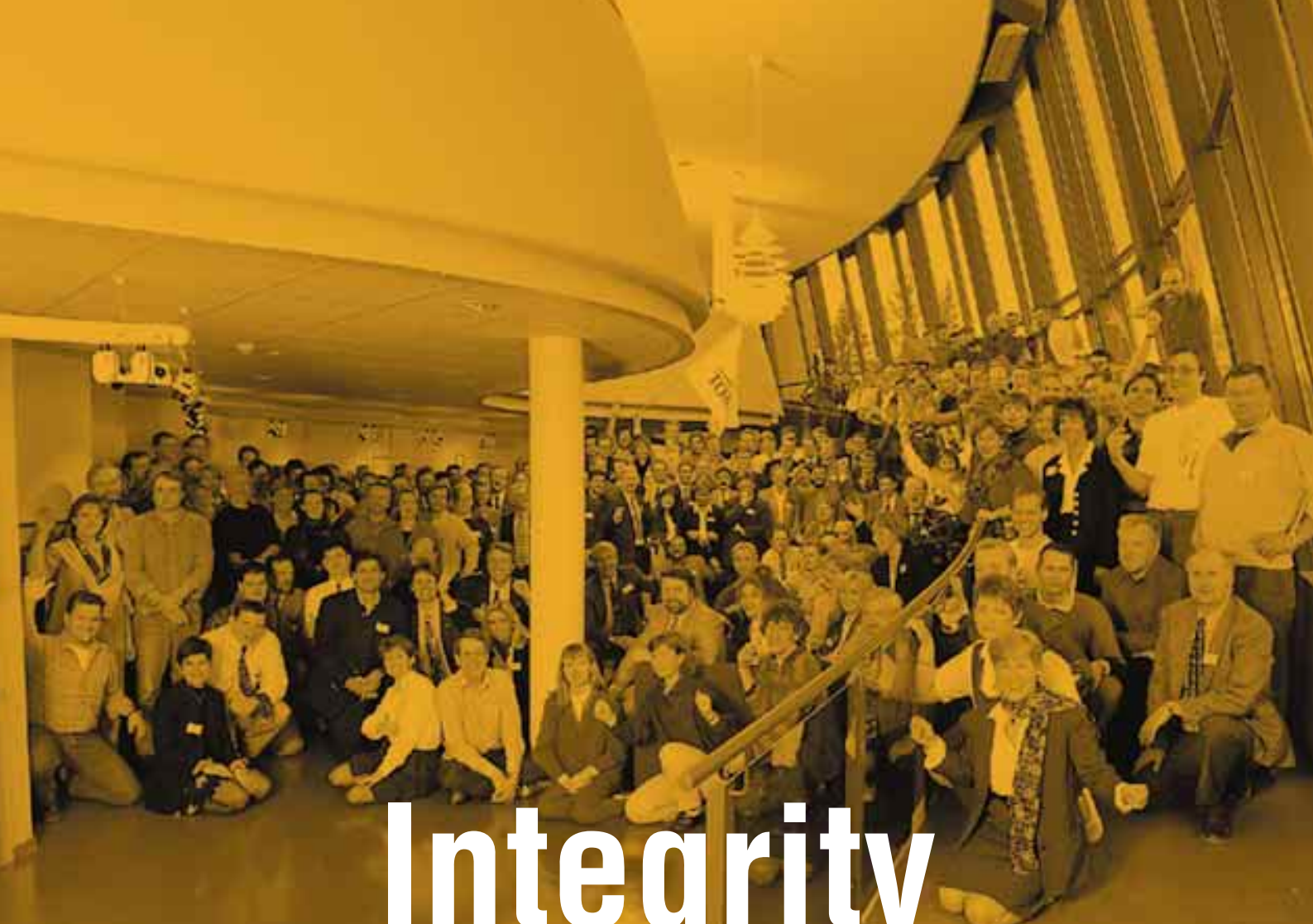
TOMRA has no ambition to lead or influence policy makers about how to handle recyclable packaging. That's beyond the mandate of a commercial, worldwide enterprise, nor would it be an appropriate way of spending the money of our shareholders. We do, however, offer practical and cost-effective solutions that are readily adaptable to local ordinances and market-driven needs.

It's our ambition to motivate everyone to show greater initiative in recycling the material value in used beverage packaging. Value recycling!

Which brings us back to TOMRA's five core values. Our integrity, innovation, personal initiative, fighting spirit, and enthusiasm play important roles in building TOMRA and supporting the values of society as a whole.

Activity Areas





Integrity

High ethical standards
Honesty
Predictability
Trustworthiness

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Honesty
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Trustworthiness

Our reverse vending machines must, with 100 percent accuracy, refund the full deposit amount owed to customers. Any errors would quickly develop into a crisis of trust for both TOMRA and the store owners.

Only the principles of integrity and full pay-back can prevent an irrevocable breach in faith. Honesty is a fundamental condition for the special concept that TOMRA represents. TOMRA like all other companies, must uphold high ethical standards.

The amounts vary from country to country, but TOMRA handles deposit money worthy of a bank! Being absolutely 100 percent reliable is a must when you handle billions of bottles and cans every year, with a cash value running well into eight figures in US currency. In Norway alone, several hundred million bottles pass through our automats every year.

Refunds are big business, yet in the United States many beverage bottlers deliver refunds to retail stores without ever handling the recycled goods! That's because TOMRA takes full responsibility for returns from consumers: collection, refund administration, delivering refillables to the correct bottling plant, as well as scraping one-way beverage containers. A total concept has been developed in which the reverse vending machines, each linked to a regional TOMRA data processing center, identify the bottles and cans as they are returned to initiate all other refund operations and con-

tainer handling procedures. For automating procedures and saving labor by store employees and bottlers alike, TOMRA receives a payment from both beverage bottling companies and stores.

TOMRA's fully-automated system is cost-effective, but it requires a high degree of precision in order to maintain its integrity and reliability. Cans that customers deliver for recycling are scanned in order to identify the "owner" of the can. This data provides the basis for payments and statistics on what's delivered for recycling and where. That is, Coca-Cola will not take responsibility for a Pepsi can! The TOMRA system includes safeguards and technology every step of the way to prevent fraud. Should someone try to

cheat the system by feeding full cans or bottles into the reverse vending machine, the foul play is immediately detected – "gotcha!" Some "sharpies" cut an empty can in two, hoping to earn a refund for each half. Flawlessly, the machine will spot that there isn't metal on both top and bottom and signals the attempted fraud with a beep. Caught!

Continuous independent audit control of refund sums and invoices describing TOMRA's deliveries of aluminum, plastic, and glass to recycling depots are further guarantees of integrity and reliability. In addition, beverage distributors can compare their sales figures for certain locations detailing beverage types and quantities, with TOMRA's



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accounting data for recycled goods. Bottles and cans on the one hand, money for deposits on the other, should balance.

Beyond built-in technical controls and independent verification, integrity in all aspects is perhaps best ingrained through experience gathered over a long period of time. Integrity is one of the bedrocks that TOMRA has built on throughout the years. We cannot afford to have any doubt shed on our integrity.

In short, TOMRA has built a combina-

tion of infrastructure, accounting routines, and payment structure that makes the company unique. It's tough to compete against such a powerful combination! Integrity, our reputation for high ethical standards, honesty, consistency, and reliability, along with our proven products and services, make TOMRA a desirable working partner worldwide.

Total Accounting Control



Glas Innovatie

TATIE
GELD

GROEN

BRUIN

WIT





Innovation

New opportunities and challenges

Creative problem solving

Continuous improvement

Smarter solutions and methods

New opportunities and challenges

Creative problem solving

Continuous improvement

Smarter solutions and methods

New opportunities and challenges

Creative problem solving

Continuous improvement

Smarter solutions and methods

Technical progress is often portrayed as a three-step process. First comes invention, the inspired or original idea. In the second stage, through the innovation process, the invention is developed further. The third stage is imitation, when others grab the good idea and attempt to make the product better or cheaper.

Invention has been TOMRA's life-blood for more than 25 years. Innovation is what keeps our products state-of-the-art. There are different views on what leads to innovation. Is it a series of coincidences, systematic trial and error, or ongoing investments in relevant expertise? We believe all three are involved. Often, innovation also requires significant investments of money as well as labor. While it is difficult to measure innovation and its results, there seems to be widespread agreement that it plays a crucial role in creating sustainable economic growth for the business, as well as for society at large.

Innovation at TOMRA focuses on what more a reverse vending machine might be, in addition to reliably helping to recycle bottles and cans.

Deposit aid

For years, a picture of Norway's least valuable coin, the former 1-øre piece, was printed on match boxes sold throughout the country. The coin indicated that a fraction of the purchase price would be donated directly to a

charity fund. Today, the 1-øre coin remains only on the match box. But the "aid matchsticks" remains a term that still profiles the match producer in a favorable way.

TOMRA believes recycled packaging could also provide revenue for charitable organizations. Using TOMRA machines, consumers could select how much of the deposit on their returned cans and bottles they wish to give to a charity.

A test program conducted in Norway in 1997 indicated that people are willing to donate five percent of their bottle deposits to charity. The study was conducted without any sort of campaign to introduce the idea. Once the program officially kicks off in 1998, the Norwegian Refugee Council, Norwegian People's Aid, and the Salvation Army will receive funds. For these organizations TOMRA has found a method of collecting money that is far cheaper than any alternative manner: More of the money collected goes where it ought to: helping people in need.

A key element for TOMRA is making it more attractive to return empty bottles and cans. Actually, the strategy turns an installation into something more than a reverse vending machine: The goodwill generated by supporting charities becomes a competitive advantage for participating stores and for TOMRA.



Finland is also regarded as a pioneering country for reverse vending machines. For some months, deposit money has been collected for a **children's hospital** in Helsinki. **TOMRA** hopes to start similar collection drives in Denmark and Sweden during 1998.

From the Children's Hospital in Helsinki, Finland



And there is another benefit for TOMRA in the charitable contribution program: Stores are encouraged to upgrade their TOMRA machines so that all administration of refunds as well as returns are handled on-line. The upgrade is a requirement for participating in the charity collections. Once TOMRA can access its machines from a regional center, regular services are conducted more efficiently and remote maintenance of the equipment is implemented.

One of TOMRA's goals for 1998 is to have 600 reverse vending machines operating in Norway that offer the option of donating refund money to a charity. The country's biggest super-

market chain, NorgesGruppen, is our partner for this program.

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Deposit Lotteries

Where recycling isn't mandatory, other means must be used to stimulate voluntary returns. In some countries, the incentives are linked to a lottery system. In Greece, 100 reverse vending machines have been installed that issue scratch-and-win lottery tickets. A similar system is being tested in Argentina. In the "TOMRA Lottery" everyone wins!

TOMRA-600 Ultima

In the course of a single, hectic year, TOMRA developed its new machine, the TOMRA-600. This machine, which is covered by three fundamental patents, confirms our position as the leading supplier of reverse vending machines. Perhaps the most important innovation of the TOMRA-600 is its electronic camera which at a rate of 25 images per second provides all the information needed to identify bottles.

Celebrating the 1,000th TOMRA-600



The task was a technological challenge. Deadlines were tight, but honored. Yes, there were some setbacks: Some mechanical parts and electronic chips did not work as expected, and some subcontractors did not meet their deadlines. A separate room in TOMRA's development department was set aside and equipped with a specially-coded security lock so that competitors could not get wind of what TOMRA was doing.

But the new model emerged a success. Bottles are fed through an opening in the front of the TOMRA-600, lying down. Gone is the irritation when bottles topple! Bottoms first, please; if not, the bottle is graciously returned.

Before its rollout, groups of TOMRA field workers travelled for two months to collect samples of locally-sold beverage bottles. By passing the samples through the T-600's bottle-shape recognition unit, they built up the machine's ability to identify bottles for valid refunds. The shape-recognition database is stored in the computer of the T-600.

At an anonymous store in the Netherlands, a concept prototype was field-tested, without publicity of any sort. At that stage, equipment was no more advanced than that the project manager, Tom P. Steidel, identified each bottle as it passed through one hand while he punched in a code on his portable PC with the other. His PC generated each customer's deposit receipt.

The TOMRA-600 is a reverse vending machine able to process one bottle

every second! Based on its sophisticated recognition of each item, the system automates sorting and handling: Each item can be given individual treatment. Refillables are grouped according to size on the sorting table, one-way packaging is compacted, and correct refunds are issued. The science behind the T-600 is called "mechatronics", a combination of electronics, mechanics, optics, and computer programs that is related to the field of robotics.

The initial product launch was dramatic, the T-600 was introduced simultaneously in eight countries. It was also a clever way to secure a clear market transition to the next generation TOMRA machine.

One thousand TOMRA-600 machines were installed in the first ten months following the product's introduction. The TOMRA-600 has all but replaced its predecessor, the T-410, setting a new standard for reverse vending machines for bottles. In 1998, a new version of the TOMRA 600, which also reads bar codes, has been introduced. This additional innovation paves the way for handling other types of recyclables.

Innovation is followed by imitation. But TOMRA hasn't got to that stage yet. Our competitors have a long way to go to catch up with TOMRA. We hope to keep it that way, leading the industry!

TOMRA-600 at a Danish supermarket





Personal Initiative

Look for and respond to opportunities

Take appropriate and immediate action

Assume responsibility

Exceed expectations

Look for and respond to opportunities

Take appropriate and immediate action

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By milling three notches in the disks, cans could still be grabbed securely by a worn unit and drawn into the compactor. Notching all disks as they are manufactured **has solved another problem**. It guarantees that king-sized cans or even the smallest cans could be compacted successfully.

Three notches in a disk

After a million and a half cycles, a disk-shaped part in the compactor for metal cans wore out on a number of TOMRA machines installed in the United States. Technician Bob Myko at TOMRA North America made a modification to the disk that has reduced the failure rate by 90 percent. His simple solution has meant a great deal to TOMRA's service operations, providing cost-savings by significantly reducing the volume of service calls. After removal, the old compactor disks are notched and returned to the machines – maintaining TOMRA's recycling principles!

“Bob Myko has a wealth of ideas, it was no accident that he was the one who figured it out”, says one of his former bosses. Big results, but the principle behind the improvement is simple. Bob met some initial resistance when he presented his idea, but his go-getter attitude succeeded.

What exactly did Bob Myko do? After identification, cans fall into a funnel where they are seized by a moving disk, flattened, and dropped into a bin, destined for the recycling depot. Problems occurred when the disk became worn and no longer gripped a can solidly as it pulled it down to the “place of no

return”. By milling three notches in the disks, cans could still be grabbed securely by a worn unit and drawn into the compactor. Notching all disks as they are manufactured has solved another problem: It guarantees that king-sized cans or even the smallest cans could be compacted successfully.

Technician Bob Myko made a modification that reduced failure rate by 90 percent



Styrofoam

Janitor Sigmund Rud was tired of seeing all the Styrofoam that was scrapped. “I thought it was a shame that we received and threw away so much Styrofoam packaging, yet we bought lots of Styrofoam to protect the machines we ship”, he says.

Rud, who works at TOMRA headquarters in Asker, looked into the situation: Styrofoam stripped from incoming supplies did not match the sizes and shapes used at the plant. Also,

Sigmund Rud, janitor at TOMRA, Asker

Styrofoam is flammable, and it produces highly poisonous gases when burning.

“So I phoned around to see who could use our Styrofoam waste”, Rud continues. “Rockwool, located down the Oslo Fjord at Moss, said ‘yes, please’ on the condition that the material we delivered was absolutely clean”. The Styrofoam will be used in the production of Rockwool’s wall insulation.

