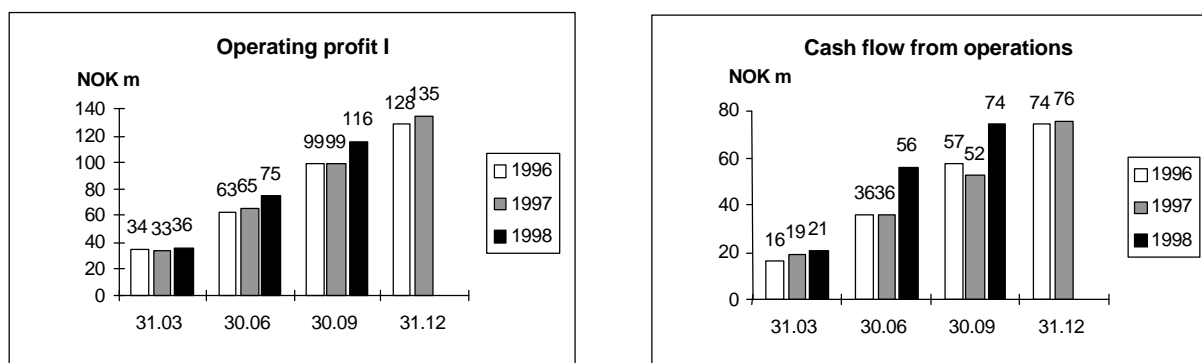


AVANTOR GROUP - THIRD QUARTER 1998

The company's healthy performance during the first half of 1998 continued throughout the third quarter: operating profit I totalled NOK 116 million (98.7), operating profit II NOK 120.7 million (103.8) and profit before tax NOK 27.1 million (20.2).



Cash flow from operations for the first nine months of the year totalled NOK 74.1 million (52.2) and the company's operating costs as a percentage of rental income improved again to 16.1 % (16.6).

During the first nine months of the year leases for a total of 39,000 m² were renegotiated and signed. The rental level of the company's property increased from NOK 244 million on 1 January to NOK 264.2 million on 1 October. Vacancy fell once again during the third quarter and has now reached 2.3 %. Average lease length has increased to 6.8 years.

Income and profit

Total rental income at the end of the third quarter was NOK 183.5 million, against NOK 162.8 million at the same time last year. This increase was attributable to the completion of Gullhaugveien 9-13 and the first phase of Nydalsveien 28.

Operating profit I was NOK 116 million, compared with NOK 98.7 million at the end of the third quarter in 1997.

Renovation costs of NOK 25.7 million were charged against profit for the renovation of Nydalsveien 28 and Nydalsveien 26, compared with NOK 1.6 million in 1997.

The company did not sell any properties during the third quarter. During the first half of the year the company sold Lillogaten 5 for NOK 59 million and Østre Aker vei 206 for NOK 30.4 million. Capital gains on the two sales amounted to NOK 30.4 million.

Net interest payable rose from NOK 83.6 million in 1997 to NOK 93.6 million. A total of NOK 13.8 million in construction finance costs was charged against profit during the first nine months of the year. Construction finance costs was capitalised at NOK 5.1 million during the same period in 1997. Interest-rate hedging for the company's loan portfolio also resulted in an increase in net interest payable compared with last year.

Profit before tax for the third quarter totalled NOK 27.1 million, compared with NOK 20.2 million last year. Cash flow from operations during the third quarter amounted to NOK 74.1 million, against NOK 52.2 million in the third quarter of 1997.

Condensed consolidated profit and loss account

<i>(NOK million)</i>	30.9.98	30.9.97	31.12.97
<i>Rental income</i>	183.5	162.8	220.7
Property operating costs	14.8	13.4	18.2
Administration costs	14.8	13.6	18.1
Bad debts	0.0	0.0	0.1
<i>Total operating costs</i>	29.6	27.0	36.4
Depreciation	37.9	37.1	48.9
<i>Operating profit I</i>	116.0	98.7	135.3
Capital gains	30.4	6.7	12.7
Renovation costs	-25.7	-1.6	-25.4
<i>Operating profit II</i>	120.7	103.8	122.6
Net interest payable	-93.6	-83.6	-114.1
<i>Profit before tax</i>	27.1	20.2	8.4

Condensed consolidated balance sheet

<i>(NOK million)</i>	30.9.98	30.9.97	31.12.97
Current assets	124.3	126.7	102.0
Property and land	2,367.6	2,241.3	2,286.5
Other fixed assets	285.2	289.3	290.1
<i>Total assets</i>	2,777.1	2,657.3	2,678.6
Current interest-free liabilities	67.0	118.5	98.2
Current interest-bearing liabilities	0.0	92.5	85.3
<i>Total current liabilities</i>	67.0	211.0	183.5
Long-term interest-free liabilities	145.3	145.1	145.5
Long-term interest-bearing liabilities	1,858.4	1,887.1	1,951.2
<i>Total long-term liabilities</i>	2,003.7	2,032.2	2,096.7
<i>Equity</i>	706.4	414.1	398.4
<i>Total equity and liabilities</i>	2,777.1	2,657.3	2,678.6

