



## **FIRST QUARTER 2006**

### **Highlights from first quarter 2006 include:**

- Strong performance in all business areas
- Revenues of 822 MNOK (+63 percent relative to 504 MNOK in first quarter 2005)
- Operating profit of 123 MNOK (5 MNOK in first quarter 2005)
- Cash flow from operations of 36 MNOK (1 MNOK in first quarter 2005)
- TOMRA's Board of Directors has decided to appeal the EU Commission's decision

## TOMRA FIRST QUARTER 2006

### CONSOLIDATED FINANCIALS

Revenues in first quarter 2006 amounted to 822 MNOK, up 63 percent from 504 MNOK in first quarter last year. Currency fluctuations had minor impact on revenues.

Gross margin equaled 38.1 percent in first quarter 2006, which is up from 36.7 percent in first quarter 2005. Operating profit equaled 123 MNOK versus 5 MNOK in first quarter last year. The increase is a result of improved performance in all business areas.

Cash flow from operations in the quarter equaled 36 MNOK, and the total cash balance at the end of the quarter was 370 MNOK. The equity ratio remained strong at 68 percent.

All figures have been stated for continued operations according to IFRS. Thus, revenues from TOMRA's Brazilian operations in 2005 have been excluded. Profit from these operations is reported under "profit on discontinued operations".

### SEGMENT REPORTING

In 2004 TOMRA introduced a new segment reporting format. Some of the segments will be renamed to better reflect the content of each segment. There will be no changes as to how revenues and costs are allocated. Below follows the new segment names and a short description of the segments.

- **Collection Technology (previously RVM Technology)** consists of the sale, lease and servicing of consumer-oriented solutions for collecting and processing used packaging. The current main product line is the Reverse Vending Machine (RVM) for collecting used beverage containers in deposit markets. This segment will in the future also include solutions sold in non-deposit markets.
- **Materials Handling (previously Collection & Materials Handling)** consists of pick-up, transportation and processing of used beverage containers in North America, as well as the collection of deposit containers from consumers in California through a network of collection centers.

- **Industrial Processing Technology (previously Recycling Technology)** consists of the sale and servicing of industrial solutions for processing and recycling industrial and household waste. The current two main product lines are the optical recognition and sorting equipment from TiTech and the compaction solutions from the Orwak Group.
- **Development initiatives (previously Other non-deposit activities)** reflect TOMRA's spending on future growth vehicles. This includes general business development (organic and M&A) and support activities including pilots and start-up of operations. The projects in UK and Japan are examples of such initiatives.

### Collection Technology

Revenues in Collection Technology equaled 503 MNOK in first quarter 2006, an increase of 101 percent versus last year. Gross margin equaled 44 percent, down from 49 percent last year. Operating profit increased to 116 MNOK in first quarter 2006 from 31 MNOK in 2005. Strong performance in Germany, Holland and the US was the main reason for the improvements.

<i>Figures in NOK million</i>	<b>1q06</b>	<b>1q05</b>
Revenue	503	250
- Nordic	95	85
- Central Europe	314	84
- Rest of Europe	-	-
- US East & Canada	94	81
Gross contribution	222	123
- in %	44%	49%
Operating expenses	106	92
Operating profit	116	31
- in %	23%	12%

### Europe

Revenues in Europe equaled 409 MNOK in first quarter 2006, up 142 percent versus first quarter 2005. Adjusted for currency fluctuations, revenues increased by 149 percent.

In Germany, TOMRA has so far received orders for approximately 9,400 RVMs as a consequence of the introduction of a nationwide deposit system for non-refillable beverage containers from 1 May 2006. Almost 5,400 of these RVMs were ordered during first quarter 2006. In the same period, TOMRA installed 1,300 new machines and upgraded 700 existing machines. TOMRA currently has a market share in excess of 60 percent of the total order volume in Germany that

has been announced. The company is therefore well on track to achieve its goal of 50-70 percent market share. More orders are expected during the next two years, and TOMRA remains confident that the total demand for RVMs will be in the 30,000-40,000 range. Production and installation are according to plans, and TOMRA has sufficient flexibility to meet future demand.