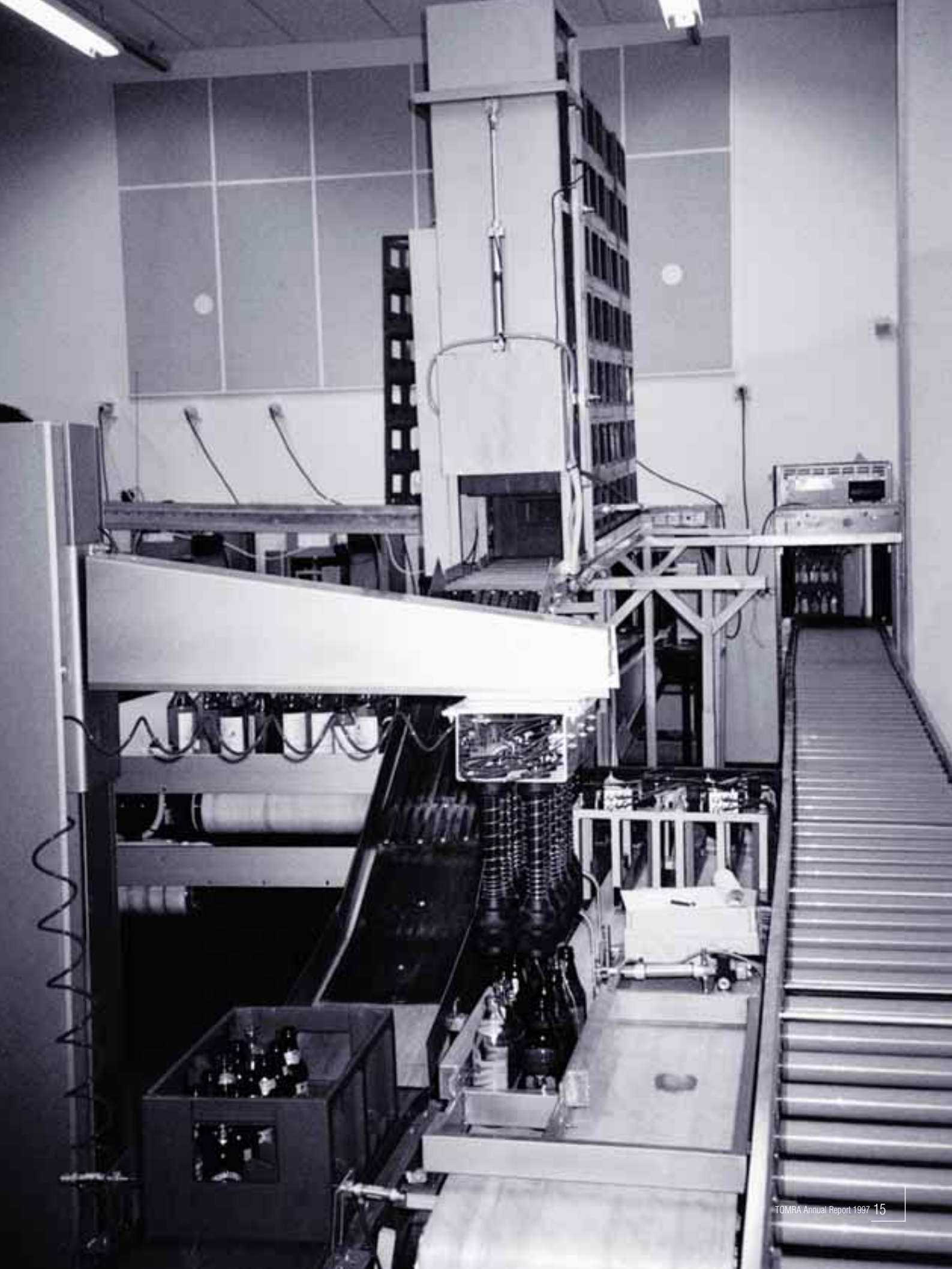
Sigmund Rud, too, helps the world recycle by gathering Styrofoam into bundles and sacks, an estimated 150 cubic meters a year, and loads it onto trucks that are returning empty to the Moss region.

Finland

Finland is perhaps the country with the most reverse vending machines per capita, one reverse vending machine for every 1,100 Finns. And Finland may well be the furthest along in the automatization of bottle handling, as food stores have grown accustomed to using advanced methods. Ari Matikainen is the General Manager of TOMRA Finland. He foresaw the challenges TOMRA would face and had some good answers. But the support he expected from TOMRA headquarters in Asker did not materialize. With real “sisu”, as the Finns would say, Matikainen took charge and succeeded.

TOMRA’s Finnish subsidiary, OY TOMRA AB, took responsibility for developing a system for automatic handling of the most common bottle size in Finland, fully 65 percent of all bottles that are delivered for recycling in that country. In addition, Ari Matikainen and his associates developed a system for automatically stacking crates that TOMRA has since installed in stores in other countries. Because of individual initiative, recognizing opportunities, and seizing the initiative, TOMRA’s achievements in Finland may become global.







Fighting Spirit

Think positively and be optimistic

Build team spirit

Have the attitude of winners and their staying power

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A sweet offer on the receipt

It may seem hard to believe that TOMRA's U.S. subsidiary could help to dramatically increase chocolate sales at a supermarket chain in Michigan. But that's what happened in the summer of 1997 through a marketing test in which coupons for chocolates and other articles were printed on customers' deposit receipts from the reverse vending machines.

Marketing through coupons is big business in the US, where it is far better developed as a marketing channel than in most other countries. With revenues exceeding USD 6 billion, the "coupon market" is dominated by specialized companies with years of experience.

How could TOMRA hope to break into this well-organized business of tempting shoppers with special offers? There were plenty of nay-sayers when the idea surfaced to add coupons to the printed receipts for deposit bottles and cans. We started with our strengths: lots of customers, reliable machines, central data processing of transactions, plus the ability to set up and change the coupons printed by individual machines in a store or throughout an entire chain of supermarkets. With most reverse vending machines on-line in a computer system it is easy to switch advertisers as well as to measure how many coupons are distributed.

A disadvantage of TOMRA as a coupon distributor was and still is that the company is only established in a

minority of the States and therefore can only link up to local promotional campaigns.

Another objection was that distributing coupons is an activity outside the reach of TOMRA's normal business. The idea laid dormant for a long time until an initiative from the US got things moving.

Challenges were plentiful, starting with technical upgrades. Previously installed reverse vending machines had to be equipped with new printers able to produce sharp, easy-to-read coupons for every transaction. Computer memory in each machine had to be expanded. Machines had to be connected on-line in order to perform programming from a central location. Service and support had to be modified. All of these challenges were solved.

The most challenging task, though, was to convince the major players using discount coupons as a marketing tool; Coca-Cola, Pepsi, Hershey's, Kraft, Procter & Gamble, that TOMRA was offering a new and efficient distribution channel.

That's why TOMRA hired Cyndi Cobb, a long-time professional in the coupon business. In cooperation with a major supermarket chain in Michigan, pilot projects were initiated that showed solid results. Overall, tested products had sales boosts ranging from slightly less than 10 percent to more than 30 percent. One chocolate's sales volume soared 113 percent during the test period.

"It took fighting spirit to crack into the coupons market", Robert J. Lincoln of TOMRA North America says. In

| Robert J. Lincoln and Cyndi Cobb



"Got a date - never late!"



charge of sales and marketing in the United States for TOMRA, Lincoln explains, "We had to build networks and relationships. We could not expect to be greeted with open arms. In addition, our costs in terms of investments as well as work related to development and installation were considerable". The pay-off is a potentially valuable new stream of revenues and profits for TOMRA.

Logistics and Fighting Spirit

TOMRA's annual customer satisfaction survey asks about the performance of headquarters in Asker. For example, customers are asked to indicate whether they agree or disagree with the claim that TOMRA maintains acceptable delivery times and precision.

Reports from the survey haven't always been fun reading for TOMRA personnel. In 1994, when queried about TOMRA's Production Department, only 52 percent of those interviewed said they were satisfied with delivery times for spare parts, and a mere 37 percent said they were satisfied with

TOMRA's order handling. TOMRA wasn't performing to expectations!

Got a date - never late!

The Production Department took up the challenge. Adopting the slogan, "Got a date - never late!", a customer-satisfaction program was launched that guaranteed on-time delivery of spare parts and repairs.

The program turned attitudes around inside the department. "Let's prove that we can do it!" By January 1995, TOMRA guaranteed order confirmations within 24 hours and deliveries within 15 days. If the self-imposed deadline couldn't be met, compensation ranging from a 25-percent discount to free delivery was promised.

To spread the word to customers, stickers and a leaflet explaining the new service regime were included in all Production Department shipments.

The guarantee was met with some skepticism in the field, with some hoping to cash in on a lot of free spare parts. But the department had staked its reputation on giving away as little as possible, other than smiles: their motto was, "Keep all customers happy all the time". To date, compensations barely equal a few tenths of one percent of all deliveries from the department.



In the autumn of 1995, everyone eagerly awaited the results from the latest customer survey: 89 percent of customers reported that they were satisfied. The figure rose again in 1997 to an unbeatable, 100 percent customer satisfaction level for both delivery times and order confirmation.

Tell us what and when. We'll make and send!

In the autumn of 1996, the delivery times for new reverse vending machines received dramatically poor scores: Only 39 percent of customers participating in the survey reported that they were satisfied. Using the spare parts guarantee as a model, a new project was introduced guaranteeing delivery of machines within 15 days.

Production plans are based on prognoses submitted by TOMRA's worldwide network of offices and distributors. To avoid temporary shortages, some strategic inventories of modules were established, and a modification of the company's "just-in-time" and "ship-to-line" manufacturing methods was carried out. The new-machine delivery guarantee, which got underway 1 June 1997, was marketed through stickers and T-shirts for our installation staff.

Tension mounted in anticipation of results of the 1997 TOMRA customer satisfaction survey. What would they say about on-time delivery of new machines? Fully 96.7 percent of customers reported satisfaction with delivery times. And best of all, not a single late-delivery compensation had been paid so far!

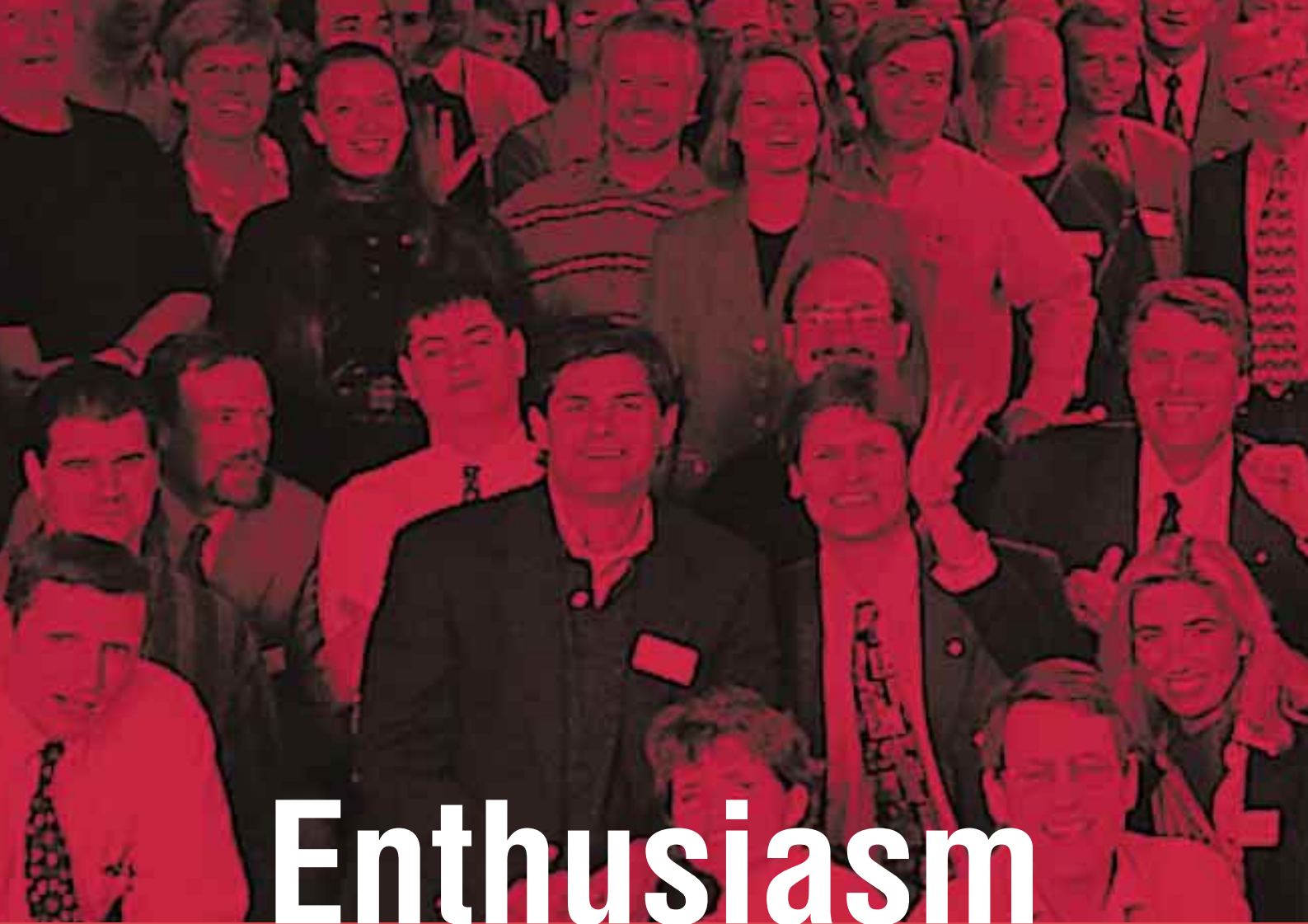
When twice as many orders for the TOMRA-600 were received than estimated for 1997, the Production Department was subjected to a trial by fire. Yet every customer order for the latest TOMRA bottle machine was delivered according to agreements.

In 1996, TOMRA received a prestigious award from the Logistics Association of Norway for the quality of the company's logistics. "Your logistics have inspired the professional community", the Norwegian jury proclaimed in its reasoning. TOMRA has approximately 20 main suppliers; two or three suppliers deliver finished

modules and units in their specialized fields. More than 90 percent of the items needed for manufacturing at company headquarters in Asker arrive according to the "just-in-time" principle.

So is TOMRA perfect? Not quite. The company can improve its communications with its network. Work is under way.





Enthusiasm

A SENSE OF HUMOR

SPONTANEITY

EXCITEMENT

ENERGY

A SENSE OF HUMOR A SENSE OF FUN A SENSE OF HUMOR

ENERGY

EXCITEMENT

SPONTANEITY

A SENSE OF HUMOR

Enthusiasm can solve many problems, including making difficult, physically demanding, or dull tasks more fun to perform, especially when the dimensions of team spirit and sense of community are mixed in. Enthusiasm is forged and nurtured in a social environment where new relationships are established and old ties are made stronger.

Take sports, for example. People who don't know each other cheer in unison when the Green Bay Packers score in the Super Bowl. Touchdown! The feelings are universal. Halfway around the world, attending the Winter Olympic Games in Nagano or sitting close to the ring of a sumo wrestling match engenders shared enthusiasm.

Or, look at the event itself. Norway's hosting the Olympic Winter Games at Lillehammer in 1994 was made so much more enjoyable through the enthusiasm displayed by volunteers.

The same dynamics applied during the Olympic Games in Atlanta. Truly folk festivals!

Enthusiasm is community. Enthusiasm is to be shared. TOMRA was brought up on such enthusiasm. The founders shared their enthusiasm with employees and made it fun to work for the company. A social environment developed with singing, get-togethers, and other social events – a positive corporate culture that you have to be a TOMRA employee or an anthropologist to understand. You'll find this enthusiasm among technicians and production staff, sales people and other company representatives, among managers and support personnel. The results include the “go-getter” attitude that developed around the delivery guarantees that you have already read about or the cake party when the No 1,000 TOMRA-600 was assembled, or when our choir sings the TOMRA song. Smile if you wish,

but we're building personal and social networks that are assets to the company as well as to the individuals who work here.

To war with Halton

The merger between Halton and TOMRA in 1997 created an immediate challenge. How do you unite two organizations that are used to competing against each other? Two corporate cultures needed to be united into one. A human community, joined professionally and socially, needed to be created.

The solution that was chosen may seem dramatic at first glance: Go to war! We all know from history that war makes people come together. TOMRA had to do something that would signal a break with the past. In addition, team spirit needed to be built. So, field corps from the two companies were mustered in

TOMRA and Halton in a friendly 'war' during the integration process



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the wood, fighting in mixed teams equipped with camouflage gear and guns that fired ... paint!

The game is called “paintball” and is becoming ever more popular. It’s the children’s game of Cowboys and Indians for adults. As the teams compete, those who are hit by a paint projectile are “out” of the game. In the end, everyone won because the game united Halton and TOMRA employees in an enthusiastic gang that recognized the opportunities to be found in cooperation.

TOMRA the Horse

There is one “TOMRA” that has jumped more obstacles than most. It’s the horse named TOMRA which is owned and ridden by Henrik Friis. The animal and its owner participate in a sport that builds familiarity and confidence between horse and rider. Speed, distance to obstacles, and an eye on the next challenge are all part of the sport. At its best, there are few sports that are such a delight to the eyes. Where else are participants as handsomely dressed!

Henrik Friis has 27 years of experience working in Denmark’s retail food store and supermarket chain business.

Today he’s the very special leader of TOMRA’s Danish subsidiary. It’s never boring to work alongside Friis. He has no degree in engineering, just practical experience in the retail food business. There’s an interesting lesson in his story, on the ability to foresee the next obstacle early enough and face the challenge with enthusiasm.

Danish workplace regulations are strict and carefully monitored by the authorities, especially in the case of employees under the age of 18. For example, these young workers are not allowed to lift anything heavier than 10 kilograms (22 pounds) above knee height, nor are they allowed to work under conditions

Henrik Friis riding his horse, TOMRA



that require forward bending of more than 40 cm (16"). These regulations must be taken into account when designing the bottle sorting tables that are placed in the service area behind installed reverse vending machines. The alternative is to abstain from employing younger (and cheaper) help. This was not a realistic option. And then there are all the dreams that a 17-year-old could realize by working for a few hours in the afternoon at a store.

So Henrik Friis designed a sorting table with a belt which hauls returned bottles close to the person doing the sorting, who then places them in beverage crates. Working environment require-

ment met, obstacle passed. The working height of the sorting table can be adjusted manually or electrically. Requirement met, obstacle passed. Friis has even added a mechanical hoist so that the empty bottles which have passed through the reverse vending machine to a holding bin at floor level can be raised to sorting-table height while the employee is in a standing position, which also saves bending of Denmark's workplace regulations. Requirement met, obstacle passed.

