

AVA - AVANTOR GROUP 1998 RESULTS - SUMMARY

"Avantor's rapid progress in recent years continued in 1998," comments CEO Christian Joys.

The group's profit before tax soared from NOK 8.4 mill to NOK 70.7 mill in 1998 and the 1997 net loss of NOK 0.2 mill was turned into a net profit of NOK 51 mill, primarily on account of higher capital gains and improved operating results.

The group renegotiated or entered into leases for around 52 800 m² in 1998, with year-end value-weighted vacancy down at 1.8 %.

The board is recommending that shareholders be paid a dividend of NOK 1 per share for 1998.

REPORT TO THE OSLO STOCK EXCHANGE - PRESS RELEASE

"Avantor's rapid progress in recent years continued in 1998," comments CEO Christian Joys.

The group's profit before tax soared from NOK 8.4 mill to NOK 70.7 mill in 1998 and the 1997 net loss of NOK 0.2 mill was turned into a net profit of NOK 51 mill, primarily on account of higher capital gains (up from NOK 12.7 mill to NOK 60.4 mill) and operating profit before capital gains and renovation costs (up from NOK 135.4 mill to NOK 157.5 mill).

The board is recommending that shareholders be paid a dividend of NOK 1 per share for 1998.

The year in brief:

- Avantor completed and let around 29 500 m² of new offices and warehousing with an annual rental value of around NOK 39 mill.
- Avantor began developing a further 7 000 m² of office accommodation with an annual rental value of around NOK 10 mill which is due to be completed in 1999 and has already been let to Posten SDS AS.
- Leases for 52 800 m² were renegotiated or entered into. At the year-end Avantor's property portfolio featured value-weighted vacancy of 1.8 %, a value-weighted average outstanding lease term of 6.5 years and an annual rental value of NOK 273.1 mill.
- Rental income climbed from NOK 220.7 mill to NOK 249 mill, with operating costs dropping from 16.4 % to 15.6 % of rental income.
- Avantor sold properties for NOK 140.1 mill, generating capital gains of NOK 60.4 mill.
- A rights issue of three mill new shares at NOK 63 each in February 1998 and the restructuring of Avantor's borrowings have ensured that the group has the cash to continue the Nydalen development programme.
- Oslo City Council began building a new road network in Nydalen.

"Avantor is still seeing healthy demand for premises up to 1 000 m² and is expecting rents in this segment to remain stable," comments CEO Christian Joys. "Demand for larger premises has dropped off slightly, with prospective tenants taking longer to commit themselves, and so we expect a moderate reduction in rents in this segment, which is the key driver for the property development market. Capacity in the construction sector is rising and we are already seeing a drop in construction costs, allowing us to sustain our return on investments in development projects and so continue to develop modern and efficient properties for large tenants at competitive prices.

"The rents on leases renegotiated over the next few years will be below market rates. Even if market rates fall slightly, we expect our rents to remain upward bound."

For further information ring Christian Joys on + 47 23 00 64 80.

Oslo, 10 March 1998

AVANTOR ASA

Christian Joys

AVANTOR ASA - DIRECTORS' REPORT

Highlights of 1998

Avantor continued its development programme in the Nydalen suburb of Norwegian capital Oslo, completing 29 500 m² of property with an annual rental value of around NOK 39 mill. Work also started on a further 7 000 m² for completion in 1999 with an annual rental value of around NOK 10 mill.

The Avantor group generated rental income of NOK 249 mill, profit before tax of NOK 70.7 mill, net profit of NOK 51 mill and cash flow from operating activities of NOK 112.7 mill.

The group renegotiated or entered into leases for a total of 52 800 m². At the year-end the portfolio featured an annual rental value of NOK 273.1 mill and value-weighted vacancy of 1.8 %.

Avantor sold properties for NOK 140.1 mill, generating capital gains of NOK 60.4 mill.