In Holland, sales are up versus last year due to upgrades of already installed equipment. Holland introduced deposit on large non-refillable containers from 1 January 2006. As a consequence, TOMRA is able to upgrade old RVMs for refillable containers to also handle non-refillable containers and install new backroom solutions.

Revenues from the Nordic region increased by 12 percent compared to last year. The replacement campaign aiming at replacing up to 6,000 RVMs that are older than 7 years has been launched, but it is too early to conclude on success level.

The UNO, which is a low-cost RVM intended for handling of empty beverage containers in small stores, has been well received by customers. TOMRA is currently testing the UNO with more than 20 potential "volume" customers in the Nordic countries, Germany and Estonia. More than 400 UNOs were sold during first quarter 2006.

#### US East & Canada

Revenues in US East and Canada equaled 14.0 MUSD in first quarter 2006, up 9 percent from first quarter 2005. Measured in NOK, revenues increased by 16 percent to 94 million.

TOMRA installed approximately 350 machines in first quarter 2006, up from 250 in the prior year. The increase in installments was driven by among other the replacement contract announced in January this year. TOMRA received a contract worth approximately 70 MNOK from a Michigan based retailer. Many machines have been installed ahead of schedule.

#### **Materials Handling**

Revenues within Materials Handling in first quarter 2006 increased by 9 percent to 32.6 MUSD. Measured in NOK, revenues increased by 17 percent to 218 million. Both the gross margin and the operating profit improved versus the prior year. This is despite the increase in operating expenses, which is of a one-off nature.

<i>Figures in NOK million</i>	<u>1q06</u>	<u>1q05</u>
Revenue	218	187
- US East & Canada	114	101
- US West	104	86
Gross contribution	43	34
- in %	20%	18%
Operating expenses	29	26
Operating profit	14	8
- in %	7%	4%

In the US East and Canada, revenues increased by 5 percent to 17.0 MUSD in the first quarter 2006. Growth was driven by a 2 percent increase in number of containers handled.

The Californian operations experienced a revenue increase of 14 percent to 15.6 MUSD in first quarter due to growth in container volumes, more collection sites and favorable commodity pricing. TOMRA continues to explore different ways to further strengthen the business model.

#### **Industrial Processing Technology**

Traditionally, the first quarter in this segment is weak. However, based on a strong order backlog entering 2006 and a continued strong order inflow in first quarter, performance improved considerably compared to last year. Revenues equaled 100 MNOK, up 52 percent versus first quarter 2005. Last year's operating loss of 9 MNOK changed to a profit of 13 MNOK.

<i>Figures in NOK million</i>	<u>1q06</u>	<u>1q05</u>
Revenue	100	66
- Nordic	9	14
- Central Europe & UK	56	39
- Rest of Europe	11	4
- US East & Canada	7	3
- Rest of World	17	6
Gross contribution	48	28
- in %	49%	43%
Operating expenses	35	37
Operating profit	13	(9)
- in %	13%	-

#### TiTech Visionsort

The demand for TiTech equipment is currently very strong. This is driven by favorable regulatory environment, increased acceptance for optical sorting solutions and increased sales resources. Whereas Germany has been, and still is, an important market for TiTech, the company has so far this year also experienced strong sales in markets like Spain, Italy and Japan.

### Orwak Group

The Orwak Group had a very weak first quarter in 2005. This year performance has improved considerably. A main reason for this is the cost reduction program that was implemented last year. In terms of the run-rate for the four last quarters, both sales and profitability are now at a satisfactory level.

### **Development initiatives**

Revenues from this segment during first quarter 2006 amounted to 1 MNOK. Overall costs related to development activities are at the same level as last year.

<i>Figures in NOK million</i>	<u>1q06</u>	<u>1q05</u>
Revenue	1	1
- <i>Rest of World</i>	1	1
Gross contribution	0	0
- <i>in %</i>	0	0
Operating expenses	16	16
Operating profit	(16)	(16)

### TRC pilot in the UK

The initial TRC (Tomra Recycling Center) pilot program with TESCO in the UK ended on 28 February 2006. The business model works according to expectations, and TESCO is evaluating an expansion of the TRC program. In the fourth quarter 2005 presentation, TOMRA stated that a decision was expected during the first quarter this year. However, no formal contract has yet been signed. Discussions continue, and consequently decisions on future spending are pending.