The patents for this optional equipment are registered in Henrik Friis' name. Several of his systems have been sold to customers in Sweden and the

Netherlands. "I like having the freedom to make an independent business deal", says Friis. He feels that personal enthusiasm abounds at TOMRA. "The company encourages people to assume individual responsibility", he says. To keep in touch with customers, Friis writes his own newsletter, "Message in a Bottle", which he sends to 130 recipients. He is ever the enthusiast.

Henrik Friis at the table sorter he designed



The green wave is for dreamers



“Experience has taught me that the so-called green wave is nothing but a dream. There is no independent, strong demand for green products that makes hard, well-planned work superfluous for any company”. These are the words of Jørgen Randers, Deputy Director General of the World Wide Fund For Nature (WWF) and a Board Member of TOMRA.

“TOMRA’s strategy must be to target free-market mechanisms with the most profitable offer. That’s how environmental protection works best! We can’t base our operations exclusively on authorities providing favorable regulations and legislation”, Randers says succinctly.

Drawing on his extensive experience in the fields of environmental protection and business education, Randers has come to believe that there is no green wave, and therefore no automatic forces that will increase TOMRA’s sales volume. “When TOMRA succeeds, it is not because others want to recycle, but because we force good solutions upon the market. TOMRA is successful because we collect bottles and cans in a way that generates profits for everyone involved”, he says.

Randers feels it is important to make what is environmentally-responsible financially profitable as well. He is extremely pleased that TOMRA now has a technology that makes it “economically rewarding to do the right thing”.

Randers also notes that TOMRA’s economic success is based on solid craftsmanship and complex industrial work. “Early on, it was only in markets where authorities had introduced mandatory deposit systems that TOMRA could make inroads. Now, as an environmentalist, I am most pleased to see that beverage containers can be returned without a deposit system”, he says.

Incentives are used instead. “Bring us your containers”, advertising proclaims, “and you can win a big prize”.

Payments from advertisers will drive this new returns system. “The fact that the driving force is with buyers of advertising rather than the authorities creates a chemistry that fascinates me as an environmentalist”, he notes.

Solving environmental challenges

“Both the WWF and TOMRA are in the business of providing solutions to environmental problems”, Jørgen Randers says, and both have taken to market-driven approaches. In the 1980s the WWF was largely concerned with encouraging governments to impose stricter environmental legislation. Today, the organization prefers to work with companies that promote environmentally-friendly technology and products. The WWF seeks to influence leading companies to operate in a way that supports real environmental conservation. The premise, of course, is that profitability can be maintained.

Randers stresses the need for sustainable development, particularly where it relates to energy consumption. The

increasing production of energy in the world is one of the greatest threats to nature, not the least because of the effects that potential climate changes can have on ecosystems.

Recycling

“Environmentally-friendly energy production goes hand-in-hand with energy-saving measures, reuse and recycling”, Randers says. “TOMRA is about to make collection of almost all types of packaging profitable from a business perspective. This opens new horizons: It is obvious that the market potential is huge”, Randers observes.

He also points to the fact that a diminishing portion of TOMRA’s worldwide operating revenues is generated by manufacturing and installing reverse vending machines. The United States in particular is the market where the main mission has become to close the loop in the flow of materials so that used glass, plastic, and metal containers are recycled and recovered rather than winding up as landfill.

Targeting solutions that are profitable for business does not exclude continuing work to influence consumer attitudes toward conserving our environment. Perhaps the opposite is the case. Jørgen Randers lives in a small village just outside Geneva, Switzerland, where collection centers for voluntary recycling of used consumer items plays an important role. “Waste sorting at the source is the order of the day”, Randers says of his village. The community’s 2,000 inhabitants, half of them

foreigners, readily adopted the systematic sorting of disposables. “Within a few weeks, newcomers adopt the Swiss recycling habit. The example set by the Swiss makes even recent arrivals from Manhattan drive regularly to the recycling area where about ten different



containers are set up. Practically anything that you’re able to deliver, gets carted to the recycling area”, he says. “It’s an important activity, and there is an enthusiasm associated with it that is quite impressive”.

WWF

The World Wide Fund For Nature has nearly five million supporters and a permanent presence in more than 50 countries. Employing more than 3,000 people, the Fund’s annual income amounts to USD 350 million. WWF is the world’s largest independent conservation organization. The Fund’s strategy aims to decentralize WWF’s decision-making and to increase cooperation with local individuals and organizations. The WWF’s mission and strategy were revised in the early 1990s. WWF now focuses on preserving the

Earth’s biodiversity, promoting sustainable use of resources, and reducing wasteful consumption and pollution.

Randers is recognized as one of the participants who developed the report “Limits to Growth” which focused

worldwide attention on global resources in the early 1970s. In 1974, Randers helped establish GRS, the Group for Resource Studies. After working in industrial development and serving a brief stint in Norway’s Ministry of Finance, he headed the Norwegian School of Management (BI) from 1981 to 1989. Later, after working for ship and cruise line owner Knut Kloster, Randers became Executive Chairman of the Board of the popular P4 radio station in Norway and other Norwegian companies. He became Deputy Director General of the WWF in January 1994.

Board Room Excellence

The Board of Directors of TOMRA is no “social activities committee”. Chairman of the Board Jan Chr. Opsahl has strong views and far-reaching ambitions for his Board and its way of working. “In the United States we see how concerned investors have become with corporate governance. This is a reaction to boards



that obviously are not functioning well enough”, says Opsahl. Along with the rest of the TOMRA Board, he is working to prevent a similar lack of faith from taking root in Norway. In this interview, Opsahl outlines his criteria for the organizational dynamics and working methods of a corporation’s elected officials.

Limit the number of Board memberships

The first item is the number of corporate boards on which anyone can reasonably work. “Board work requires time. This is especially true in high-tech businesses like ours that impose a greater tempo and demand more imagination than more traditional industrial corporations”, TOMRA’s Board Chairman says. Opsahl himself is a member of six corporate boards, which he thinks is a bit much: Four or five would be better.

Opsahl’s second factor for better board performance is frequency of meetings. In order to maintain continual influence over corporate activities, between six and eight meetings should be scheduled annually, he claims.

At least one board meeting every year should be held at a corporate site away from headquarters. “It’s important that board members get that experience and that employees meet board members in person. Considering the extent of TOMRA’s operations in the United States, one meeting a year should be held there”, Opsahl says.

The third item in Opsahl’s agenda for better board performance is limiting

the number of people sitting on a company’s board of directors. The ideal number of board members elected by shareholders, he feels, should be four or a maximum of five.

The inefficiency coefficient

Forty years ago the British journalist and historian C. Northcote Parkinson published his observations on managing business and society. “Work expands so as to fill the time allotted to its completion”, has become universally recognized as Parkinson’s Law. For executives, a more familiar version is: If you want to get something done, give it to a busy person.

Parkinson’s inefficiency coefficient is at its lowest when an executive Board has five members. Applying Parkinson’s thinking to politics, his ideal government would consist of a foreign minister and one minister for the finance, justice, and defense ministries. The fifth government executive, the one least familiar with these matters, ends up as prime minister. Inefficiency, Parkinson maintains, would be the greatest in groups with 21 members, because all resistance to expanding membership further would break down. In any group meeting of that size, individuals would feel obligated to stand up when speaking, making communications formal and time-consuming. Moreover, the five most important members of the group would meet in advance in a sort of “inner cabinet” anyway, to settle most issues among themselves.

The Board represents the owners

Jan Chr. Opsahl stresses that the main motivation for becoming a Board member should be to represent

shareholders and their interests. “Members should at least represent own shareholdings, worth the equivalent of one to two annual salaries”, says Opsahl. He feels that only members with such an ownership interest will have the commitment needed to do a good job.

Opsahl himself owns 83,724 shares in TOMRA, while among the other Board members Tharald Brøvig has 116,911, Svein Jacobsen 56,923, and Jørgen Randers 10,016. Christian H. Thommessen owns no shares.

“There are strong incentives for board members to be able to buy and hold shares. In this way they can develop shareholdings in proportion to their interests and commitment. I wish this situation would become more socially and commonly accepted in Norway”, Opsahl says.

TOMRA’s Board Chairman is firm in his belief that the stock market provides the best form of management. “A true investor has a long-term perspective”, he says, rejecting the claim that the stock market’s number one priority is maximizing profits in as little time as possible. “Most boards that I’m familiar with work on the basis of a long-term financial perspective. Market realities will take over if the Board does not act in line with long-term perspectives”, he says.

Clean-up man and savage

Jan Chr. Opsahl knows TOMRA intimately. He was hired as Deputy Managing Director of the company in the spring of 1986 and soon was promoted to Managing Director. At the time, the company was in a crisis,

largely as a result of suffering heavy losses in the United States. He stayed on as head of TOMRA for just over two years. The number of employees at headquarters in Asker was cut from 132 to 62. Expenses were slashed 56 percent in his first year at the helm.

“I was a young savage at that time”, Opsahl comments. “I still have a way of speaking and acting that may seem rough, and I’m still a savage. That’s my personal style. But am I a good Board Chairman? Perhaps I am too operational, although I have learned to move from operational experience to vision and strategy”, says Opsahl, who became Chairman of the Board of TOMRA in 1989.

Good old buddies

The next item that Opsahl notes is that board members can get to be too familiar. This could turn the board into what’s popularly called “the old boys club”. Last but not least, there is the question about how long a board member should be allowed to continue”, Opsahl says. “On the one hand, it takes time for a new board to start functioning, and that fact should be taken into consideration. On the other hand, it makes sense that these elected positions conform to the principle of hiring people on an annual basis.

TOMRA’s corporate values

“By focusing on sensible corporate governance, members of TOMRA’s Board are being innovative in a Norwegian context”, Jan Chr. Opsahl explains, referring to innovation, one of the core corporate values of the company. “I think we do the right things on the Board level. Other Board members will confirm that our meetings are

challenging as well as exciting. Enthusiasm is always an element”, Opsahl asserts. The difficult years beginning with 1986 have demonstrated to him how TOMRA’s corporate values make themselves both apparent and useful. “Failure was never a topic for consideration in 1986. We really had fighting spirit! And without personal initiative we definitely could not have succeeded”, Opsahl recalls.

The Chairman gives his own, somewhat surprising slant to TOMRA’s corporate value, integrity: “Petter Planké’s personal attitude and human touch were strong factors in overcoming the crisis. He really built up a company characterized by integrity. The corporate culture was so correct, with such human attitudes, we really had something constructive to build on. Petter is perhaps the greatest person I have ever worked for”, Opsahl says about TOMRA’s founder, who he succeeded as Managing Director.

“If we look at today’s situation, fighting spirit means that we face challenges head-on. Our combination of integrity and fighting spirit also enables us to see what others may miss. However, personal initiative can sometimes evolve into self-promotion, a classic trap in many large companies. How we can maintain personal initiative in such a way that we keep advancing the company is an issue that I take a great deal of interest in”, Opsahl says. The former Managing Director and current Chairman of the Board indicates that perhaps another corporate motto is in order for TOMRA: You can achieve it if you really want to!

BU Europe

TOMRA is today divided into two geographic Business Units, BU Europe and BU America. The sales development within these Business Units is outlined in Note 1 to the financial accounts. On the following pages we present the activities and strategies within each Business Unit.

The activities of BU Europe in 1997 were strongly influenced by two events: the introduction of the T-600 Ultima in eight markets in April and the takeover of Halton System Group in June.

Operating revenues for TOMRA's Business Unit Europe amounted to NOK 518 million in 1997, an increase of 18 percent as compared with 1996. This growth was generated entirely by the acquisition of our Austrian distributor and Halton. A reduced growth rate had been anticipated for BU Europe in 1997 due to the projected slowdown in activities in Sweden and Finland.

Activities in Germany were strongly affected by weakening prices in the market during the first quarter of 1997, and 18 percent growth in sales for the year was lower than expected. Order intake toward the end of 1997 was good, however, and the order backlog at the beginning of 1998 was satisfactory. Sales are expected to continue to grow in 1998.

The introduction of TOMRA-600 Ultima in April proved to be an even greater success than expected. The machine's user-friendliness and its new

technological platform were very well received. Sales for the year overshot our estimates; 900 of the new reverse vending machines have already been installed. In Denmark alone, 229 TOMRA-600 machines were installed in 1997, some 30 percent above projected sales. In the Netherlands, Germany, and Norway, several retail chains have expressed their desire to standardize on the TOMRA-600 Ultima.

The TOMRA-600 is delivered with a modem as standard equipment. On-line connection provides new opportunities for introducing value-added services, central dataprocessing accessibility, and more efficient operation of all services.

The acquisition of Halton System Group, TOMRA's largest European competitor, led to intensive work on integrating the operational activities of the two businesses. Halton and TOMRA had overlapping sales and service companies in Sweden, Denmark, the Netherlands, and Germany. In these countries, as well as in Norway and Finland, activities have now been integrated into a common sales and service organization. Both TOMRA and Halton product lines have been continued.

Efforts to integrate the former competitors were completed at year-end 1997, so that TOMRA now has a considerably more efficient sales and service organization with a broader range of products and services to offer. Consequently, we are far better

equipped for growth in the European market. Following the integration of Halton, TOMRA has 466 employees in Europe.

TOMRA has a total of 29,000 reverse vending machines installed in Europe. More than 5,500 of these units, mainly located in Sweden and Finland, are connected via modems to TOMRA's national service centers. The high density of installations in some markets heightens our ability to offer value-added services, remote-control operations, and solutions for communicating with shoppers.

In the second half of 1997, TOMRA launched a program for donating deposit refunds to three charities: the Norwegian Refugee Council, the Salvation Army, and Norwegian People's Aid. The donations can be made by customers using our reverse vending machines in stores belonging to Norway's largest supermarket chain,

NorgesGruppen. During the first six months of 1998, we estimate that 600 machines in Norway will be connected on-line. Testing of similar charitable donation programs are underway in Sweden and Finland.

In connection with our acquisition of Halton, TOMRA took over 18 percent ownership of a Dutch company active in the recycling sector, Retourette BV. Working with food retailers and store architects in the Netherlands, TOMRA joined in developing a concept for building convenient, integrated recycling reception areas for general household items as well as all types of beverage containers. TOMRA's reverse vending machines provide the technologically sophisticated image to these drop-off areas. The centers, which help maintain quality assurance of the recycling processes, also offer informational material and educational experiences for children to help attract steady use.

Despite efforts to change legislation regarding deposits and recycling in several European countries, 1997 did not see the introduction of any new deposit systems. The planned introduction of deposits on one-way beverage containers in Norway, the RESIRK program, was postponed. The earliest that RESIRK is expected to be implemented is 1 January 1999.



BU America

The Board of Directors runs up the flag at the new materials processing plant in Howell outside Detroit



Gregory S. Garvey,
President & CEO,
TOMRA North America

1997 was an exciting year for Business Unit America characterized by strong sales growth, strategic acquisitions, and commencement of major business-building initiatives. The year certainly confirmed the validity of our business concept of being a Total Service Provider. More importantly though, the year demonstrated our ability to successfully execute. The 1997 results are largely a reflection of our increasing machine lease portfolio, expansion of material handling services combined with sustained market penetration activities throughout the year. As much as earlier investments were realized in the 1997 results, we continued an aggressive investment program during the year to assure future growth.

Machine Installations

After record machine placements of 2,411 in 1996, machine placements moderated to 1,550 in 1997. This

moderation was somewhat expected, but was impacted by slower growth than anticipated in the Iowa and Oregon markets. The majority of the placements occurred in our strong Northeastern US market along with Michigan. TOMRA's share of new machine placements in these markets remains in the ninety percent range. We expect to maintain and build on 1997 placements in servicing our traditional large retailers in the established deposit markets.

We do, however, see significant opportunity to increase future placements as we focus on and expand into the smaller store segment. Our statewide coverage combined with our materials handling infrastructure make it increasingly cost effective to service this segment. Development of this market will be further aided by TOMRA's ability to engineer lower-cost reverse vending solutions.

Acquisitions

During April 1997, TOMRA acquired the reverse vending operating assets from Clean Environment. Clean Environment had 200 TOMRA and Halton reverse vending machines in the Massachusetts and Albany, New York territories. The machines were included in our existing Mobile Redemption Inc. operations. These increased placements improved the economics of the Massachusetts market along with providing a greater installation base for expanded services.

Effective July 1997, as part of the Halton acquisition, TOMRA took over the US reverse vending operation based in Portland, Maine. This operation principally served two major customers in the Maine market. Halton was the only reverse vending company servicing this market. Subsequent to the Halton acquisition, all Halton machines were removed from Upstate New York and Massachusetts and consolidated to Maine. This provided for improved service economics in all affected markets.

Effective August 1997, TOMRA acquired the materials handling operation of CARCO Inc. servicing the Albany New York area. CARCO was owned by five major bottlers in this market. The acquisition is part of a planned reorganization of the Upstate New York markets from Albany to Rochester. CARCO's operations will be combined with TOMRA's existing materials handling operations in Syracuse and Rochester, New York. As

part of this plan, TOMRA will offer a minority interest up to 45 percent in the new entity to the bottlers. The new company will provide all recycling services to the bottlers in the territory. This will include processing for all containers, not limited to reverse vending which represents only 40% of the volume.

Business Development

There were three important business development initiatives underway in 1997, of which the most significant was the Michigan statewide pickup and processing program.