A rights issue of three mill new shares at NOK 63 each in February 1998 and the restructuring of Avantor's borrowings have put the group in a sound cash position.

Oslo City Council began developing a new road network in Nydalen during the year.

Profit and loss account

Rental income

Rental income climbed 12.9 % from NOK 220.7 mill to NOK 249.0 mill.

Operating profit I

Operating profit before capital gains and renovation costs increased 16.4 % from NOK 135.3 mill to NOK 157.5 mill.

Operating profit II

Operating profit after capital gains and renovation costs leapt from NOK 122.6 mill to NOK 185.7 mill. Renovation costs rose from NOK 25.4 mill to NOK 32.3 mill, primarily due to the work on Nydalsveien 28 for Posten SDS AS and Nydalsveien 26 for Høysæter AS.

Balance sheet

Total assets climbed from NOK 2 678.6 mill to NOK 2 936.5 mill and shareholders' equity from NOK 398.4 mill to NOK 703.0 mill, pushing up the equity/assets ratio from 14.9 % to 23.9 %. The increase in equity was attributable to the February rights issue, which generated around NOK 185 mill, and the conversion of the NOK 85.3 mill in convertible debentures outstanding at the end of 1997.

Following the conversion of this debenture loan, the group has no short-term interest-bearing debt.

Financing

Avantor restructured virtually all its borrowings during the course of the year, negotiating a two-year repayment holiday. In addition, charges on the group's plots will now lapse on the commencement of works or sale of the plots without the early repayment of the loan being required. Alongside the rights issue this has boosted Avantor's financial and cash position.

The group had interest-bearing debt totalling NOK 1 962.3 mill at the year-end, including NOK 140 mill in building loans. The interest on NOK 268.2 mill or 13.7 % of this debt is up for renegotiation in 1999. At the year-end the average rate of interest payable on the group's debt was 7 %, with rates fixed for an average of 3.9 years.

Cash position

Cash flow from operating activities net of property-related interest charges climbed from NOK 70.1 mill to NOK 112.7 mill and cash flow after tax leapt from NOK 43.3 mill to NOK 103.1 mill. The rights issue and the restructuring of the group's borrowings have put Avantor in a sound cash position.

Capital expenditure and disposals

Capital expenditure

The group invested around NOK 217 mill in capital assets, primarily in Gullhaugveien 9-13 and Nydalsveien 28. A further NOK 32.3 mill was spent on upgrading existing properties.

The goal for the continued development of Nydalen is as far as possible for existing activities to be operated independently of ongoing development projects. Avantor is also focusing on upgrading Nydalen's open areas to ensure that the development of the park environment keeps up with the commercial property development programme.

Disposals

The group sold properties for NOK 140.1 mill, generating capital gains of NOK 60.4 mill.

December 1998 saw the completion of negotiations with Oslo City Council on the sale of the residential site in southern Nydalen to Selmer ASA. The price was revised to NOK 51.7 mill and generated capital gains of approximately NOK 30 mill.

The fourth quarter brought the sale of Jåttåflaten 10 in Stavanger for NOK 12.5 mill, covering both the building and the leasehold for a plot of around 15 000 m². Since the sale Stavanger City Council has considered refusing permission to develop and split the property, so the proceeds of the sale, which will include capital gains of around NOK 11 mill, have not yet been credited to the profit and loss account.

Projects at the planning or development stage

Since the merger in 1994 Avantor has developed properties in Nydalen totalling 100 000 m² with an annual rental value of NOK 105 mill at a total cost of around NOK 1 billion.

1998 saw the group maintain the rapid development of the area and focus on resolving planning issues relating to the south of Nydalen to pave the way for its future development.

Gullhaugveien 9-13 was completed during the autumn, with approximately 44 000 m² let to tenants including NetCom GSM AS, ICL Norge AS, Microsoft Norge AS and Glamox AS.

The first phase of Nydalsveien 28 for Posten SDS AS was completed in August 1998, with work on the second phase of around 7 000 m² started in October and due to be completed in September 1999. The new headquarters for Posten SDS AS will span around 22 000 m² in total.