### Japan

TOMRA installed 10 RVMs in Japan in first quarter 2006. Discussions with wards in Tokyo for further installations in 2006 are ongoing. Adachi Ward has through press media announced its intentions to start up a new system for collection and recycling of PET bottles in 2006 as a complement to the existing curbside system. The planned system will use RVMs to be installed at a number of supermarkets and other commercial/retail locations.

TOMRA is currently negotiating a partnership agreement with Sumitomo Corporation. Although the exact timing of a signed agreement is difficult to predict, the discussions are positive and progressing well.

## **OTHER EVENTS**

On 29 March 2006, the EU Commission concluded that TOMRA in the period 1998 to 2002 foreclosed competition on the RVM market in Austria, Germany, the Netherlands, Norway and Sweden by implementing an exclusionary strategy. The Commission has therefore decided to fine TOMRA EUR 24 million.

TOMRA received the conditions for the Commission's decision on 6 April 2006. From this date, TOMRA has two months to appeal the decision to the European Court of First Instance. In a Board meeting on 19 April 2006, TOMRA's Board of Directors decided to appeal the decision.

## **SHARES AND SHAREHOLDERS**

The total number of shares outstanding at the end of first quarter 2005 was 178,486,559 shares, including 4,844,695 treasury shares held by TOMRA. The total number of shareholders decreased from 15,003 at the end of 2005 to 13,791 at the end of first quarter 2006. 58.7 percent of TOMRA's shareholders at the end of first quarter 2006 were Norwegian residents.

TOMRA's share price increased from NOK 48.30 to NOK 52.50 during first quarter 2006. The number of shares traded at the Oslo Stock Exchange in first quarter 2006 was 166 million shares compared to 145 million in first quarter 2005.

Asker, 19 April 2006

The Board of Directors  
TOMRA SYSTEMS ASA

Jan Chr. Opsahl  
Chairman of the Board

Amund Skarholt  
President & CEO

## FINANCIAL STATEMENT – FIRST QUARTER 2006

<b>INCOME STATEMENT</b> <i>(Figures in NOK million)</i>	<b>1<sup>st</sup> Quarter</b>		<b>Full year 2005</b>
	<b>2006</b>	<b>2005</b>	
Operating revenues	822.4	503.8	2413.1
Cost of goods sold	488.3	303.0	1433.9
Depreciations/write-down	20.9	15.8	68.5
<i>Gross contribution</i>	<i>313.2</i>	<i>185.0</i>	<i>910.7</i>
Operating expenses	168.6	161.2	673.5
Depreciations/write-down	21.2	19.1	104.2
<i>Operating profit before other items</i>	<i>123.4</i>	<i>4.7</i>	<i>133.0</i>
Fine EU-Commission	0.0	0.0	0.0
<i>Operating profit</i>	<i>123.4</i>	<i>4.7</i>	<i>133.0</i>
Net financial income	2.0	3.8	14.5
<i>Profit before tax</i>	<i>125.4</i>	<i>8.5</i>	<i>147.5</i>
Taxes	41.4	3.1	55.2
<i>Net profit continued operations</i>	<i>84.0</i>	<i>5.4</i>	<i>92.3</i>
Profit/(loss) on discontinued operations	0.0	3.5	<b>(70.4)</b>
<i>Net profit for the period</i>	<i>84.0</i>	<i>8.9</i>	<i>21.9</i>
Minority interest	<b>(1.7)</b>	<b>(1.4)</b>	<b>(13.6)</b>
<i>Earnings per share (NOK)</i>	<i>0.47</i>	<i>0.04</i>	<i>0.05</i>