Key ratios

	30.9.98	30.9.97	31.12.97
Equity/assets ratio (%)	25.4	15.6	14.9
Cash flow from operations (NOK million)	74.1	52.2	70.1
Operating costs/rental income (%)	16.1	16.6	16.4
Occupancy (%)	97.7	97.4	97.2
Average fixed interest term (years)	4.4	-	2.5
Average borrowing rate (%)	6.9	-	6.3

Balance sheet and key ratios

New developments pushed the company's total assets up from NOK 2,657.3 million on 30 September 1997 to NOK 2,777.1 million on the same date this year.

Book equity totalled NOK 706.4 million, against NOK 414.1 million at the same time last year. This increase was due primarily to the rights issue which increased equity by around NOK 185 million net, and the conversion of a debenture loan by August 1998. The equity/assets ratio increased from 15.6 % at the end of the third quarter in 1997 to 25.4 % at the end of the third quarter this year.

Long-term interest-bearing liabilities totalled NOK 1,858.4 million, against NOK 1,887.1 million at the end of the first nine months of 1997. In addition to mortgage loans, this item includes NOK 82.1 million in building loans with conversion rights.

Vacancy by rental value now stands at 2.3 %, compared with 2.8 % at the beginning of 1998. Operating costs as a percentage of rental income were 16.1 %, against 16.6 % at the same time last year and 16.4 % for 1997 as a whole.

Financing

The third quarter saw the company taking out a mortgage loan of NOK 330 million to finance Gullhaugveien 9-13. NOK 260 million of this amount has been used to pay off a building loan. The company's mortgage loan portfolio has been restructured and is now interest-only for the next two years.

Avantor is paying interest at an average rate of 6.9 %, compared with 6.3 % at the beginning of 1998, an increase that is due to the hedging of the company's loan portfolio. NOK 475 million has been swapped from variable rates to NOK 125 million on 7-years fixed rate and NOK 350 million on 10-years fixed rate. Avantor had no exposure to variable interest rates at the end of the third quarter. However, current and planned construction projects will result in greater exposure to variable rates when the company takes out building loans.

5 % of the portfolio is to be renegotiated in 1999 and 19 % in the year 2000. The average fixed interest term for the portfolio is 4.4 years.

The market and competition

The Nydalen rental market remained buoyant in the third quarter. The turmoil on the world's financial markets during the autumn resulted in market rates levelling off in the most expensive segments. However, since existing contracts that are up for renegotiation are based on rental levels which are lower than current market rates, there is upside in these contracts.

Property development

Avantor's new construction projects are facing less competition from other projects. Furthermore, there are fewer major clients in the market as a whole. While major clients with concrete plans to move are expected to go ahead with such plans, companies which are considering new premises are expected to take longer to make their decisions.

Letting the planned new building of around 20,000 m² at Gullhaug Torg 4 has been given high priority and Avantor expects to sign contracts for much of the building so that construction work can still get underway in 1999.

As construction costs are currently levelling off, we consider it realistic to expect costs to fall slightly in 1999.

Property operation

Operating costs as a percentage of rental income fell from 16.6 % at the end of the third quarter last year to 16.1 % at the same time this year. The company expects this figure to hold at around 16 % in the future as the full impact of low operating costs for its new buildings filters through.

Post balance sheet events

Posten SDS has signed a lease for the second phase of Nydalsveien 28. Building work began in November and the client will move in during September 1999. This contract means that the value of leases for the property has increased from NOK 20.5 million to NOK 31.7 million and the average term of leases has increased to 14 years from the client moving in during the second phase.

October saw Avantor selling Jåttåflaten 10, Hinna in Stavanger for NOK 12.5 million. This sale covered the building and lease for land of around 15,000 m² and will result in a capital gain of NOK 11 million. Following the sale, Avantor still has a lease for land of around 41,000 m² for development in the area.

New leases for Gullhaugveien 9-13 were signed in October so that the office section of this major development has now been fully let.

The board has resolved to call an extraordinary general meeting on 1 December 1998 to consider the issue of buying back shares up to the value of 10 % of the company's share capital.

Outlook

A prudent hedging strategy has meant that Avantor has very little exposure to variable rates of interest. While continued uncertainty is expected to prevail in the rental market, this will not prevent the development of Nydalen from continuing as planned.

The company's financial performance for the year as a whole is expected to be better than last year's.

Oslo, 11 November 1998

Jan Petter Storetvedt Kjell Inge Røkke Carl Erik Krefting Göte Dahlin Truls Holthe
(Chairman)

Christian Joys
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