Planning for the remaining development sites in Nydalen has been given high priority. An impact analysis has been produced and approved, with Avantor's plans currently being considered by the authorities. These plans entail the development of a further 140 000 m² of commercial property and will give the group increased room to manoeuvre. Barring unforeseeable delays, the plans should be approved during the course of 1999. Permission will then be in place for the development of further properties in Nydalen totalling 200 000 m².

Work on building a new road through Nydalen (Kristoffer Aamodts gate) and upgrading one of the existing roads (Sandakerveien) began during the year and should be completed in 1999. Oslo City Council has contributed NOK 40 mill to this project, with the businesses in Nydalen together funding the remaining NOK 20 mill. Avantor's share of this amount is NOK 12 mill plus free use of the land needed for the road.

Property market and rents

The market remained buoyant into the first half of 1998, both in general and in Avantor's segments, but rising interest rates in the summer and autumn triggered uncertainty in the rental market. Demand for smaller average-standard office premises with vacant possession was not materially affected, but companies looking for larger office premises (typically as head offices) are now adopting a more cautious stance, taking longer to commit themselves and so causing demand for larger properties to drop off somewhat.

Prospective tenants are increasingly focusing on the efficiency of properties and the flexibility of landlords when it comes to meeting their needs for both large and small areas.

The annual rental value of the group's property portfolio climbed 11.9 % to NOK 273.1 mill during the year, and the value-weighted average outstanding term of the group's leases from 6 to 6.5 years.

Human resources and the environment

Avantor strengthened its marketing department through the appointment of a new marketing manager in 1998. The company had 34 diligent and committed employees at the year-end. Through systematic enhancement of its expertise in relevant areas, the company has built up a highly creative and experienced team covering both urban/property development and marketing/administration. The group boasts a good working environment in terms of health, wellbeing and safety with low levels of absenteeism.

The company's operations have very little impact on the natural environment. The group liaises closely with the Norwegian Pollution Control Authority on any contaminated land covered by the development programme in Nydalen, and constantly monitors the quality of water flowing into Akerselva River. For further information, see the section headed "Avantor and the outside world" in the 1998 annual report.

The following shares in the company were held by the company itself, its directors and its auditor on 9 March 1999:

Jan Petter Storetvedt (chairman)	0
Kjell Inge Røkke	3 758 832 *
Carl Erik Krefthing	5 263
Truls Holthe	2 924
Göte Dahlin	0
Christian Joys (managing director)	1 104
Avantor ASA (own shares)	1 106 700
KPMG as	0

*Held through the Aker RGI group of companies; Kjell Inge Røkke is the main shareholder and chairman of Aker RGI ASA.

Avantor had 892 shareholders at the year-end.

Information on the remuneration of the company's managing director and auditor as charged to the profit and loss account can be found in note 2 to the accounts.

Distribution of profit

The board proposes that the parent company's net profit for the year of NOK 47.4 mill be distributed as follows:

Outward inter-company tax equalisation transfers	NOK 1.1 mill
Dividends	NOK 22.1 mill

To distributable reserves	NOK 24.2 mill
Total	NOK 47.4 mill

The board is of the opinion that its proposal for the dividends to be paid to shareholders for 1998 takes due account of the need for the company to maintain an adequate equity base in line with the new Financial Reporting Act and Public Limited Companies Act soon to be introduced in Norway.

Post balance sheet events

At an extraordinary general meeting on 1 December 1998 the board was authorised to buy back up to 10 % of the company's shares. In January the board duly exercised this authority by buying back 5 % of the company's shares at an average price of NOK 49.88 each. The reason behind this move is that Avantor's shares are trading at a substantial discount to consensus estimates of underlying values. In the board's opinion, the combination of the company's 1998 results, the rights issue and the restructuring of its borrowings has boosted Avantor's cash position such that this share buyback scheme represents a sound investment for the company. The buyback scheme will not restrict the company's development plans for Nydalen.

