

CEO
REVIEW

PROFITS INTO PROGRESS

TOMRA's principal goal, beyond delivering strong value to our shareholders, is to be a source of trusted technology and partnership for the promotion of better business and a better environment.

In pursuing this goal our strategy is to create world-class sensor-based solutions for optimal resource productivity, which in turn underpins our ambition to contribute to a more sustainable world. We note that many political leaders are increasingly converging toward the drive for circular economy solutions, a new plastics economy, the reduction of food waste and more environmentally friendly societies. These developments fit perfectly with our strategy and business model surrounding our collection and sorting solutions for the food, recycling and mining industries.

Looking back over the year, I can say that 2016 was another progressive and successful year for TOMRA. At the outset of the year we knew it would be a real challenge to outperform the hugely successful results we achieved in 2015, including 29% organic topline growth and a 38% increase in EBITA. During the year the political upheavals in the UK and the US also added some uncertainty, as did certain economic factors such as oil prices remaining much lower than in recent history, putting pressure on the recycling market.

Despite these factors, I am very pleased to report that 2016 ended better than expected in all key financial parameters. We delivered all-time-high revenues of NOK 6,610 million, EBITA of NOK 1,119 million, cash flow from operations of NOK 1,015 million and eight percent growth in order intake within TOMRA Sorting Solutions.

COLLECTION SOLUTIONS HIGHLIGHTS
TOMRA maintained its strong position in all its established markets, and performed particularly well in Germany and

Sweden where we successfully captured cyclical opportunities for replacing old machines.

We made a number of advances in product development, including our new product segment Bulk Collection, the expansion of the TOMRA ReAct consumer engagement platform, and integrating our industry-leading TOMRA Flow Technology further across our reverse vending machine portfolio. A new deposit market came to life in Lithuania in February 2016, and after intense team efforts to install some 1,000 RVM solutions in a few months, we created a robust system and experienced excellent results.

Much work was also accomplished in advancing our presence in Asian markets, and preparing for our entry into New South Wales, Australia, which is set to become a new deposit market in 2017.

SORTING SOLUTIONS HIGHLIGHTS

In the Recycling business, we launched the new X-TRACT (which received the German Design Award Special 2017), and our new laser-induced breakdown spectroscopy (LIBS) technology, which enables greater utilization of scrap- and secondary aluminum. We also received an innovation award for the AUTOSORT FLAKE solution, landed the largest contract from a single customer (21 AUTOSORT machines), and launched our first thought leadership conference on current and future waste management issues, which was attended by industry professionals from around the world.

In the Mining business, more and more

diamond mining companies are now utilizing the TOMRA X-ray transmission (XRT) sorting technology. The result: Out of the 20 largest known stones recovered since 2010, nine of these have been sorted out by TOMRA equipment (45%). If measured just from 2015 onwards our equipment recovered nine out of 14 of the largest gemstones (64%). Successful installations were achieved in some extremely challenging environments, ranging from subarctic zones to deserts and high altitudes (up to 5,000m) and the testing was completed on the prototype sorting solution for the intelligent deep mine of the future (as part of the I2Mine Project).

The Food business instituted a new naming convention for its product line. In conjunction with this, two brand new products, TOMRA 5A and 5B sorters, were launched for advanced sorting of processed potato products and vegetables. TOMRA Sorting Food also successfully installed and further developed its Biometric Signature Identification (BSI) technology in different sorting solutions. This technology has been successfully deployed on over 100 TOMRA systems throughout the food processing industry.

Bolstering our service offering was another focus area for the Food business, and our efforts helped the after-sales service operations grow to new heights during the year. This business area now accounts for 24% of Food Sorting revenues.

We also completed a major addition to the Food business with the acquisition of Compac, a leading lane sorter based in Auckland, New Zealand (transfer date 31 January 2017). With this acquisition,

we have positioned TOMRA as the undisputed number one in the food sorting business and are now able to serve the growing food processing and packaging business with the widest range of technologies and the broadest geographical footprint.

ORGANIZATIONAL DEVELOPMENT

To operate more efficiently in an increasingly diverse and geographically distributed TOMRA and have high productivity levels from our most important resource, our employees, we placed an emphasis on nurturing our unique company culture at TOMRA. We need to create employee unity and understanding for improved business and sustainability, and therefore invested significant efforts in training, communicating and unifying our approximate 2,800 employees worldwide. Our aim is to provide an exciting, fulfilling, safe and meaningful workplace with room for development that makes all employees positive contributors to our vision of "Leading the Resource Revolution."

Our aim is to be a growing, profitable and leading company, for better business and a better environment. We are, since 2009, proud members of the UN Global Compact and the 2016 Annual Report contains our seventh consecutive Communication on Progress to the UN Global Compact, reviewing the activities we are focused on as part of our Corporate Responsibility Program. Details of our new CR program, which is linked to four of the UN Sustainable Development Goals (SDGs), can be found in the Corporate Responsibility section.