The Michigan program was conceived over two years ago. The program was moved forward by commencement of a project in late 1996 to construct a highly automated and engineered 70,000 square foot facility in Howell, Michigan. The facility was important to demonstrate commitment, but more so in that the bottlers' cost targets could only be met profitably through a highly engineered approach.

While building the infrastructure, we were involved in a long proposal and negotiating process to secure a long-term contract with the Michigan Soft Drink Association (MSDA). From a November 1996 proposal, to a February 1997 revised proposal, to a April 1997 joint venture relationship with Schupan and Sons Inc., to a 15 May 1997 MSDA Letter of Intent, and finally to a 22 September 1997 long-term contract with MSDA we have secured a contract including soft drink

containers representing 65% of the volume. The remaining 35% relates to over 90 individual beer distributors. The beer distributors are partly represented by the Michigan Beer and Wine Wholesalers Association (MBWWA). Thirty beer distributors have signed up with MBWWA, the remaining have chosen to negotiate in smaller groups or individually. The negotiation process with the beer distributors began in September 1997. Many conceptual issues have been dealt with and we are confident about securing long-term agreements during first quarter 1998.

Operations for a limited number of stores in western Michigan began in October 1997. These operations have allowed us to refine our engineered transportation and processing concepts resulting in a convincing validation of our approach. In February 1998, beer containers will be included in the west side program. We anticipate that an east side program will be initiated in March 1998, with rollout in all areas commencing April 1998.

During August 1997, leveraging off our increased Massachusetts presence, TOMRA launched a statewide pickup and processing system serving over 2,000 retail locations. TOMRA has executed over 30 long-term exclusive distributor agreements to provide pickup and processing. A large portion of the retail accounts do not presently have reverse vending services. This situation results from beverage laws where most grocery stores do not sell beer, which is unlike any of the other



TOMRA reverse vending machines in Highland Park, Michigan

existing deposit markets. Our overall Massachusetts activities should allow us to expand reverse vending services and increase container pickup and processing volume allowing for strong growth in this market.

A new business concept of couponing was piloted in Michigan during the third quarter. TOMRA's reverse vending platform provides an unique opportunity to coupon customers immediately before purchase decisions. The results of the pilot were very encouraging with high redemption rates of coupons issued along with substantial increased product sales. Couponing provides an attractive new business opportunity characterized by high margin revenue. Plans call for implementation and rollout of couponing for major Michigan retailers in the second quarter 1998. Based on the success of a Michigan program, we will rollout couponing in other markets later in 1998 and 1999.

Outlook

As we move to the future, TOMRA will increasingly be in the business of designing, building, and operating Container Recovery Systems. Our growth will be driven by how cost effective we can make these systems. TOMRA is uniquely positioned with customer reverse vending technology, on-line integrated information proces-

sing systems and highly engineered materials handling solutions to be the leading provider of these services. We will continue to validate concepts and engineered solutions in the established deposit markets, where known container processing economics exist. The next two to three years will be heavily focused on expansion to all deposit markets including California and on increasing volumes of containers processed in all markets. We continue to build strong growth in the US market and will also position TOMRA for future expansion into non-deposit states.

February 1998

TOMRA has entered into an agreement with Wise Recycling LLC to acquire the west coast operations of the former Reynolds Recycling Division. The west coast business consists of a large California operation based on a mandatory deposit scheme along with significant non-deposit operation in the states of Colorado, Washington, New Mexico, and Hawaii. Total revenues approximate USD 40 million with an operating profit of USD 0.9 million. The purchase price of USD 8.0 million include property, plant and fixed assets. The acquisition is expected to be completed 1 March, 1998. The acquisition is critical to our entry into the California market. We also view the non-deposit operations as positive in the long-term development of this market segment.

Environmental Report

TOMRA has always emphasized basing its activities on environmentally-friendly solutions. To further streamline our environmental efforts and make them more efficient, TOMRA set out in 1997 to adopt an environmental management system which meets European ISO 14001 standards. Through concrete objectives, programs,



and a system of documenting results, TOMRA seeks to improve its environmental track record while it contributes to a better society.

TOMRA's mission, "Helping the World Recycle", obligates us to maintain a comprehensive, formalized management system to guarantee that the activities of the Group are, to the greatest possible extent, net contributors of positive environmental effects. To ensure that TOMRA's environmental performance is satisfactory and constantly improving, we are applying for ISO 14001 certification of our environmental management system during the autumn of 1998.

Key resources

Electric energy is the largest single input factor at TOMRA that affects our external environment. Energy-saving measures at our headquarters in Asker continued to be a priority in 1997. Projects and initiatives are continually underway in our network of distributors and suppliers to reduce energy consumption and improve energy management.

TOMRA has an effective in-house waste-sorting scheme. Our plans for disposal of refuse have been examined and revised in order to make waste disposal more efficient and to expand the scope of recycling.

Research and development

By instituting environmentally-friendly solutions early in development and prototyping phases, TOMRA seeks to achieve its environmental goals in a cost-effective manner. The company's new environmental management system will lead to greater reliance on "lifecycle analysis", a cradle-to-grave approach that thoroughly examines the environmental impact of products.

Lifecycle analysis will become a tool for manufacturing environmentally responsible goods using the best available technology within economically and ecologically defensible limits. Other conflicting choices must be settled during R&D. For example, certain parts of a reverse vending machine

must be made of flame-retardant materials which generally are not environmentally benign.

Among the proactive measures TOMRA has implemented are marking plastic and metal parts with recycling and content codes and using alu-zinc surface treatments of steel rather than chrome plating or galvanizing. By implementing lifecycle principles, we not only focus on environmentally-friendly materials and assembly processes, we are also concerned with how machines that are taken out of service can be disassembled with optimal recycling of components.

In cooperation with one of our suppliers, TOMRA is participating in a research project aimed at reducing a source of heavy metal pollution from the solder used on electronic components. We are testing the feasibility of using an electrically-conductive glue for fastening electronic components onto circuit boards. If successful, this new technique will remove a workplace hazard and a recycling problem.

TOMRA is also part of an ongoing industrial ecology research program led by the Norwegian University of Technology and Science and Norway's SINTEF research organization. Called "Productivity 2005", the focus is on issues such as lifecycle analysis of various packaging materials as they pass through different recycling systems.



Suppliers

TOMRA's suppliers are an important link in the value chain, and the company checks that their manufacturing processes meet the appropriate environmental standards. When evaluating bids from suppliers, we consider environmental criteria to be key parameters, on a par with quality and price. Plus, we conduct systematic follow-up of how well our suppliers handle environmental matters. The results have been gratifying, revealing that suppliers who use the most environmentally-hazardous materials or methods implement the strictest controls.

Production

Our Production Department in Asker improved its routines for waste sorting in 1997 by instituting recycling of Styrofoam and metals, in addition to improving waste sorting of packaging materials. We have also entered into agreements for reception and recycling of the sorted materials. Scrapped parts from production are sorted according to guidelines provided by local authorities.

TOMRA's Production Department has also sought to reduce releases of volatile organic compounds into working areas. For example, the volume of adhesives used in construction and of solvents needed for cleaning was significantly reduced in 1997. The switch to using dispensers and more environmentally-friendly cleaners has improved the working environment. Efforts are underway to replace some organic solvents with more environmentally-friendly materials and to redesign products so that less solvents and solvent-releasing materials are required in the manufacture of reverse vending machines.

As part of improving its production methods, TOMRA has introduced the use of roll-on/roll-off trolleys that hold components or subassemblies that are delivered by suppliers. This has made logistics more efficient while reducing costs. In addition, trolleys with secure positions for parts minimize the need for wrapping them in protective packaging for transport between suppliers and TOMRA.

Products and services

By linking our newer model reverse-vending machines by modem to a TOMRA regional service center, we are able to reduce the number of maintenance and repair visits. The data communications link gathers status reports from each machine for improved planning of service calls and enables remote software upgrading. These measures produce positive environmental effects in terms of reduced transportation needs for our technicians, longer lives

for our machines, and fewer calls for emergency service. Customers benefit from having their machines working full-time, while our service personnel benefit from being freed from many chores.

Collection of returned beverage containers in the United States has been made more efficient by using the machines' databases to alert TOMRA's regional processing centers when it's time to pick up bottles or compacted scrap from a store. This automation ensures better utilization of transportation capacity and lower energy usage by our transportation fleet.

TOMRA's latest product, the TOMRA-600, has a built-in energy-saving device which enables the machine to consume very little power when idling. Another effort: Projects are underway to improve cleaning processes for installed machines. In addition, programs to prolong the useful lifetime of reverse vending machines save money for our customers and preserves resources.

Recycling and reuse

TOMRA offers favorable exchange programs for used machines, in which our local subsidiaries and dealers offer recycling services. TOMRA also has a policy of reusing components whenever possible. TOMRA's service and distribution department, which supplies customers with spare parts, also accepts defective parts. They are repaired and quality-approved before shipment. This policy prolongs the lifetime of TOMRA products and reduces the amount of waste.

- Operating revenues were NOK 1,201 million – up 53% from 1996.
- Profit before taxes was NOK 192 million – an increase of 31%.
- Customer satisfaction index has risen – 93.8% of our customers reported they would continue to buy from TOMRA.
- **Acquisitions in 1997:**
 - TOMRA's distributor in Austria, TOMRA Leergutssysteme GmbH, as of 1 January 1997.
 - Our largest competitor in Europe, Halton System Group, as of 1 May 1997.
 - A materials handling company in New York, CARCO Inc., as of 1 August 1997.
 - Increased shareholding in a TOMRA distributor in New York, TOMRA Upstate LLC, from 50% to 55% on 1 August 1997.
 - West Coast operations of Reynolds Recycling Division in the USA. Agreement was signed in February 1998, and the materials handling company was consolidated in accounts from 1 March 1998.
- Two new reverse vending machine models launched: TOMRA-600 Ultima in April, and Halton Butler in September.
- Charity program in Norway and Finland is established. Field test in Michigan: Customers receive discount coupons.
- Total assets of the TOMRA Group up 59% to NOK 1,409 million; equity ratio grows to 72.9% in 1997.

In many ways, 1997 represented a change of pace in the 25-year history of TOMRA.

Focusing on our core business and on developing new business opportunities enabled us to reach new milestones throughout the year.

- More than 900 TOMRA employees have contributed to over NOK 1 billion in operating revenues. We have become a larger business.
- Concentration on new areas of growth in the United States has made our US business even larger than our European activities.
- With the TOMRA-600 we have developed new technology which better handles the variety of today's and tomorrow's packaging. A technological advance of this importance has not been achieved since 1978 in our industry.
- TOMRA's market position has been further strengthened through the acquisition of our European competitor Halton. With market shares of 95 percent in Europe and 80 percent in the United States, we respect the reliance these markets have on our technology and their still-growing needs.

All these achievements provide a solid base for continued growth and development. We will use our expertise and experience in developing, establishing and operating recycling systems to open new frontiers. Our goal is to be the world's No. 1 supplier of systems that make it attractive for people to return beverage containers for reuse and recycling. This means that TOMRA must focus more on non-deposit markets where the greatest volume of beverage containers is still to be found. The challenge in markets that do not have a mandatory system for deposits is to increase the proportion of beverage bottles and cans that are collected for reuse and recycling and to provide cost-effective systems that can compete with currently available systems.

To succeed we must mobilize all of our resources. Today, TOMRA employees are working at more than 25 operating sites. Some work in distant locations and some are local, and not everyone in the TOMRA family has the same historical anchoring with our company. But our shared core values – integrity, innovation, personal initiative, fighting spirit, and enthusiasm – have been key factors in TOMRA's success so far. The core values that have helped build our innovative company are presented in this 1997 annual report, which makes it a slightly different breed of annual report!

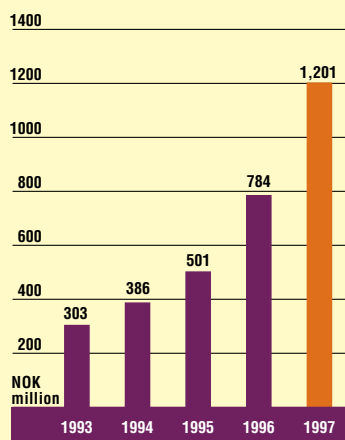
If we are to fulfill our corporate mission, "Helping the World Recycle", these five core values will be important strategic factors in guaranteeing TOMRA's continued development as it contributes to helping the world take better care of its resources.



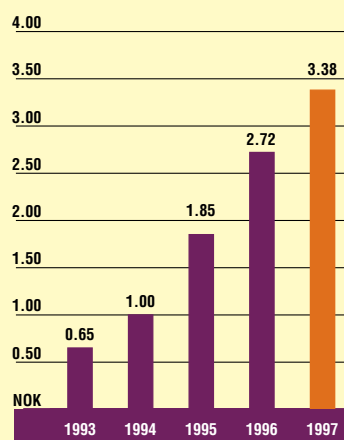
Erik Thorsen
President and CEO
TOMRA Systems ASA

KEY FIGURES		1997	1996	1995	1994
Operating revenues	NOK million	1,201	784	501	386
Operating profit	NOK million	206	152	84	47
Profit before tax	NOK million	192	147	80	42
Net profit	NOK million	131	102	63	33
Total assets	NOK million	1,409	884	606	377
Equity	NOK million	1,027	500	395	209
Return on equity	in %	17.2	22.8	20.7	18.5
Return on total assets	in %	18.9	21.7	17.7	17.2
Earnings per share	NOK	3.38	2.72	1.85	1.00
Earnings per share fully diluted	NOK	3.32	2.70	1.80	0.98
Net investments	NOK million	328	228	134	100
Total employees as of 31 Dec.		915	661	431	320

OPERATING REVENUES



EARNINGS PER SHARE



TOMRA had another rewarding year in 1997, with advances in several areas. TOMRA's acquisition of Halton, our largest European competitor, took place for accounting purposes on 1 May 1997. The acquisition strengthened our market position, increasing our market share to 95% in Europe and 80% in the United States.

TOMRA's operating revenues increased to NOK 1,201 million in 1997, up from NOK 784 million in 1996, an increase of 53%. Operating profit increased to NOK 206 million, from NOK 152 million in 1996. Pre-tax profit was NOK 192 million, compared with NOK 147 million in 1996, an increase of 31%. Operating revenues generated in the Norwegian market amounted to a mere 2% of TOMRA's total revenues.

After-tax profit for the TOMRA Group was NOK 131 million in 1997, compared with NOK 102 million in 1996, an increase of 29%. Earnings per share were NOK 3.38 for 1997, compared with NOK 2.72 in 1996. The effective tax rate for the Group was 31.6% in 1997, compared with 30.5% in 1996. The share price of TOMRA stock at the beginning of 1997 was NOK 99.50. By year-end it had risen to NOK 165.00, an increase of 66%.

As a consequence of Oslo Stock Exchange upholding its position in relation to expensing social security premiums related to stock compensations, the Board of Directors decided to change the profit and loss statement accordingly. The profit and loss statement has been affected through increased labor cost and social expenses by NOK 5.6 million compared to the preliminary figures announced on 19 February, 1998.

The balance sheet total for the Group as of 31 December 1997 was NOK 1,409 million, an increase of 59% over 1996. The increase was the result of acquisitions in Europe and the United States, and of more capital

being tied up in current assets due to strong sales growth. Liquidity remains good, and TOMRA's equity ratio at year-end 1997 was 72.9%.

Markets

EUROPE

Sales in Europe amounted to NOK 515 million in 1997, compared with NOK 438 million in 1996, an increase of 18%. The growth in sales was solely due to the acquisitions of our distributor in Austria and of Halton. The slower growth rates in the rest of our European markets are primarily attributable to an extraordinarily good year for both Sweden and Finland in 1996, owing to changes in bottle bill legislation in the two countries. In the other European markets, growth rates were stable as projected.

In March 1997, TOMRA signed an agreement to buy the distributor in Austria, TOMRA Leergutssysteme GmbH. The agreement took effect for accounting purposes as of 1 January 1997. The purchase price was NOK 32 million.

In June 1997, TOMRA signed an agreement with the owners of Halton Europe BV to buy the company's reverse vending machine business. The purchase price amounted to NOK 130 million, half of which was paid in stock, and half in cash.

Following the acquisition of Halton, TOMRA's market share in Europe exceeds 95%. TOMRA expects the growth in its European markets in 1998 to be in line with 1997.

AMERICA

Sales in America amounted to NOK 686 million in 1997, compared with NOK 345 million in 1996, an increase of 99%. The year was less marked by acquisitions than 1996, with internal growth of 77%.

As projected, the number of installations of reverse vending machines in the United States was lower in 1997

than in 1996. TOMRA's development in the US market in 1997 was characterized by growth in services related to materials handling and administration. We expect expansion in the next few years to continue to be generated mainly from materials handling and administrative services, both through growth in existing business activities, acquisitions, and new business opportunities.

In July 1997, TOMRA signed an agreement with the owners of CARCO Recycling Inc. to acquire their materials handling business in Albany, New York State. The agreement took effect for accounting purposes as of 1 August 1997. The acquisition of CARCO was part of a reorganization plan for the materials handling activities in the Albany-Rochester area. In the fourth quarter of 1997, CARCO's activities were integrated with TOMRA's existing business in Rochester and Syracuse. TOMRA will offer up to 45% of the shares in the new company to local distributors of beer and soft drinks during the second quarter of 1998.