<b>BALANCE SHEET</b> <i>(Figures in NOK million)</i>	<b>31 March</b>		<b>31 December 2005</b>
	<b>2006</b>	<b>2005</b>	
<b>ASSETS</b>			
Intangible assets	688.1	869.1	683.3
Leasing equipment	138.9	143.9	154.0
Other fixed assets	657.7	628.3	659.2
Inventory	398.9	352.3	334.1
Short-term receivables	833.3	610.5	671.6
Cash and cash equivalents	370.1	766.1	491.4
<b>TOTAL ASSETS</b>	<b>3087.0</b>	<b>3370.2</b>	<b>2993.6</b>
<b>LIABILITIES &amp; EQUITY</b>			
Paid-in capital	1592.0	1596.8	1592.3
Retained earnings	513.4	1070.6	573.6
Minority interests	76.9	70.3	75.2
Deferred taxes	19.6	10.7	18.0
Long-term interest-bearing liabilities	22.6	59.8	27.8
Short-term interest-bearing liabilities	22.1	3.3	33.5
Other liabilities	840.4	558.7	673.2
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3087.0</b>	<b>3370.2</b>	<b>2993.6</b>

<b>CASH FLOW STATEMENT</b> <i>(Figures in NOK million)</i>	<b>1<sup>st</sup> Quarter</b>		<b>Full year 2005</b>
	<b>2006</b>	<b>2005</b>	
Profit before taxes	125.4	8.5	147.5
Changes in working capital	<b>(80.9)</b>	<b>(49.4)</b>	<b>(51.4)</b>
Other operating changes	<b>(8.5)</b>	42.3	146.4
Total cash flow from operations	36.0	1.4	242.5
Total cash flow from investments	<b>(25.9)</b>	<b>(211.7)</b>	<b>(176.5)</b>
Total cash flow from financing	<b>(125.4)</b>	<b>(9.3)</b>	<b>(566.1)</b>
<i>Total cash flow for period</i>	<i><b>(115.3)</b></i>	<i><b>(219.6)</b></i>	<i><b>(500.1)</b></i>
Exchange rate effect on cash	<b>(6.0)</b>	2.7	8.5
Opening cash balance	491.4	983.0	983.0
Closing cash balance	370.1	766.1	491.4

**FINANCIAL STATEMENT – FIRST QUARTER 2006**  
**(Continued)**

<b>EQUITY</b> <i>(Figures in NOK million)</i>	<b>Accumulated 31 March</b>		<b>Full Year</b>
	<b>2006</b>	<b>2005</b>	<b>2005</b>
Opening balance	2165.9	2596.3	2563.8
Net profit	82.3	7.5	8.3
Translation difference	(38.5)	58.2	118.5
Equity settled transactions	(93.8)	5.4	25.5
Other equity adjustments	9.8	0.0	(17.8)
Dividend paid	0.0	0.0	(321.3)
Net purchase of own shares	(20.3)	0.0	(211.1)
Closing balance	2105.4	2667.4	2165.9

<b>INTERIM RESULTS</b> <i>(Figures in NOK million)</i>	<b>1<sup>st</sup> Quarter</b>	<b>4th Quarter</b>	<b>3rd Quarter</b>	<b>2nd Quarter</b>	<b>1<sup>st</sup> Quarter</b>
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
Operating revenues (MNOK)	822.4	675.1	641.6	592.8	503.8
EBITDA (MNOK)	165.5	126.4	104.9	34.8	39.6
Operating profit (MNOK)	123.4	78.7	71.1	(21.5)	4.7
Sales growth (year-on-year) (%)	63.2	20.1	13.4	16.9	(0.8)
Gross margin (%)	38.1	37.7	39.2	37.1	36.7
Operating margin (%)	15.0	11.7	11.1	(3.6)	0.9
EPS (NOK)	0.47	0.31	0.25	(0.55)	0.04
EPS (NOK) fully diluted	0.47	0.31	0.25	(0.55)	0.04

**NOTES:**

The 2006 and 2005 financial figures have been prepared and presented based upon International Financial Reporting Standards (IFRS). This quarterly report has been prepared in accordance with IAS34, and in accordance with the principles used in the annual accounts for 2005.

Revenue recognition: Revenues from sales and sales-type leases of the company's products are generally recognized at the time of installation. Revenues from service contracts and operating leases of the company's products are recognized over the duration of the related agreements. Other service revenues are recognized when services are provided.