PRIORITIES FOR 2017

Going forward, we intend to continue bringing innovative sensor-based solutions for optimal resource productivity to the market. We will continue to focus our resources around the core elements of our business in collection and sorting solutions and strive to expand our leading position. We will launch projects to generate greater value for our customers by capitalizing on all data we collect and process from our solutions. We will also continue our efforts to expand our business into emerging markets, and will work closely with the Compac management team to deliver continuous growth and improved profitability of the Compac business.

We recognize that the more business solutions we develop and execute upon, the more new business opportunities will open up. We therefore need to remain resourceful and focused on our strategy, developing the core business, in order to continue delivering improved shareholder value, profitable growth, outstanding customer satisfaction and a great place to work for our employees.

S. Ranstrand

Stefan Ranstrand
President and CEO TOMRA Systems ASA





Global challenges such as climate change and a growing population also create opportunities for innovative companies that can respond to the challenge and provide innovative solutions. TOMRA strives to be part of the solution to the challenges of today and tomorrow by providing solutions for increased resource productivity.

The move towards a circular economy is of particular interest to TOMRA as many of its solutions enable the reuse of materials at a high utility level due to TOMRA's advanced recognition and sorting technologies.

The launch of the UN Global Goals for Sustainable Development (UN SDGs) at the end of 2015 provided an interesting background to the update of TOMRA's Corporate Responsibility Program. As communicated in last year's report, the first phase of the development process was completed in Q1 2016 and the framework for the 2016–2020 Corporate Responsibility program was presented to the Board of Directors at the April board meeting. The approved framework is shown on page 11.

During the first development phase, workshops and interviews were held with a variety of stakeholders to determine which areas were the most material for them.

The results highlighted two important

areas that TOMRA should focus on to support its vision of leading the resource revolution:

- the total impact of its products and services
- the contribution of its people

At the same time, the UN Sustainable Development Goals were reviewed to identify where TOMRA could make a meaningful contribution. Four goals were selected as being the most relevant for TOMRA. Goal 8 – Decent Work and Economic Growth, fits with TOMRA's focus on people, which includes its employees as well as people in its supply chain. The other three goals (SDG 9, 11 & 12) can all be linked to TOMRA's products and services.

The second phase identified and prioritized actions that support each of the four objectives. TOMRA is now in the middle of the third phase, which involves setting specific annual targets for each action and delegating responsibility throughout the company. The targets will be shared on TOMRA's website once they have been reviewed by Group Management and TOMRA's Corporate Responsibility Committee and the progress will be shown in the 2017 Annual Report.

At TOMRA, it is the role of the Board of Directors to ensure that the Group's corporate governance, environmental,

social and ethical practices are sufficient. The Corporate Responsibility Committee assists the Board by monitoring and reviewing TOMRA's practices and policies in this area.

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



TOMRA'S CR PROGRAM 2016-2020



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



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



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



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



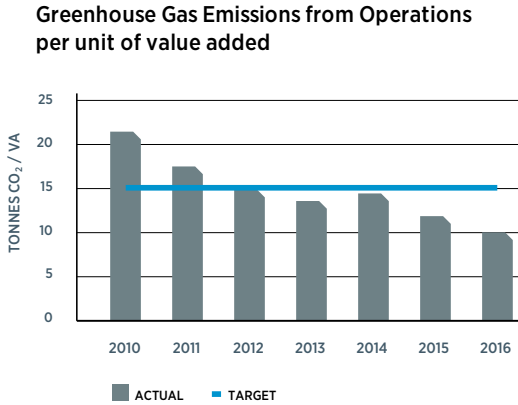
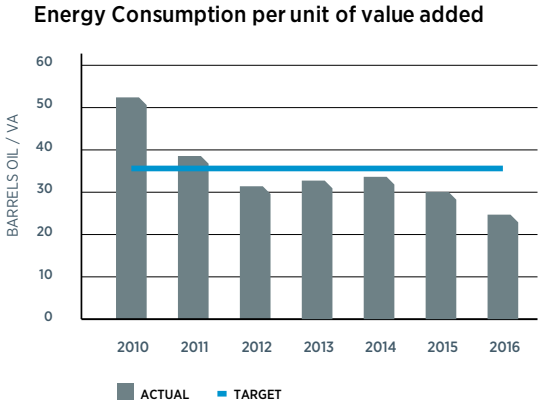
ENVIRONMENTAL
REVIEW

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

Business models that promote sustainable production and consumption are part of the move towards a circular economy, and TOMRA believes that it can make a meaningful contribution to this movement over time. It should be noted that three of the UN Sustainable Goals that TOMRA has chosen to focus on (SDG 9, 11 and 12) are closely linked to the development of a circular economy.