As part of the agreement with CARCO, TOMRA purchased from the same owners an additional 5% ownership in the joint-venture company Upstate TOMRA LLC, a distributor for TOMRA in parts of Upstate New York. After this purchase, TOMRA controls 55% of Upstate TOMRA LLC, and the company was fully consolidated in Group accounts as of 1 August 1997.

In February 1998, TOMRA signed a letter of intent with Wise Recycling LLC to acquire the west coast operations of the former Reynolds Recycling Division. The Division operates mainly in the State of California, but has activities in the non-deposit states of Colorado, Washington, New Mexico, and Hawaii. The company had annual revenues of USD 40 million in 1997. Pre-tax operating profit for 1997 amounted to USD 0.9 million. The transaction will be an assets-only acquisition with no goodwill. The acquisition, which is expected to be executed

before 1 March 1998, will play an important part of TOMRA's strategy for California, as well as our development of a strategy for non-deposit states.

TOMRA's total market share in the US and Canada was close to 80% at the end of 1997. We remain optimistic regarding market prospects, and expect continued strong growth in the US market.

New Services

In keeping with our mission, "Helping the World Recycle", TOMRA still sees great opportunities for expansion of the company's business areas. Expansion of our materials handling and administrative services, along with the initiation of new concepts, in which reverse vending machines are used in marketing and corporate identity work, are potential areas for future growth.

The charity program that was tested in Norway at the end of 1996 has now been set up in cooperation with three Norwegian aid organizations (the Norwegian Refugee Council, the Salvation Army, and Norwegian People's Aid) and the food retail chain, NorgesGruppen. By the beginning of 1998, 200 of our machines had been prepared for participation in the program, and more stores will take part during the first quarter of 1998. The program will be extended to other markets and organizations during 1998.

In the third quarter of 1997, TOMRA carried out a test in the state of Michigan. Customers received discount coupons, printed on their deposit receipts, which were valid for selected goods sold in the store. Results from the test were very promising, and we are expecting TOMRA to start offering this service full scale in Michigan before the end of the first half year of 1998.

Business Development

TOMRA has traditionally focused on developing reverse vending machines and opening up new geographic areas in which to sell them. Our business

concept has now been expanded to include integrated service solutions for materials handling, data collection and administration, as well as various forms of marketing concepts related to the machines. A growing share of TOMRA's overall development resources have consequently been allocated to these areas, which are expected to generate future growth.

In 1997, TOMRA spent a total of NOK 67 million for product and business development, an increase of 53% from 1996. Expressed as a percent of overall sales, development expenses remained unchanged at 5.6%.

In 1997, TOMRA introduced two new reverse vending machine models.

TOMRA-600 Ultima

An entirely new generation of reverse vending machines, the TOMRA-600, was introduced on 1 April 1997. New shape-recognition technology allows the reception and registration of horizontally-placed bottles. This simplifies registration, particularly of lightweight plastic bottles, whose stability in

the registration zone had been a problem. In addition to handling both refillable and one-way beverage containers in the same unit, the T-600 series includes solutions for combined reception of bottles and crates.

Halton Butler

The Halton Butler, a new reverse vending machine for combined reception of crates and refillable bottles, was introduced on the European market in September 1997. The machine offers significantly improved functionality compared with earlier models, and an updated design. It will complement TOMRA's product lines which, after the introduction of the Halton Butler, consist of five different machines for refillable containers.

Production volume in 1997 was lower than in 1996, mainly due to a significantly lower number of installations in the United States, Sweden, and Finland. Efforts to coordinate purchases from suppliers by both TOMRA and Halton have been made. The Group's capital tied up in raw materials and work in progress increased by 19%

Standing, from left:
Gregory S. Garvey, Erik
Thorsen, Christian H.
Thommessen.

Seated, from left:
Tharald Brøvig, Klaus Nærø,
Svein Jacobsen, Jan Chr.
Opsahl, Tom P. Steidel,
Jørgen Randers.



to NOK 38 million, due to the acquisition of Halton, while TOMRA in Asker, Norway, showed a reduction in capital tied up in current assets from NOK 32 million in 1996 to NOK 30 million in 1997.

Growth Strategies

TOMRA has 20% annual sales growth as its long term target. This goal is to be met by continued development of new technology and services, and acquisitions in our core business areas. Projections for 1998 indicate that the targeted growth rate will be easily met.

TOMRA's goal, to be the No. 1 supplier of systems that make it attractive to return packaging for reuse and recycling, will be met by being the best and largest player in the market for integrated solutions. This requires us to expand our horizon, from primarily concentrating on deposit markets, to also developing solutions for traditional, non-deposit markets.

TOMRA is working on a variety of concepts for developing the latter market segment. If we are to succeed, we must provide attractive solutions that motivate the public to increase their share of returned beverage packaging, and offer more cost-effective and resource-friendly return systems than are used today. Discount coupons, bonus points, and lotteries are among the incentives under evaluation for this purpose. Various forms of recycling stations have also been tested in some countries.

As reflected in Note 1 to the financial accounts, materials handling was the fastest growing activity in 1997, representing 30% of total revenues. This trend is expected to continue in 1998. Materials handling currently has lower margins than the remaining business activities.

Shareholders and Equity

During 1997, TOMRA carried out five share transfers to employees, totalling 720,932 shares. The latest issuance of

stock to employees, pursuant to the option agreement for TOMRA's US leader, was approved and recorded in the accounts in December 1997, but formally registered in January 1998. In connection with TOMRA's acquisition of Halton, a private placement of shares to the sellers of Halton, amounting to 465,000 shares, was carried out at market value in May. At the end of August 1997, a private placement of 1.8 million shares was carried out at market price. An overview of changes in share capital can be found in Note 11 to the financial accounts.

At the end of 1997, TOMRA had a total of 4,673 shareholders. The number of shares held by non-Norwegians was 70.8% at the beginning of the year, decreasing slightly to 69.3% as of 31 December 1997.

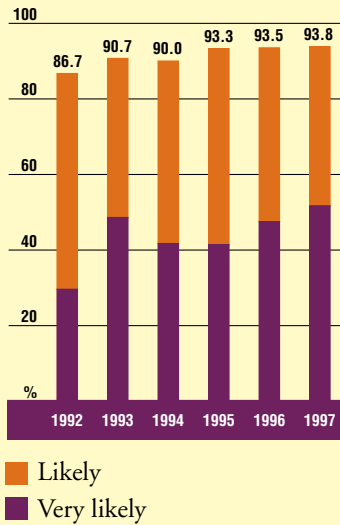
Organization

The TOMRA Group had 915 employees at year-end 1997, of whom 194 worked in Norway. At the beginning of the year, the corresponding figures were 661 and 189, respectively. Of the 254 new employees, 116 came from Halton and 133 from the United States.

Our annual customer relations study, a part of TOMRA's Total Quality Program, provides us with valuable feedback on how the quality of our products, services, and organization is perceived. The results of the 1997 study were once again very positive, reinforcing the trend of the past few years.

TOMRA's environmental efforts have been adapted to the guidelines of the International Chamber of Commerce. The products and production processes of the Group have always been consistent with an environmentally-friendly corporate profile. TOMRA does not pollute its external environment more than what is considered the norm for similar businesses. A more in-depth environmental report is presented on page 33 of this annual report.

REPURCHASE INDEX (in %)



Salaries and Remunerations

The Board of Directors received remunerations totalling NOK 760,000 in 1997. Payments for President and CEO Erik Thorsen from TOMRA Systems ASA was NOK 894,018 in salary and NOK 8,939,367 in benefits related to a share placement for management, as well as NOK 327,072 in other taxable remunerations. The number of shares owned by the company's Board members as well as any severance pay are described in Note 16 to the financial statement.

Auditors' fees paid to KPMG by TOMRA Systems ASA amounted to NOK 285,000. An additional NOK 1.4 million was paid for consulting services, mainly related to

the acquisition and integration of Halton. Total auditors' fees for the Group amounted to NOK 2.4 million in 1997.

Allocation of Profit

TOMRA Systems ASA showed a net profit for 1997 of NOK 95,936,096. The Board of Directors recommends the following allocation, including a recommendation to pay a dividend of NOK 0.40 per share, an increase of 33% above the 1996 dividend payment.

Dividends	NOK 16,254,000
Free reserves	NOK 79,682,096
Total allocations	NOK 95,936,096

Asker, 27 February 1998

Jan Chr. Opsahl
Chairman
Sign.

Svein Jacobsen
Sign.

Tharald Brøvig
Sign.

Jørgen Randers
Sign.

Christian H. Thommessen
Sign.

Klaus Nærø
Sign.

Tom P. Steidel
Sign.

Gregory S. Garvey
Sign.

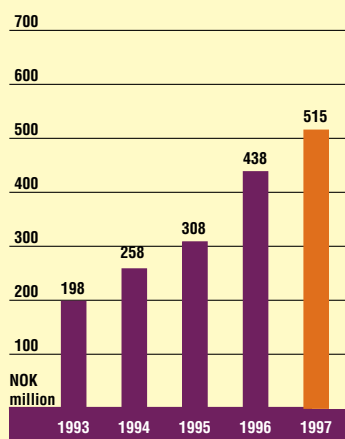
Erik Thorsen
President/CEO
Sign.

TOMRA Systems ASA

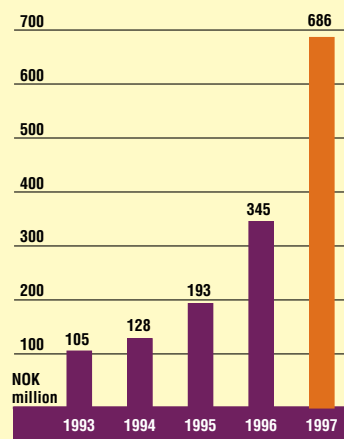
TOMRA Group

1997	1996	1995	FIGURES IN NOK 1,000	NOTES	1997	1996	1995
292,020	380,833	273,397	Operating revenues	1	1,200,813	783,537	501,026
OPERATING EXPENSES							
163,245	247,243	179,667	Cost of materials	2	640,724	364,165	217,815
51,299	43,239	36,995	Labor costs and social expenses		152,489	125,191	107,068
17,564	28,999	20,171	Other operating expenses	3	109,038	88,154	60,131
6,576	6,005	4,982	Ordinary depreciation	5	92,496	53,725	31,706
238,684	325,486	241,815	Total operating expenses		994,747	631,235	416,720
53,336	55,347	31,582	Operating profit		206,066	152,302	84,306
FINANCIAL ITEMS							
15,082	10,299	2,182	Financial income		11,109	9,708	5,316
11,184	6,677	4,839	Financial expenses		19,202	12,875	9,572
52,575	-	14,355	Dividend from subsidiaries		-	-	-
56,473	3,622	11,698	Net financial items	4	(8,093)	(3,167)	(4,256)
-	-	-	Minority interests		(5,979)	(2,067)	-
109,809	58,969	43,280	Profit before tax		191,994	147,068	80,050
13,873	14,954	7,107	Taxes	6	60,663	44,892	17,362
95,936	44,015	36,173	Net profit		131,331	102,176	62,688
ALLOCATED AS FOLLOWS							
16,254	11,295	9,320	Dividends				
79,682	32,720	26,853	Free reserves				
95,936	44,015	36,173	Total allocated				
			Earnings per share	17	3.38	2.72	1.85
			Earnings per share, fully diluted	17	3.32	2.70	1.80

REVENUES, EUROPE



REVENUES, AMERICA



TOMRA Systems ASA

TOMRA Group

1997	1996	FIGURES IN NOK 1,000	NOTES	1997	1996
ASSETS		CURRENT ASSETS			
54,566	3,263	Cash and cash equivalents	7	129,214	44,177
1,904	4,112	Accounts receivable	3	202,952	149,420
316,737	145,808	Intercompany receivables		-	-
12,947	9,756	Other short-term receivables		64,219	36,569
40,373	44,138	Inventory	2	176,553	140,703
426,527	207,077	Total current assets		572,938	370,869
		FIXED ASSETS			
438,979	276,058	Shares	8	2,200	5,967
3,500	4,000	Intergroup loans		-	-
-	-	Long-term receivables		45,965	30,532
16,100	9,700	Pension funds	9	16,100	9,700
1,508	3,154	Deferred taxes	6	17,003	13,195
-	-	Intangibles	5,18	288,383	145,601
-	-	Leased equipment	5,15	265,708	185,883
78,944	77,951	Real property, fixed assets	5	200,444	122,260
539,031	370,863	Total fixed assets		835,803	513,138
965,558	577,940	Total assets		1,408,741	884,007
LIABILITY AND SHAREHOLDERS' EQUITY		CURRENT LIABILITIES			
-	9,064	Bank overdraft	7	-	6,487
8,041	23,282	Accounts payable, trade		74,860	72,682
30,209	50,225	Intercompany short-term debt		-	-
10,257	14,952	Taxes payable	6	32,540	24,598
37,208	54,395	Other current liabilities	10	136,999	109,131
85,715	151,918	Total current liabilities		244,399	212,898
		LONG-TERM LIABILITIES			
42,500	47,500	Mortgage	7	42,500	47,500
-	-	Other long-term loans	7	30,254	92,997
4,508	3,154	Deferred taxes	6	50,448	26,493
47,008	50,654	Total long-term liabilities		123,202	166,990
-	-	Minority interests		14,568	4,052
		EQUITY			
162,540	150,596	Share capital (40,635,000 @ NOK 4)		162,540	150,596
156,582	156,582	Legal reserves		156,582	156,582
513,713	68,190	Free reserves		685,467	204,549
-	-	Currency translation difference		21,983	(11,660)
832,835	375,368	Total shareholders' equity	11,17	1,026,572	500,067
965,558	577,940	Liabilities and equity		1,408,741	884,007
42,500	47,500	Mortgages	12	52,431	47,500
1,153	54,761	Guarantee liabilities	13	-	-

TOMRA Systems ASA

TOMRA Group

1997	1996	1995	FIGURES IN NOK 1,000	NOTES	1997	1996	1995
CASH FLOW FROM OPERATIONS							
109,809	58,969	43,280	Profit before taxes		191,994	147,068	80,050
(15,568)	(6,788)	(2,495)	Paid taxes		(32,574)	(16,571)	(10,655)
14	46	(102)	Gains/losses from sales of fixed assets		14	46	(102)
6,576	6,005	4,982	Ordinary depreciation		92,496	53,726	31,706
-	-	-	Write-off fixed assets		-	1,637	-
3,765	(6,690)	(6,202)	Change in inventory		(35,850)	(31,547)	(23,239)
(168,221)	(51,996)	(19,382)	Change in receivables		(53,532)	(52,323)	(31,220)
(35,257)	28,163	10,630	Change in payables		2,178	29,091	12,163
(6,400)	(6,148)	(4,257)	Change in pension funds		(6,400)	(6,148)	(4,257)
-	-	-	Effect from currency changes		(16,983)	(3,293)	(6,749)
(4,514)	(1,205)	11,189	Change in other accruals		187	1,762	(18,939)
(109,796)	20,356	37,643	Net cash flow from operations		141,530	123,448	28,758
CASH FLOW FROM INVESTMENTS							
30	395	-	Paid in from sales of fixed assets		31,823	25,129	3,270
(7,613)	(13,053)	(33,884)	Paid out from purchase of fixed assets	1)	(231,148)	(173,525)	(116,912)
318	909	-	Paid in from sales of shares		3,767	-	-
(163,239)	(112,113)	(86,104)	Paid out from purchase of shares		(132,834)	(79,172)	(20,219)
(170,504)	(123,862)	(119,988)	Net cash flow from investments		(328,392)	(227,568)	(133,861)
CASH FLOW FROM FINANCING							
-	47,500	-	New long-term debt		-	56,634	18,846
-	20,823	-	New short-term debt		462	20,823	-
(5,000)	-	(6,930)	Repayments of long-term debt		(67,743)	-	-
(20,823)	-	-	Repayments of short-term debt		(20,823)	-	-
(9,064)	1,420	(8,267)	Net change of bank overdrafts		(6,487)	2,746	(8,815)
377,785	9,035	139,358	New equity, share issues		377,785	9,035	139,358
(11,295)	(9,320)	(6,616)	Payment of dividends		(11,295)	(9,320)	(6,616)
-	-	-	Adjustment of equity		-	8,091	-
331,603	69,458	117,545	Net cash flow from financing		271,899	88,009	142,773
51,303	(34,048)	35,200	Net change in cash and cash equivalents		85,037	(16,111)	37,670
3,263	37,311	2,111	Liquid assets, 1 Jan.		44,177	60,288	22,618
54,566	3,263	37,311	Liquid assets, 31 Dec.	2)	129,214	44,177	60,288

The cash flow analysis has been changed in accordance with new recommendations in Norwegian Generally Accepted Accounting Principles. Previous years have been changed accordingly.

- 1) *The line "Paid out from purchase of fixed assets" also includes the opening balance of subsidiaries purchased and consolidated for the first time in the fiscal year.*
- 2) *Includes restricted bank deposits totalling NOK 2.4 million.*

Description of Business, Customers and Unique Business Risks

TOMRA Systems ASA and its subsidiaries are primarily engaged in the reverse vending business. TOMRA develops, manufactures, markets, services and operates reverse vending systems for handling returned beverage containers.