Use of financial instruments: The Group has during first quarter 2006 sold 75 MEUR against NOK at an exchange rate of 8.11. This has been done in order to secure the EURO-nominated income from parts of two firm contracts in Germany. The EURO has been sold on forward contracts where 14 percent expires in 1Q06, 26 percent expires in 2Q06, 35 percent expires in 3Q06 and 25 percent expires in 4Q06. In accordance with IAS39, the effect will be that the secured part of the revenues from these contracts will be reflected at 8.11. The Group does not apply hedge accounting on any other contracts or predicted cash flows.

Seasonality: Materials Handling operations, and to some extent the US RVM operations, have some seasonality. The seasonality mirrors the beverage consumption pattern in the US, which normally is higher during the summer (2Q and 3Q) than during the winter (1Q and 4Q).

IFRS2: 3 March 2006, the TOMRA Board redeemed 4,040,776 management and employee-options. The gain, equal to NOK 93.8 million, was paid out in cash. The amount has been charged to equity, as the options are accounted for in accordance with IFRS2 where the calculated market value for the options is expensed over the vesting period.

Segment reporting: TOMRA has divided its primary reporting format into four business segments: Collection Technology, Materials Handling, Industrial Processing Technology and Development Activities. In addition, the corporate overhead costs are reported in a separate column. The split is based upon the risk- and return profile of the Group's different activities; also taking into consideration TOMRA's internal reporting structure.

- Collection Technology consists of the sale, lease and servicing of RVMs to retail stores in Europe and North America, plus related data management systems, which monitor container collection volumes and related cash flow.
- Materials Handling consists of pick-up, transportation and processing of empty beverage containers on behalf of beverage producers/fillers on the US East Coast and in Canada. In addition, this segment includes the collection activities in California, where TOMRA owns and operates a number of collection centers outside retail stores.
- Industrial Processing Technology consists of TiTech Visionsort, which provides optical sorting systems, and Orwak Group, a leading provider of compaction solutions for recyclables such as cardboard, paper and plastics.
- Development Initiatives consist of general business development activities and projects in Japan and UK. The segment includes the activities related to the development of the Tomra Recycling Center (TRC), a fully automated low cost recycling center for non-deposit markets.
- Group Functions consist of costs related to corporate functions at TOMRA's headquarters.

Discontinued operations comprise TOMRA's Brazilian operations, which were sold in August 2005. The result from discontinued operations is presented in a separate line in the Profit and Loss statement. Assets and liabilities are distributed on the different business segments, except for cash, interest-bearing debt and tax-positions, which are allocated to Group functions. There are no material segment revenues from transactions with other segments.

## APPENDIX: SEGMENT FINANCIALS

SEGMENT <i>(Figures in NOK millions)</i>	Collection Technology		Materials Handling		Industrial Processing Technology		Development Initiatives		Group Functions		Total	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter		1st Quarter		1st Quarter	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenues	503	250	218	187	100	66	1	1	-	-	822	504
- <i>Nordic</i>	95	85	-	-	9	14	-	-	-	-	104	99
- <i>Central Europe &amp; UK</i>	314	84	-	-	56	39	-	-	-	-	370	123
- <i>Rest of Europe</i>	-	-	-	-	11	4	-	-	-	-	11	4
- <i>US East &amp; Canada</i>	94	81	114	101	7	3	-	-	-	-	215	185
- <i>US West</i>	-	-	104	86	-	-	-	-	-	-	104	86
- <i>Rest of World</i>	-	-	-	-	17	6	1	1	-	-	18	7
Gross contribution	222	123	43	34	48	28	0	0	-	-	313	185
- <i>in %</i>	44%	49%	20%	18%	49%	43%	-	-	-	-	38%	37%
Operating profit	116	31	14	8	13	(9)	(16)	(16)	(4)	(9)	123	5
- <i>in %</i>	23%	12%	7%	4%	13%	-	-	-	-	-	15%	1%
Assets	1417	1175	674	615	507	460	5	244	484	876	3087	3370
Liabilities	628	343	80	99	74	61	2	39	121	90	1097	632