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

TOMRA's environmental performance in 2016 was mixed. Above average temperatures in the US led to an increase in emissions from electricity, while fuel consumption decreased due to ongoing initiatives. However, eco-intensity (a measure of emissions relative to activity), remained below target.



ENVIRONMENTAL
REVIEW
2016

1. CLIMATE CHANGE ACCOUNT

CARBON DIOXIDE EMISSIONS FROM OPERATIONS

TONNES CARBON DIOXIDE		2016	2015(a)
Emission from stationary sources (Scope 1)	(Scope 1)	1 400	1 900
Heating oil		0	0
Natural gas		1 100	1 300
Propane		300	600
Emission from purchased grid electricity (Scope 2)	(Scope 2)	6 300	3 400
Norway		0	0
Europe EU25		1 000	800
North America		5 000	2 400
Rest of World		300	200
Certified low-carbon or renewable		0	0
Emission from transportation		17 200	21 500
Petrol vehicles (Scope 1)	(Scope 1)	3 900	3 400
Diesel vehicles (Scope 1)	(Scope 1)	9 400	14 600
LPG vehicles (Scope 1)	(Scope 1)	1 700	1 700
Employee-owned vehicles (Scope 3)	(Scope 3)	100	100
Air travel (Scope 3)	(Scope 3)	2 100	1 700
Total direct emissions (tonnes CO2)		24 900	26 800
Emission from products during use-phase (Scope 3)	(Scope 3)	65 700	63 300
RVMs owned and operated by TOMRA and customers		60 000	58 000
Scanners owned by customers		5 700	5 300
Total direct and indirect emissions		91 000	90 000

AVOIDED CARBON DIOXIDE EMISSIONS THROUGH PRODUCT USE

TONNES CARBON DIOXIDE		2016	2015
Beverage container collection through RVMs and ARCs (1)		2 822 000	2 773 000
Plastic bottles		771 000	758 000
Glass bottles		526 000	517 000
Aluminium cans		1 490 000	1 464 000
Steel cans		35 000	34 000
Packaging material transport and handling (2)		806 000	848 000
Glass bottles		57 000	64 000
Aluminium cans		641 000	655 000
Plastic bottles, PET		103 000	124 000
Plastic bottles, HDPE		1 000	1 000
Cardboard and fiber		4 000	4 000
Material sorted for recycling from mixed sources (3)		23 543 000	22 423 000
Glass		106 000	101 000
Aluminium		4 756 000	4 529 000
PET		2 879 000	2 742 000
HDPE		504 000	480 000
Fiber		289 000	276 000
Non-ferrous metal		12 913 000	12 298 000
Other		2 096 000	1 997 000
Total emission avoidance		27 170 000	26 040 000
Net carbon dioxide emission/(avoidance)		(27 100 000)	(26 000 000)

2. ENERGY CONSUMPTION

ENERGY USED IN MANUFACTURING, SALES, SERVICE AND OPERATIONAL PROCESSES

BARRELS OIL EQUIVALENT		2016	2015(a)
Energy consumption, stationary sources (Scope 1)	(Scope 1)	300	400
Heating oil		0	0
Natural gas		200	200
Propane		100	200
Energy consumption, purchased grid electricity (Scope 2)	(Scope 2)	14 500	10 800
Norway		2 400	2 400
Europe EU25		2 200	2 100
North America		9 700	6 100
Rest of World		200	200
Energy consumption, transportation		45 400	55 700
Petrol vehicles (Scope 1)	(Scope 1)	10 600	9 300
Diesel vehicles (Scope 1)	(Scope 1)	22 000	34 300
LPG vehicles (Scope 1)	(Scope 1)	7 900	8 000
Employee-owned vehicles (Scope 3)	(Scope 3)	0	0
Air travel (Scope 3)	(Scope 3)	4 900	4 100
Total direct energy consumption		60 200	66 900
Energy consumption, products during use-phase (Scope 3)	(Scope 3)	78 600	75 900
RVMs owned and operated by TOMRA and customers		71 800	69 500
Scanners owned by customers		6 800	6 400
Total direct and indirect energy consumption		138 800	142 800

3. WASTE GENERATION

WASTE FROM MANUFACTURING, SALES, SERVICE AND OPERATIONS

TONNES WASTE		2016	2015
Waste generation		3 730	3 490
Paper		0	0
Cardboard		250	225
Plastics		720	700
Wood		120	125
Electric and electronic waste (incl. TOMRA products)		40	40
Expanded polystyrene		0	0
Metal scrap		300	300
Batteries		0	0
Hazardous waste		0	0
Unsorted		2 300	2 100

4. WATER CONSUMPTION

WATER USED BY MANUFACTURING, SALES, SERVICE AND OPERATIONS

CUBIC METRES WATER		2016	2015
Water consumed		15 900	15 700
Norway		2 500	2 500
Europe EU25		9 950	9 900
North America		3 200	3 100
Rest of World		250	200

Scope 1: All direct GHG emissions
Scope 2: Indirect GHG emissions from purchased electricity, heat or steam
Scope 3: Other indirect emissions from purchased goods or services

NOTES

(a) Some 2015 data has been changed for revised input from USA.