TOMRA's customers, typically retailers, are located primarily in Europe and North- and South America. The company's business is primarily dependent on the continued practice of deposit legislation in the markets where it operates.

USE OF ESTIMATES

The preparation of financial statements is in conformity with generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

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 options and employee incentive programs payable in company share.

REPORTING STRUCTURE

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

TOMRA SYSTEMS ASA

BU Europe

TOMRA Butikksyst. AS (N)
TOMRA Systems AB (S)
OY TOMRA AB (FIN)
TOMRA System A/S (DK)
TOMRA Systems BV (NL)
TOMRA Systems GmbH (D)
TOMRA Leergutsysteme GmbH (A)
Halton System OY (FIN)
Halton System SA (F)
Halton System AB (S)
Halton System A/S (DK)
Halton System GmbH (D)

BU America

TOMRA North America Inc.(CT)
TOMRA Metro LLC (CT,NY)
Mobile Redemp. Inc. (CT,MA)
BICS LLC (60%) (NY)
TOMRA NY Recycling LLC (NY)
Upstate TOMRA LLC (55%)
TOMRA Massachusetts (MA)
Halton System Inc. (ME)
TOMRA Systems Inc. (CAN)

Revenues from the sales and service companies of TOMRA and Halton in Europe are reported together in sales by market (Note 1). In addition to the head office in Stratford, Connecticut, TOMRA North America also has offices in Michigan, Iowa, Oregon and New York. These are reported separately in sales by market breakdown. All companies in this list are owned 100%, with the exception of Upstate TOMRA LLC (55%) and BICS LLC (60%).

Consolidation Principles

CONSOLIDATED COMPANIES

The consolidated accounts include the parent company TOMRA Systems ASA and companies in which the parent company directly or indirectly owns more than 50% of the shares and/or 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.

AFFILIATED COMPANIES

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

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. (See Note 5).

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

INTERNAL TRANSACTIONS/ INTER-COMPANY ITEMS

All purchases and sales between Group companies, intra-group expenses, as well as receivables and liabilities have been eliminated in consolidation.

Accounting 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.

CASH AND CASH EQUIVALENTS

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

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCIES

Short-term receivables and liabilities are booked at the exchange rate at the date of the balance sheet. Long-term receivables and liabilities in foreign currencies are translated at the lower/higher of the exchange rate at the date of the transaction and the date of the balance sheet. Receivables and liabilities hedged by forward foreign exchange contracts are converted at the forward contract rate. Net unrealized gains are not booked as income.

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.

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. Cost related to write-down of long-term investments are charged to other operating expenses.

ASSETS AND DEPRECIATION

Long-term operating assets are entered in the balance sheet at acquisition cost adjusted for ordinary depreciation. Ordinary depreciation is carried out on a straight-line basis over the asset's expected economic life.

INTANGIBLES

Intangibles consist of goodwill and non-competition agreements. The amortization rates for goodwill vary and 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.

START-UP AND DEVELOPMENT COSTS

Start-up and research and development costs are charged to income as they are incurred.

PENSION OBLIGATIONS

Pension obligations related to insured pensions, as well as the pension premium reserve, are included in the balance sheet using the net principle. The parent company is the only company in the Group with a pension scheme or

benefit plan. See Note 9 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 of all Group companies.

TAXES

The tax charge in the profit and loss account includes both taxes payable for the period and the change in deferred taxes. The change in deferred taxes reflects future taxes payable resulting from the year's activities. Deferred taxes are determined based on the accumulated result which falls due for payment in future periods. Deferred taxes are calculated on net positive timing differences between accounting and tax balance sheet values, after 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 6 "Taxes".

Note 1 Sales by Market

FIGURES IN NOK 1,000	1997	1996	1995	1997	1996	1995
				in %	in %	in %
OPERATING REVENUES BY MARKET						
BU Europe						
Norway	27	20	22	2.2%	2.5%	4.3%
Sweden	89	134	69	7.4%	17.1%	13.7%
Finland	48	50	14	4.0%	6.4%	2.8%
Denmark	60	44	42	5.0%	5.6%	8.4%
Holland	81	42	36	6.8%	5.4%	7.1%
Germany	147	115	97	12.2%	14.7%	19.4%
Austria	34	16	13	2.8%	2.0%	2.6%
Others	29	17	16	2.5%	2.2%	3.2%
BU Europe total	515	438	308	42.9%	55.9%	61.5%
BU America						
New York	409	175	77	34.0%	22.3%	15.3%
Connecticut	114	92	48	9.5%	11.8%	9.6%
Massachusetts	44	5	1	3.7%	0.6%	0.2%
Maine	5	-	-	0.4%	-	-
Michigan	84	62	52	7.0%	7.9%	10.4%
Iowa	14	-	-	1.2%	-	-
Oregon	4	2	4	0.3%	0.3%	0.8%
Canada	12	9	11	1.0%	1.2%	2.2%
BU America total	686	345	193	57.1%	44.1%	38.5%
Total operating revenues	1,201	784	501	100.0%	100.0%	100.0%
	1997	1996	1995	1997	1996	1995
OPERATING REVENUES BY ACTIVITY						
BU Europe						
Sales, leasing	364	294	210	30.3%	37.5%	41.9%
Service	142	138	95	11.8%	17.6%	19.0%
Administration	8	6	3	0.7%	0.8%	0.6%
Marketing	1	-	-	0.1%	-	-
BU Europe total	515	438	308	42.9%	55.9%	61.5%
BU America						
Sales, leasing	179	165	99	14.9%	21.0%	19.8%
Service	100	52	38	8.3%	6.6%	7.6%
Materials handling	359	110	47	29.9%	14.0%	9.4%
Administration	48	19	9	4.0%	2.4%	1.8%
BU America total	686	346	193	57.1%	44.1%	38.5%
TOMRA GROUP						
Sales, leasing	543	459	309	45.2%	58.5%	61.7%
Service	242	190	133	20.1%	24.2%	26.5%
Materials handling	359	110	47	29.9%	14.0%	9.4%
Administration	56	25	12	4.7%	3.2%	2.4%
Marketing	1	-	-	0.1%	-	-
Total operating revenues	1,201	784	501	100.0%	100.0%	100.0%

All activities in TOMRA 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.

Note 2 Cost of Materials/Inventory

PARENT COMPANY			COST OF MATERIALS		GROUP	
1997	1996	1995	FIGURES IN NOK 1,000	1997	1996	1995
142,463	232,399	165,875	Cost of raw materials	611,715	367,099	208,122
17,480	20,320	17,189	Direct wages, production	23,707	20,320	17,189
159,943	252,719	183,064	Cost of materials gross	635,422	387,419	225,311
3,302	(5 476)	(3,397)	Change of inventory	5,302	(23,254)	(7,496)
163,245	247,243	179,667	Cost of materials	640,724	364,165	217,815
			INVENTORY			
16,502	17,045		Raw materials	23,790	17,045	
13,250	14,929		Work in progress	14,336	14,929	
1,928	3,552		Manufactured products	67,397	56,213	
8,693	8,612		Spare parts	71,030	52,516	
40,373	44,138		Total inventory	176,553	140,703	

Note 3 Other Operating Expenses

The Group

The bad debt reserve amounts to NOK 3.1 million on a Group basis, and is included in the balance sheet item Accounts receivable. As of 1 January 1997, the bad debt reserve was NOK 2.1 million.

The total loss on accounts receivable was NOK 3.1 million.

The change of millennium effect on EDP equipment and other automated operating systems (the "year 2000 effect") has been analyzed. It is expected to have little, if any, impact. Thus TOMRA has not accrued any amounts to provide for the year 2000 effect.

Parent Company

TOMRA Systems ASA has not incurred losses on outstanding receivables in 1997. The bad debt reserve at the end of the year was NOK 0.1 million, compared with NOK 0.3 million at year-end 1996.

The figure is included in the balance sheet item Accounts receivable.

Note 4 Financial Items

FINANCIAL ITEMS FOR THE GROUP CONSIST OF:

FIGURES IN NOK 1,000	1997	1996	1995
Interest income	5,613	3,583	1,255
Foreign exchange gain	3,406	3,342	1,237
Gain from currency options	173	-	-
Share of profit, affiliated companies *	1,917	2,783	2,824
Total financial income	11,109	9,708	5,316
Interest expenses	18,953	12,821	8,457
Foreign exchange losses	249	54	1,115
Total financial expenses	19,202	12,875	9,572
Net financial items	(8,093)	(3,167)	(4,256)

* The share of profit from affiliated companies consists of profit in Upstate TOMRA LLC, in which TOMRA North America Inc. had 50% ownership up to 31 July 1997. From 1 August 1997, TOMRA increased its ownership to 55%, and the company has from that date been fully consolidated.

Note 5 Fixed Assets

FIGURES IN NOK 1,000	BUILDINGS/ LAND	MACHINERY/ FIXTURES	VEHICLES	TOTAL	INTAN- GIBLES	LEASING EQUIPMENT
GROUP 1)						
Historical cost 1 Jan. 2)	69,267	100,688	30,201	200,156	195,873	276,484
Additions this year	71,225	20,897	14,155	106,277	175,643	130,102
Disposals this year	1,374	15,276	7,829	24,479	32,294	12,588
Accum. ord. depreciation 3)	8,018	60,299	13,193	81,510	50,839	128,290
Book value 31 Dec.	131,100	46,010	23,334	200,444	288,383	265,708
Ord. depreciation this year	2,879	11,335	4,378	18,592	21,168	52,736
Depreciation rates	3%	10-33%	15-33%		5-20%	14%

PARENT COMPANY

Historical cost 1 Jan. 2)	69,267	38,475	590	108,332		
Additions this year	587	6,661	351	7,599		
Disposals this year	46	2,438	442	2,926		
Accum. ord. depreciation 3)	5,116	28,867	78	34,061		
Book value 31 Dec.	64,692	13,831	421	78,944		
Ord. depreciation this year	1,890	4,650	36	6,576		
Depreciation rates	2-4%	15-25%	20%			

1) Exchange rates as of 31 Dec. 1997 are used in calculating fixed assets of foreign subsidiaries.

2) Including land of NOK 6.5 million.

3) Total accumulated depreciation on 1 Jan. 1997 was NOK 155.2 million for the Group and NOK 30.4 million for the parent company.

PURCHASES/SALES OF FIXED ASSETS OVER THE PAST 5 YEARS

FIGURES IN NOK 1,000		1997	1996	1995	1994	1993
GROUP						
Vehicles	Purchased	14,155	10,518	8,742	5,413	2,975
	Sold	7,829	1,686	1,658	2,293	675
Machinery/EDP/Fixtures	Purchased	20,897	44,555	12,711	15,079	12,537
	Sold	15,276	5,528	1,289	3,878	3,404
Buildings/Land	Purchased	71,225	7,488	26,701	28,345	3,176
	Sold	1,374	-	-	16,954	6,494
Total	Purchased	106,277	62,561	48,154	48,837	18,688
	Sold	24,479	7,214	2,947	23,125	10,573
Intangibles	Purchased	175,643	78,209	25,905	43,166	5,294
	Sold	32,294	16,999	-	-	-
Leasing Equipment	Purchased	130,102	130,284	63,723	32,444	10,076
	Sold	12,588	962	221	1,578	3,140
PARENT COMPANY						
Vehicles	Purchased	351	-	149	441	-
	Sold	442	441	-	1,050	-
Machinery/EDP/Fixtures	Purchased	6,661	5,439	7,136	2,970	2,000
	Sold	2,438	-	-	48	-
Buildings/Land	Purchased	587	7,488	26,701	28,345	3,174
	Sold	46	-	-	16,954	-
Total	Purchased	7,599	12,928	33,986	31,756	5,174
	Sold	2,926	441	-	18,052	-

Note 6 Taxes

PARENT COMPANY			DEFERRED TAXES	GROUP		
1997	1996	1995	FIGURES IN NOK 1,000	1997	1996	1995
TAXES PAYABLE						
57,234	58,969	43,280	Profit before taxes	191,994	147,068	80,050
(7,240)	149	(1,189)	Permanent differences	(32,062)	1,117	(13,638)
(13,361)	(5,717)	(3,502)	Change in temporary differences	(43,318)	(47,449)	(1,745)
36,633	53,401	38,589	Basis taxes payable	116,614	100,736	64,667
24.24%	25.36%	16.42%	Tax rate	31.60%	30.52%	21.69%
TAXES						
10,257	14,952	6,786	This year's taxes payable	38,042	30,062	16,796
616	2	321	Property taxes/prev. yr. changes	2,472	1,532	566
3,000	-	-	Deferred taxes net changes	20,148	13,298	-
13,873	14,954	7,107	Taxes	60,663	44,892	17,362
616	-	718	Foreign share of taxes	46,330	29,579	10,036

Deferred tax assets and liabilities are presented net of their respective tax effect using the tax rate of the applicable jurisdiction applied to amounts which represent future tax deductions or taxes payable and consist of the following as of 31 Dec.

PARENT COMPANY			DEFERRED TAX ASSETS	GROUP	
1997	1996		FIGURES IN NOK 1,000	1997	1996
-	-		Current assets	3,170	2,614
1,043	2,995		Fixed assets	8,916	4,691
465	159		Current liabilities	2,072	2,552
-	-		Loss carried forward	2,845	3,338
1,508	3,154		Total tax advantage N GAAP	17,003	13,195
-	742		Non-utilized tax advantage N GAAP	-	-
1,508	3,896		Deferred tax advantage US GAAP	17,003	13,195
DEFERRED TAX LIABILITIES					
-	438		Current assets	-	438
-	-		Fixed assets	42,706	20,331
-	-		Current liabilities	3,234	3,008
4,508	2,716		Pension reserves	4,508	2,716
4,508	3,154		Total deferred tax liabilities	50,448	26,493

Negative and positive timing differences which reverse or may reverse in the same period, are set off. Deferred taxes are calculated on the basis of timing differences and losses carried forward which are set off. Timing differences between different subsidiaries have not been set off. During the period that these differences reverse the companies will have a taxable net income which is sufficient to realize the deferred tax allowance. Loss carried forward relate to the US and some of the acquired companies in Halton System Group and expire through 1998 and 2011.

Note 7 Interest-Bearing Balance Sheet Items

FIGURES IN NOK 1,000	AVERAGE	INTEREST RATE	1997	1996
INTEREST-BEARING INVESTMENTS:				
Restricted bank deposit	2.25%		2,397	3,217
Bank deposit			96,417	40,960
Short-term investments			30,400	-
Total bank/investments			129,214	44,177
INTEREST-BEARING DEBT:				
Overdraft facility			-	6,487
Mortgage loan (short-term)			-	20,823
Mortgage loan	6.89%	10-year fixed rate	42,500	47,500
DnB, long-term loan	6.35%		11,888	64,425
Other long-term loans	7.6-9%		18,366	28,572
Total interest-bearing debt			72,754	167,807

Annual instalments on long-term

loans are as follows:	1998	1999	2000	2001	2002
	7,076	13,986	18,076	7,894	25,722

Installments are based on currency exchange rates as of 31 Dec. 1997.

Note 8 Shares

GROUP COMPANIES	NUMBER OF SHARES	SHARES OWNED	NOMINAL VALUE PER SHARE	BOOK VALUE IN NOK 1,000			OWNERSHIP
				GROUP	PARENT		
TOMRA Systems BV	300	300	NLG 1,000	-	-		100%
Oy TOMRA AB	1,000	1,000	FIM 1,000	-	1,073		100%
TOMRA Butikksystemer AS	1,200	1,200	NOK 2,500	-	-		100%
TOMRA Systems GmbH	750	750	DEM 1,000	-	2,200		100%
TOMRA System A/S	2,500	2,500	DKK 1,000	-	1,089		100%
TOMRA Systems Inc.	500	500	CAD 1,000	-	3,316		100%
TOMRA Systems AB	1,000	1,000	SEK 1,000	-	1,070		100%
TOMRA North America Inc.	40,000	40,000	USD 1,000	-	266,995		100%
TOMRA Leergutssysteme GmbH	6,500	6,500	ATS 1,000	-	31,775		100%
Halton System International BV	8,400	8,400	NLG 1,000	-	131,457		100%
Total shares in subsidiaries				-	438,975		
OTHER SHARES							
Mason Class A, voting shares	980	490	UDS 1	1,646			50%
Class B, non-voting shares	22	10	USD 1				45%
Mac Casualty	6	1	USD 1	263			17%
Atlant System NV	200	20	BEF 30,000	90			10%
Retourette BV and CV	466	84	NLG 100	38			18%
Minor items				163		4	
Total other shares				2,200		4	
Total shares				2,200		438,979	

Note 9 Pension and Pension Obligations

Insured pension plans cover all employees in Norway in permanent positions with at least 50% of full time employment. The retirement age is 67 for all employees. The pension plan is structured as a retirement net agreement in that it guarantees a supplement to the State benefits of 20% of that part of the pension base which exceeds 1.5 times the base amount (currently NOK 42,500), and 30% of the pension base which exceeds 8 times the base amount. There are no other compensation agreements for a reduction in State benefits. The premium calculation structure remained unchanged in the years 1995-97. Apart from the pension plan described above, there are no pension obligations.

The pension plans have been treated for accounting purposes in accordance with the NAS on pension costs. Only the parent company TOMRA Systems ASA in the TOMRA Group has pension plans based on benefit principles. The parent company's plan, which also covers employees in TOMRA Butikksystemer AS, include a total of 194 persons, including two retirees, at the year-end 1997. The plan provides the right to defined future benefits. These are mainly dependent on the number of years of service, salary at retirement, and the size of State benefits. The obligations are covered through Gjensidige Liv insurance company. For demographic and resignation factors normal insurance assumptions have been used. Payment to the pension premium fund amounted to NOK 7.9 million in 1997. Pension funds can be utilized for covering future annual premiums which amounted to NOK 2.7 million for 1997.

FIGURES IN NOK 1,000	1997	1996	1995
Present value of this year's pension earnings	2,084	1,857	1,810
Interest cost of pension obligations	1,240	1,077	858
Yield on pension funds	(2,191)	(1,258)	(942)
Amortization of deferred liabilities	138	321	127
Social security	1,061	439	361
Net pension costs	2,332	2,436	2,214

FINANCIAL STATUS ON 31 DEC.

Calculated pension obligations	(21,010)	(18,291)
Pension funds (market value)	33,369	20,716
Deferred liability to be amortized	2,662	6,214
Advance payment of social security	1,079	1,061
Pension funds	16,100	9,700

BASIS FOR CALCULATION

Discount rate	7.0%	7.0%
Expected wage increases	3.3%	3.3%
Regulations of social security base amount	3.3%	3.3%
Expected yield of funds	8.0%	8.0%

Note 10 Other Short-term Liabilities

PARENT COMPANY			GROUP	
1997	1996	FIGURES IN NOK 1,000	1997	1996
		Tax deductions, social security,		
19,295	18,564	holiday pay and accrued taxes	39,231	32,079
-	-	Advances from customers	9,479	9,086
-	20,823	Short-term, interest-bearing debt	462	20,823
1,659	3,713	Other short-term, non-interest bearing debt	71,573	35,848
16,254	11,295	Dividend accruals	16,254	11,295
37,208	54,395	Total	136,999	109,131

Note 11 Changes in Group Equity

FIGURES IN NOK 1,000	SHARE CAPITAL	LEGAL RESERVE	FREE RESERVE	TRANS-LATION DIFFER.	TOTAL EQUITY	NUMBER OF SHARES
Balance, 31 Dec. 1994	132,321	26,464	52,209	(1,618)	209,376	33,080,250
Profit, 1995			62,688		62 688	
Employee placement, May 1995	1,620	1,120			2,740	33,485,250
Loan conversion issue, July 1995	370	925			1,295	33,577,750
Private placement, Nov. 1995	13,200	116,488			129,688	36,877,750
Loan conversion issue, Dec. 1995	1,610	4,025			5,635	37,280,250
Changes translation diff.				(6,749)	(6 749)	
Dividend accruals 1995			(9,320)		(9 320)	
Balance 31 Dec. 1995	149,121	149,022	105,577	(8,367)	395,353	37,280,250
Profit, 1996			102,176		102,176	
Business combination			8,091		8,091	
Employee placement, March 1996	400	3,680			4,080	37,380,250
Employee placement, April 1996	400	3,880			4,280	37,480,250
Employee placement, May 1996	475				475	37,599,068
Execution of option, May 1996	200				200	37,649,068
Changes translation diff.				(3,293)	(3,293)	
Dividend accruals, 1996			(11,295)		(11 295)	
Balance, 31 Dec. 1996	150,596	156,582	204,549	(11,660)	500,067	37,649,068
Profit, 1997			131,331		131,331	
Employee placement, April 1997 1)	1,280		17,792		19,072	37,969,068
Employee placement, April 1997	150				150	38,006,500
Employee placement, April 1997	2				2	38,007,000
Private placement, May 1997	1,860		63,240		65,100	38,472,000
Execution of option, July 1997	52		679		731	38,485,000
Private placement, Sept. 1997	7,200		284,130		291,330	40,285,000
Execution of option, Dec. 1997	1,400				1,400	40,635,000
Changes translation diff.				33,643	33,643	
Dividend accruals 1997 2)			(16,254)		(16,254)	
Balance 31 Dec. 1997	162,540	156,582	685,467	21,983	1,026,572	40,635,000

- 1) At the Board meeting 12 December 1997 the Board of Directors approved a share issue of 350,000 shares at a price equal to par value of NOK 4.00, in relation to execution of options in a program for US management established in 1993. The share issue was formally paid and registered in January 1998, but has been registered in the accounts as a consequence of the Board decision. The unpaid capital of NOK 1.4 million is booked as a short-term receivable.
- 2) Dividend per share is NOK 0.40 for 1997.

The Board has been authorized by the Annual General Meeting to issue up to 4,000,000 shares at market price to finance future acquisitions valid until the Annual General Meeting in spring 1998. Of this authorization, a total of 2,165,000 shares have been issued by the end of 1997. The Board is also authorized to issue up to 687,000 shares to the management of US and European subsidiaries. This option plan is strictly linked to management's performance. As of 31 Dec. 1997, 607,000 of these options have been awarded, of which 251,500 shares have been vested. Exercise prices under this agreement range from NOK 59.60 to NOK 63.10 per share.

Note 12 Mortgages

PARENT COMPANY		DEBT SECURED BY MORTGAGES	GROUP	
1997	1996	FIGURES IN NOK 1,000	1997	1996
42,500	47,500	TOMRA Systems ASA, mortgage	42,500	47,500
-	-	Upstate TOMRA LLC	9,931	-
42,500	47,500	Total mortgages	52,431	47,500
BOOK VALUE OF MORTGAGED ASSETS INCLUDE				
64,692	65,995	Building and land	64,692	65,995
-	-	Leasing equipment	18,811	-
64,692	65,995	Total	83,503	65,995

Note 13 Guarantee Liabilities

In 1996, there were only guarantee liabilities in the parent company regarding external financing to subsidiaries amounting to NOK 54.8 million. By the end of 1997, this figure was reduced to NOK 1.2 million.

Note 14 Items not included in the Balance Sheet

Forward foreign exchange contracts are used to hedge future foreign currency income. In cases where the company has firm orders in foreign currencies, the contracts are booked at the forward exchange rate. For forward contracts where the future foreign currency income is not secured by order/contract, a calculation of the gain/loss is made at the balance sheet date. The following open contracts exist as of 31 Dec. 1997:

	TOTAL AMOUNT SOLD		AVERAGE RATE	FORWARD RATE	DUE DATE
USD/NOK	30 mill.	USD	7.2610	7.2610	1998
DEM/NOK	3 mill.	DEM	4.0920	4.0920	1998
DKK/NOK	8 mill.	DKK	1.0740	1.0740	1998
NLG/NOK	7.5 mill.	NLG	3.6369	3.6369	1998
ATS/NOK	30 mill.	ATS	0.5818	0.5818	1998

Note 15 Leasing

The companies in the TOMRA Group had 5,038 reverse vending machines for leasing to customers by the end of 1997. 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.

FIGURES IN NOK 1,000	1998	1999	2000	2001	2002 ->
	48,757	44,665	29,361	18,978	18,372

Note 16 Shares owned by Officers, Severance pay

Shares owned by the company's officers on 31 Dec. 1997:

THE BOARD

Jan Chr. Opsahl	83,724	Gregory S. Garvey	532,329
Svein Jacobsen	56,923	Klaus Nærø	978
Tharald Brøvig	116,911	Tom P. Steidel	0
Jørgen Randers	10,016	President/CEO Erik Thorsen	55,594
Christian H. Thommessen	0	Auditors, KPMG as	0

In the event that the President and CEO is dismissed from his position, he is entitled to receive full compensation for twelve months.

Note 17 Difference between Norwegian and U.S. Accounting Principles

RECONCILIATION OF THIS YEARS' PROFIT

FIGURES IN NOK 1,000	1997	1996	1995
Profit after taxes N GAAP	131,331	102,175	62,688
Adjustments for US GAAP			
Capitalized interest, net depreciation 1)	(112)	50	841
Unrealized foreign exchange gain 2)	(3,168)	3,168	-
Pensions 3)	(170)	(170)	(170)
Deferred taxes 4)	966	(853)	(187)
Compensation exp. from share issuances 6)	(68,141)	(12,476)	(7,117)
Profit before taxes US GAAP	60,706	91,894	56,055
Earnings per share N GAAP 8)	3.38	2.72	1.85
Earnings per share fully diluted N GAAP 8)	3.32	2.70	1.80
Basic earnings per share US GAAP 8)	1.56	2.45	1.65
Earnings per share diluted US GAAP 8)	1.54	2.41	1.61

EQUITY DIFFERENCES

FIGURES IN NOK 1,000	1997	1996	1995
Equity N GAAP	1,026,572	500,067	395,353
Adjustments for US GAAP			
Capitalized interest 1)	3,349	3,462	3,412
Unrealized foreign exchange gain 2)	-	3,168	-
Pensions 3)	1,982	2,152	2,322
Deferred taxes 4)	(1,491)	(2,457)	(1,604)
Dividend 5)	16,254	11,295	9,320
Compensation exp. from stock issuances 6)	-	-	(6 737)
Share subscription receivable 7)	(1,400)	-	-
Equity US GAAP	1,045,266	517,687	402,066
Equity per weighted average diluted share US GAAP	26.44	13.57	11.56
Equity per outstanding share N GAAP	25.26	13.28	10.60

CALCULATED NUMBER OF SHARES

	1997	1996	1995
Average no. of shares NGAAP and USGAAP 8)	38,863,184	37,551,250	33,972,333
Shares according to agreement on convertible loan	-	-	422,500
Shares according to exercised options	311,129	335,930	368,317
Shares according to employees' bonus plans	27,076	-	20,330
Shares according to agreement on options	327,980	-	-
Calculated no. of shares, fully diluted N GAAP	39,529,368	37,887,180	34,783,480
Shares according to agreement on options	-	249,246	-
Calculated no. of shares US GAAP	39,529,368	38,136,426	34,783,480

General

TOMRA's compensation plans have been structured in consideration of Norwegian GAAP. The effects from implementing the US GAAP reconciliation has been viewed as secondary.

1) Capitalized expenses

TOMRA does not capitalize development or interest expenses. According to US GAAP, capitalized interest relating to building projects in Norway has been calculated at NOK 3.5 million which is allocated over the construction period (1992-1995). Depreciation of capitalized interest costs amount to NOK 0.1 million for the same period.

2) Unrealized foreign exchange gain

On 31 Dec. 1996, TOMRA had foreign exchange contracts with an unrealized gain for N GAAP purposes. Exchange contracts that are not viewed as hedging of firm orders are booked at the exchange rate of the balance date according to Norwegian accounting principles. According to US GAAP this gain is recognized on 31 Dec. The adjustment for 1996 was reversed in 1997.

3) Pensions

In 1994, TOMRA changed its method of recording pension costs. The implementation effect was charged directly to equity according to N GAAP. According to US GAAP (SFAS No. 87), the implementation effect is to be amortized over the average remaining employment period.

4) Deferred taxes

N GAAP uses the liability method of calculating deferred taxes, while the asset and liability method is used for US GAAP purposes. Differences arise in that individual items in the accounts involve different principles. This affects the calculation of deferred taxes in addition to limitations in N GAAP related to deferred tax advantages in 1995.

5) Dividend

According to US GAAP dividends are deducted from equity in the year they are paid, while according to N GAAP dividends reduce equity in the year they are accrued.

6) Compensation expenses from employee placements of shares and share options

Stock-based compensation has a financial impact on the profit and loss statement under US GAAP that is not accounted for under Norwegian GAAP.

The net equity impact may result in a timing difference. TOMRA accounts for stock-based compensation in accordance with APB Opinion 25 for US GAAP. Accordingly, the difference between the cost of shares to employees and the fair value of the shares as of the measurement date is charged to the profit and loss account or in the case of share options, recognized as compensation expense over the option period.

7) Share subscription receivable

N GAAP permits increasing equity when shares are issued prior to the receipt of related consideration. Under US GAAP, equity is not increased for issuances of shares until consideration is received.

8) Basis for calculating earnings per share

In 1997, a new standard for determining earnings per share was issued for US GAAP (SFAS No. 128) requiring the presentation of both basic and diluted earnings per share. Basic earnings per share are determined using the weighted average number of shares outstanding during the year. Diluted earnings per share also include the effects of potentially issuable securities such as share options and shares issuable under bonus programs. The dilutive effect of potentially issuable securities is determined based on the treasury stock method using the average share price for the year. Earnings per share information for 1995 and 1996 has been restated in accordance with SFAS No. 128. The total number of shares for the period is shown in Note 11.

Depreciation and amortization

There are no significant differences for TOMRA between N GAAP and US GAAP regarding depreciation and amortization. TOMRA amortizes goodwill for periods up to 20 years.

Note 18 Acquisition

The following acquisitions were made in 1996 and 1997. They have been included in TOMRA's consolidated accounts under the purchase method of accounting, wherein the purchase price is allocated according to its underlying assets and liabilities based upon their relative fair market values. The excess of purchase price over the net assets and liabilities has been assigned to goodwill. Operations of acquired companies have been included in consolidated income from the acquisition dates. The acquired companies primarily operate in the same business as TOMRA.

TOMRA Metro LLC

In April 1996, through a series of transactions related to a previous agreement, TOMRA obtained ownership of an entity which owned 12.25% of TOMRA Metro LLC in exchange for 420,000 shares in TOMRA Systems ASA valued at USD 3.3 million (NOK 21.6 million). Goodwill of USD 0.9 million (NOK 6.0 million) was recorded, which was a reduction of USD 2.7 million (NOK 17.0 million) compared with the book value at the beginning of 1996. Through these transactions, TOMRA gained 100% control of the company.

Mobile Redemption Inc.

In February 1996, TOMRA acquired Mobile Redemption, Inc. in Hartford, Connecticut. Total purchase price was USD 8 million (NOK 51.5 million) which resulted in a goodwill of USD 6.6 million (NOK 42.3 million).

Western New York Beverage Industry Collection and Sorting Limited Partnership (BICS)

In January 1996, TOMRA North America, Inc. (TNA) acquired 100% of the general partnership of BICS, New York, for USD 2.5 million (NOK 16.2 million) which was equal to 55% ownership of the company. In addition, TNA acquired limited partnership interests equal to a 4.86% of BICS for USD 0.25 million (NOK 1.6 million). Goodwill of USD 2.2 million (NOK 14.2 million) was recorded.

Resource Recycling Technologies

In October 1996, TNA acquired the net assets of the Deposit Legislation Division of Resource Recycling Technologies of Syracuse, New York. The purchase price was USD 3.5 million (NOK 22.4 million) resulting in goodwill of USD 3.4 million (NOK 21.8 million).

CARCO Inc.

With effect from 1 August 1997, TOMRA North America, Inc. acquired 100% ownership in the company CARCO Inc., Albany, New York, for USD 2.9 million (NOK 21.1 million). Goodwill of USD 0.1 million (NOK 0.7 million) was recorded.

Upstate TOMRA LLC

With effect from 1 August 1997, TOMRA North America, Inc. acquired an additional 5% of Upstate TOMRA LLC, Albany, New York, for USD 0.4 million (NOK 2.7 million). Goodwill of USD 0.3 million (NOK 2.0 million) was recorded. TNA after this owns 55% of the company and Upstate TOMRA LLC has from the same date been fully consolidated in the Group accounts.

TOMRA Leergutssysteme GmbH

With effect from 1 January 1997, TOMRA Systems ASA acquired 100% of the shares in TOMRA Leergutssysteme GmbH, Austria, for ATS 55 million (NOK 31.8 million). Goodwill of NOK 30.0 million was recorded.

Halton System International B.V.

With effect from 1 May 1997, TOMRA Systems ASA acquired 100% of the shares in Halton System International B.V. (HSI), The Netherlands, for FIM 91.4 million (NOK 129.5 million). HSI had the following subsidiaries: Halton System OY, Finland (development, manufacturing, and marketing of reverse vending machines); Halton System AB, Sweden (sales, service); Halton System A/S, Denmark

(sales, service); Halton System GmbH, Germany (sales, service); Halton System SA, France (sales, service); and Halton System B.V., The Netherlands (sales, service). By the end of 1997, activities in Sweden, Denmark and Germany were fully integrated with TOMRA subsidiaries through assets transactions. The company in The Netherlands was merged with TOMRA Systems B.V. Intangible assets of NOK 94.4 million were recorded in the following categories: patents of NOK 35.4 million, covenants not to compete (5 years) of NOK 4.2 million, use of trade name (5 years with the right for renewal) of NOK 2.8 million, technical know-how of NOK 14.2 million, and sales/service network know-how of NOK 37.8 million.

Halton System Inc.

With effect from 1 July 1997, TOMRA North America, Inc. acquired 100% of the shares in Halton System Inc., Maine, for USD 1.5 million (NOK 10.6 million). The purchase price equalled the market value of the company's assets.

Audit Report for 1997

To The Annual Shareholders' Meeting of TOMRA Systems ASA

We have audited the annual report and accounts of TOMRA Systems ASA for 1997, showing a profit for the year of NOK 95,936,096 for the parent company and a consolidated profit for the year of NOK 131,331,000. The annual report and accounts, which comprise the annual report, profit and loss account, balance sheet, cash flow statement, notes to the accounts and consolidated accounts are presented by the company's Board of Directors and its Chief Executive Officer.