Emissions have been calculated using the GHGProtocol calculation tools (www.ghgprotocol.org), and 'Waste Management Options and Climate Change' (ec.europa.eu/environment/waste/studies/pdf/climate_change.pdf).

1. Beverage container collection through RVMs,

TOMRA Collection (Reverse Vending)

Calculated carbon dioxide savings based on the total number of beverage containers collected through TOMRA's over 75,000 RVM installations; more than 36 billion units annually. All glass beverage containers are assumed to be non-refillable, giving significantly lower assumed weight. Split between packaging types is based on beverage consumption data and TOMRA estimates.

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

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

Carbon dioxide saving based on the tonnage of beverage container material transported and handled by TOMRA in USA. The full benefit of

collecting and recycling beverage containers into new material, as opposed to landfill, is included in the calculation, meaning that some of the saving is also included under "Beverage container collection through RVMs."

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

Estimated material throughput in TSS Recycling

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

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

and assumptions used in calculating carbon dioxide avoidance are available upon request.

SOCIAL AND
ETHICAL
REVIEW

RESPONSIBLE BUSINESS

TOMRA is committed to doing business ethically and operates with zero-tolerance for corruption. TOMRA respects internationally recognized human rights principles and does not accept any form of discrimination or harassment.

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

Information on company policies is also regularly included in internal company presentations. In addition, further information sessions and/or in-depth workshops are held throughout the year. Awareness of and compliance with TOMRA's policies is monitored as part of internal audit and the non-financial reporting process. This is part of ensuring that the TOMRA team promotes the core values by acting responsibly at all times.

TOMRA's Code of Conduct details how employees can raise concerns or report violations of TOMRA's policies. Some of these channels, including ethics@tomra.com, are also available externally and it is possible to remain anonymous.

TOMRA PEOPLE

TOMRA aims to be an attractive employer and promotes equal employment opportunity. As a result, TOMRA has launched several initiatives over recent years to improve employee satisfaction and provide new challenges and op-

portunities for those who are looking to develop their abilities in a range of areas. In the last employee survey, over 75% of employees reported that they were satisfied overall with working at TOMRA.

TOMRA recognizes that having a diverse workforce leads to better understanding of the global market and, therefore, improved performance over time. This led TOMRA to adjust its recruitment policy to promote the recruitment of women and minorities to achieve a more balanced workforce.

The increase in reportable injuries is partly due to a higher activity level. However, TOMRA will look at the local causes to identify additional actions to prevent future occurrences.

The continuation of this work is part of the reason that TOMRA has chosen to link part of its Corporate Responsibility Program to UN SDG 8 – Decent Work and Economic Growth.

TOMRA CULTURE

TOMRA's Culture House was developed and launched in 2015. During 2016, the Culture House has been introduced throughout the organization with a range of local events, including workshops and town hall meetings, and at the end of the year, a quiz was sent to all employees to assess the implementation status.

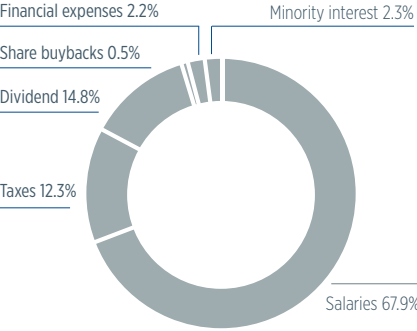
The program will continue into 2017, as culture is created over time, and will also cover the integration of Compac into the TOMRA family.

ECONOMIC IMPACT

TOMRA reports the value distributed to

different stakeholder groups as a means of measuring the impact of its activities. These stakeholders include employees, shareholders and society in general. In 2016 TOMRA created added value of over NOK 2,400 million, an increase of around 10% compared to 2015. This was distributed to stakeholders as shown in the chart below.

VALUE DISTRIBUTED 2016



		2016	2015	2014
IMPACT ON PEOPLE WITHIN TOMRA GROUP				
Number of employees	(#)	2,770	2,622	2,448
Female employees	(%)	18	16	18
Female managers	(%)	22	20	18
Reportable injuries	(#)	104	95	74
- per 100 FTE	(#)	3.9	3.8	3.1