Our responsibility is to examine the company's annual report and accounts, its accounting records and other related matter.

We have conducted our audit in accordance with relevant laws, regulations and generally accepted auditing standards. We have performed those audit procedures which we consider necessary to confirm that the annual report and accounts are free of material misstatements. We have examined selected parts of the evidence supporting the accounts and assessed the accounting principles applied, the estimates made by management, and the content and presentation of the annual report and accounts. To the extent required by generally accepted auditing standards we have reviewed the company's internal control and the management of its financial affairs.

The Board of Directors' proposal for the application of the profit is in accordance with the requirements of the Joint-Stock Companies Act.

In our opinion, the annual report and accounts have been prepared in accordance with the requirements of the Joint-Stock Companies Act and present fairly the financial position of the company and the Group as of 31 December 1997 and the result of its operations for the financial year, in accordance with generally accepted accounting principles.

Oslo, 27 February 1998
KPMG as

Henning Aass
State Authorized Public Accountant (Norway)
Sign.

(Translation from Norwegian)

Key Figures, 1993 - 1997

FIGURES IN NOK 1,000

	1997	1996	1995	1994	1993
PROFIT AND LOSS STATEMENT					
Sales	1,200,813	783,537	501,026	386,015	302,936
Production costs	640,724	364,165	217,815	188,383	156,561
Gross contributions	560,089	419,372	283,211	197,632	146,375
Operating expenses	194,762	169,690	136,963	108,317	88,777
Development projects 1)	66,765	43,655	30,236	25,370	21,781
Ordinary depreciation	92,496	53,725	31,706	16,822	13,395
Operating profit	206,066	152,302	84,306	47,123	22,422
Net financial items	8,093	3,167	4,256	5,060	359
Minority interests	5,979	2,067	-	-	-
Profit before taxes	191,994	147,068	80,050	42,063	22,063
Taxes	60,663	44,892	17,362	8,992	2,815
Profit after taxes	131,331	102,176	62,688	33,071	19,248
ASSETS					
Current assets					
Liquid assets	129,214	44,177	60,288	22,618	19,113
Accounts receivable	202,952	149,420	97,097	65,877	60,245
Inventory	176,553	140,704	109,156	85,917	55,217
Other current assets	64,219	36,569	26,134	13,030	11,787
Total current assets	572,938	370,869	292,675	187,442	146,362
Fixed assets 2)	835,803	513,138	313,219	189,124	100,190
Total assets	1,408,741	884,007	605,894	376,566	246,552
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank overdraft	-	6,487	3,741	12,556	31,276
Accounts payable	74,860	72,682	43,591	31,428	18,961
Other current liabilities	169,539	133,729	75,722	53,568	40,680
Total current liabilities	244,399	212,898	123,054	97,552	90,917
Long-term liabilities	72,754	140,497	83,863	65,722	16,263
Deferred taxes	50,448	26,493	3,624	3,916	755
Minority interests	14,568	4,052	-	-	-
Shareholders' equity					
Share capital	162,540	150,596	149,121	132,321	88,214
Reserves	864,032	349,471	246,232	77,055	50,403
Total shareholders' equity	1,026,572	500,067	395,353	209,376	138,617
Liabilities and equity	1,408,741	884,007	605,894	376,566	246,552

	1997	1996	1995	1994	1993
PROFITABILITY					
Operating margin 3)	17.2%	19.4%	16.8%	12.2%	7.4%
Profit ratio 4)	16.0%	18.8%	16.0%	10.9%	7.3%
Return on equity 5)	17.2%	22.8%	20.7%	18.5%	14.2%
Return on total assets 6)	18.9%	21.7%	17.7%	17.2%	12.4%
CAPITAL, 31 DEC.					
Shareholders' equity 7)	1,026,572	500,067	395,353	209,376	138,617
Equity ratio 8)	72.9%	56.8%	65.3%	55.6%	56.2%
Bankers ratio 9)	2.3	1.7	2.4	1.9	1.6
Acid test 10)	1.6	1.1	1.5	1.0	1.0
Debt service ratio 11)	-0.4	1.0	0.7	2.5	5.1
Working capital 12)	328,539	152,971	169,621	89,890	55,445
SHARES					
Share capital on 31 Dec.	162,540	150,596	149,121	132,321	88,214
Earnings per share (EPS) 13)	3.38	2.72	1.85	1.00	0.65
EPS, fully diluted 14)	3.32	2.70	1.80	0.98	0.64
Dividend per share	0.40	0.30	0.25	0.20	0.15
Share price, 31 Dec.	165.00	99.50	50.50	15.30	15.50
Market capitalization (NOK mill.)	6,705	3,746	1,883	506	513
Price/earnings ratio (P/E) 15)	48.8	36.6	27.4	15.3	23.9
Cash flow per share 16)	3.64	3.29	0.84	1.22	0.97
Price/cash flow ratio (P/CF) 17)	45.3	30.2	60.1	12.5	16.0
EMPLOYEES					
Total employees (average)	788	633	404	295	238
Sales per employee (NOK mill.)	1,524	1,238	1,240	1,309	1,273

Definition of key figures

- 1) Development projects include direct product development costs and a share of administrative expenses and depreciation.
- 2) Fixed assets include operating assets, goodwill, and long-term financial investments.
- 3) Operating profit as a % of operating revenues.
- 4) Profit before taxes as a % of operating revenues.
- 5) Profit after taxes as a % of average equity (as defined in footnote 7).
- 6) Profit before interest expenses as a % of average total assets.
- 7) Share capital and reserves.
- 8) Equity as defined in footnote 7 as a % of total assets.
- 9) Current assets divided by short-term liabilities.
- 10) Current assets excluding inventories divided by short-term operations.
- 11) Interest-bearing debt less liquid assets divided by net cash flow from operations.
- 12) Current assets less short-term liabilities.
- 13) Profit after tax divided by average number of shares (1997= 38,863,184).
- 14) Profit after tax divided by average number of shares incl. earned options (1997 = 39,529,368).
- 15) Stock price on 31 Dec. divided by earnings per share (see footnote 13).
- 16) Cash flow from operations divided by average number of shares.
- 17) Share price on 31 Dec. (see footnote 16).

TOMRA's shareholders policy has as its main goal to maximize the return to shareholders over time. This means, among other things, that we endeavor to provide our shareholders, and the financial markets in general, with information in as much detail and as frequently as possible. In our opinion, this contributes to raising the level of knowledge about the company so that its share price reflects the underlying values as well as future growth potential.

In its Articles of Association TOMRA has no limitations on the transferability of shares. Each share carries one vote at the company's general meeting. Foreign ownership stood at 69.3% at the end of 1997, down from 70.8% in 1996. 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. The TOMRA share price was NOK 165.00 (+66%) at the end of 1997, up from NOK 99.50 at the beginning of the year. The Oslo Stock Exchange All Share Index increased by 32% during the same period. The highest price quoted in 1997 was NOK 196.00 in November, while the lowest was NOK 99.50 in January.

The stock market capitalization of TOMRA at the end of 1997 was NOK 6,647 million compared with NOK 3,746 million at the beginning of the year. The volume of TOMRA shares traded during 1997 was 55.9 million. TOMRA Systems ASA and its subsidiaries do not own any TOMRA shares. The Board of Directors proposes a dividend of NOK 0.40 per share for 1997, up from NOK 0.30 in 1996 (+33%). The recommended dividend represents a distribution ratio of 12%.

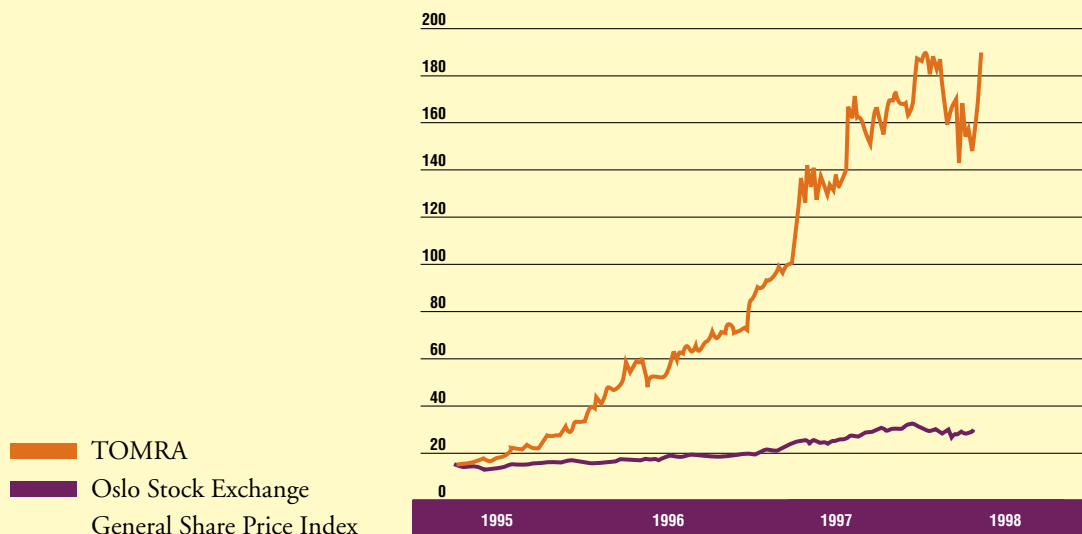
THE COMPANY'S LARGEST SHAREHOLDERS

Registered on 31 Dec. 1997	Total shares	Ownership
1. State Street Bank - Clients	4,489,430	11.14%
2. Chase Manhattan Bank - UK Clients	3,257,735	8.08%
3. Deutsche Bank AG - Clients	1,494,000	3.70%
4. Caisse des Depots et Consignations	1,328,000	3.29%
5. Morgan Guaranty Trust	1,303,847	3.23%
6. Kommunal Landspensjon	1,128,850	2.80%
7. Folketrygdfondet	1,056,650	2.62%
8. Goldman Sachs & Co. - Clients	943,829	2.34%
9. Morgan Stanley Trust	900,399	2.23%
10. Chase Manhattan Bank - US Clients	769,224	1.90%
11. Caisse Nationale de Agricole	662,000	1.64%
12. ABN Amro Global - Clients	633,376	1.57%
13. Gjensidige Livsforsikring Investeringsavd.	613,217	1.52%
14. Boston Safe Dep.	591,398	1.46%
15. Bank of Scotland Plc S/A - Clients	528,600	1.31%
16. Aim Global Aggressiv	486,000	1.20%
17. Brown Brothers Harriman SA	467,941	1.16%
18. Bayerische Vereinsbank - Clients	450,000	1.11%
19. Union Bank of Switzerland	413,250	1.02%
20. Skandinaviska Enskilda Foreign Securities	<u>408,975</u>	<u>1.01%</u>
Total	21,926,721	54.33%
Other shareholders	<u>18,358,279</u>	<u>45.67%</u>
Total (4,673 shareholders)	<u>40,285,000</u>	<u>100.00%</u>
Shares owned by Norwegian shareholders	12,128,073	29.85%
Shares owned by foreign shareholders	28,156,927	69.29%
Increase of share capital in December, not registered	<u>350,000</u>	<u>0.86%</u>
TOTAL	<u>40,635,000</u>	<u>100.00%</u>

SHARE PRICE DEVELOPEMENT ADJUSTED

FIGURES IN NOK 1,000		SHARE CAPITAL INCREASES				NOMINAL SHARE CAPITAL		
YEAR	TYPE OF ISSUE		PAID IN	SHARE CAPITAL	SHARE TOTAL	PAR VALUE	SHARES	CAPITAL ADJ. FACTOR
1985/Jan.	Stock exchange intro.				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

SHARE PRICE DEVELOPEMENT



**German investor:
TOMRA has not let us down**

“TOMRA is one of the few growth companies that has not disappointed us”, investor Klaus Martini of DWS Deutsche Gesellschaft f Wp relates.

“We are a significant owner of TOMRA, holding more than two percent of its shares. The company has produced good results both for us and for other investors”, says Martini, who from time to time is invited to different stock market news shows. Twice has recommended TOMRA as an interesting investment opportunity.

“The product that this Norwegian company delivers is special. It’s something that the world needs. Just look at the situation here”, Martini says referring to the multitude of regulations covering recycling of packaging that have been introduced in Germany. “In the US, several states are considering introducing systems that ensure returns of beverage packaging. TOMRA has a good product and is ahead of its competitors”, he points out.

Is TOMRA attractive because it is viewed as a 'green' stock?

“My main professional responsibility is to make money for DWS clients, thus I am not interested whether it is a green stock or not”, Martini replies, adding that he is less interested in the dividend policy of a company, as long as the stock appreciates in value. Another sensible aspect of TOMRA's policies according to Martini, is that the company doesn't ask shareholders for more money all the time. “We don't like share issues because that dilutes the company”, he says.

Turning to management's performance, Martini feels that TOMRA is a well-run and efficient company, with solid management that knows not to overstep its limits. “Personally, I am particularly pleased by the close contact with the company's financial management. It cares about its stockholders and keeps us informed”, he says.

“Some time ago, management was very open about describing a management problem at TOMRA”, Mr. Martini says referring to the time when the company reported they were insufficiently staffed with managers. “And when similarly negative news situations occurred, they have been followed up with explanations and concrete descriptions of what will be done to straighten things out”.

TOMRA's corporate values

So what does Klaus Martini associate with TOMRA's corporate values?

To him, integrity is particularly important, noting that other Norwegian companies could learn something about integrity from TOMRA. In one instance, Martini received a presentation by another Norwegian company on a Friday, only to find that the following Monday the same firm released a surprise profit warning.

On personal initiative, Martini says:

“TOMRA has a young and dynamic management. It is good at focusing on what has to be done. Innovation is the foundation of TOMRA's business. The company has a very interesting technology to build on”, says Martini.

TOMRA's claim to “fighting spirit” as a core corporate value makes less of an impression on this investor. To him, fighting spirit is best left to a small company; in larger organizations it's something that must be kept in check.

However, “When it comes to enthusiasm, TOMRA is an innovative company in a changing market. Its employees have obviously not become rigid in their thinking”, investor Martini of DWS Deutsche Gesellschaft f Wp concludes.

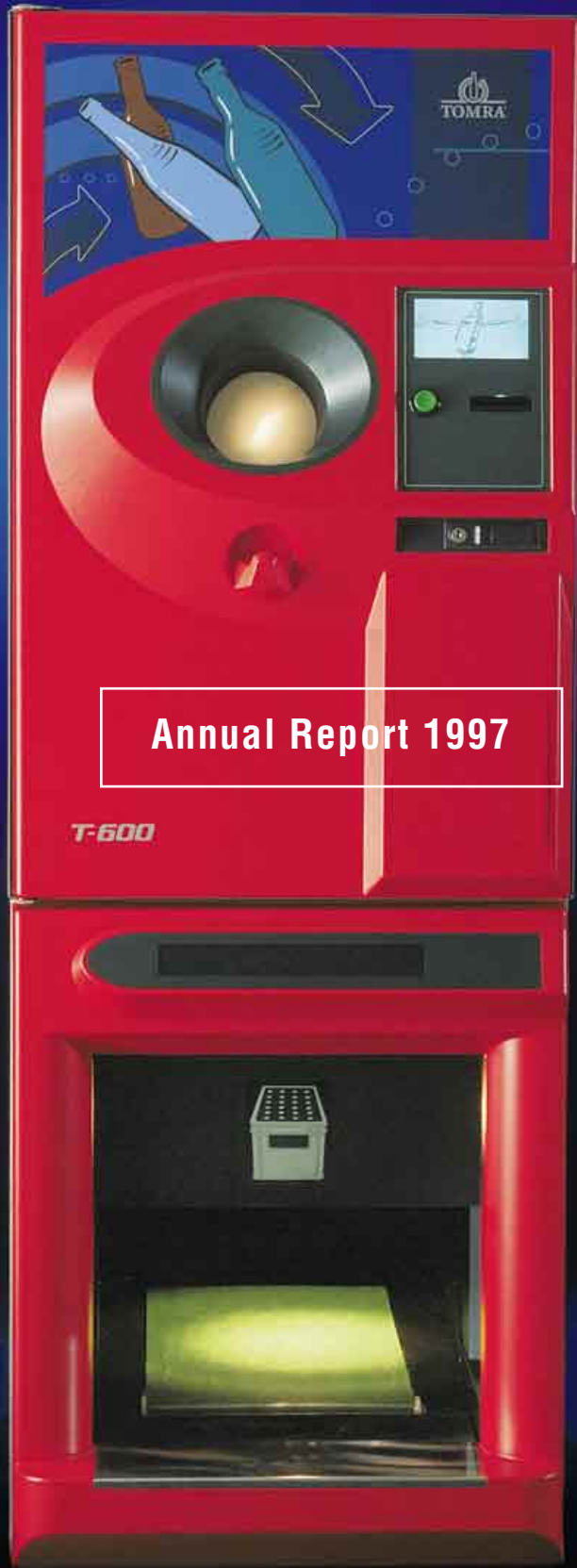


Klaus Martini
with CFO Helge Nerland



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Tomra

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