Avantor issued notes for NOK 150 mill in the first quarter of 1999 and intends to make increasing use of the commercial paper market for financing its operations in the future.

Outlook

The Norwegian money markets remain volatile on account of their dependence on oil prices and the strength of the krone. Analysts are expecting short interest rates to fall during the year, with long rates holding relatively steady.

Avantor's development projects are associated with only a moderate degree of risk due to its policy of ensuring that at least 50-70 % of the property portfolio is let on leases with a term of at least ten years. Investment decisions are taken on the basis of long-term interest rates and so events in the money markets are not the key element in determining the rate of investment.

The group is still seeing healthy demand for premises up to 1 000 m² and is expecting rents to remain stable in this segment. Demand for larger premises has fallen slightly, with prospective tenants taking longer to commit themselves, and so a moderate drop in rents is expected in this segment.

The rents on leases renegotiated over the next two to three years will be below market rates. Even if market rates fall slightly, Avantor expects its rents to remain upward bound.

Capacity in the construction sector is rising now that the new Oslo Gardermoen Airport is complete. Avantor is already seeing construction costs fall and expects a further moderate drop.

All things considered, Avantor will be able to continue to develop modern and efficient properties for large tenants at competitive prices without dipping below the required internal rate of return.

Oslo, 9 March 1999

The board of **AVANTOR ASA**

Kjell Inge Røkke

Jan Petter Støretvedt
(chairman)

Carl Erik Krefting

Truls Holthe

Göte Dahlin

Christian Joys
(managing director)

PROFIT AND LOSS ACCOUNT

AVANTOR ASA				AVANTOR GROUP	
1997	1998	NOK thousand	Note	1998	1997
202 364	229 504	Property rental income	1	249 032	220 678
202 364	229 504	Total operating income		249 032	220 678
17 988	19 845	Property operating costs		19 509	18 241
18 410	18 857	Administration costs	2,14	19 245	18 134
85	261	Bad debts	5	261	91
36 483	38 963	Total operating costs		39 015	36 466
40 285	43 752	Depreciation	9	52 471	48 870
125 596	146 789	Operating profit I		157 546	135 342
12 626	60 400	Capital gains on sale of properties		60 400	12 667
-25 433	-32 269	Renovation costs		-32 269	-25 433
112 789	174 920	Operating profit II		185 677	122 576
4 568	8 306	Interest receivable		19 016	14 941
-123 553	-115 312	Interest payable	3	-131 714	-134 485
3 696	-2 282	Similar income and charges		-2 283	5 414
-115 289	-109 288	Net interest payable		-114 981	-114 130
-2 500	65 632	Profit/loss before tax		70 696	8 446
-1 321	-18 245	Tax	12	-19 690	-8 667
-3 821	47 387	Net profit/loss		51 006	-221
		Distribution of profit/covering of loss:			
	-22 134	Dividends			
	-1 063	Outward inter-company tax equalisation transfers			
3 821	-24 190	To/from distributable reserves			
3 821	-47 387	Total			
		Earnings per share	17	2.46	-0.01
		Diluted earnings per share	17	2.54	0.23

BALANCE SHEET

AVANTOR ASA				AVANTOR GROUP	
1997	1998	NOK thousand	Note	1998	1997
ASSETS					
56 157	134 042	Liquid assets	4	145 629	72 985
27 248	66 987	Debtors	5	76 478	29 018
83 405	201 029	Total current assets		222 107	102 003
193 982	193 982	Investments in subsidiaries	6	0	0
1 397	1 543	Other shares	7	142 170	142 027
100 625	106 349	Debtors	8,14	142 530	138 795
9 315	7 091	Plant, machinery and equipment	9	7 096	9 321
375 854	87 860	Own assets under construction	9	87 860	375 920
1 449 800	1 860 562	Buildings	9	2 062 152	1 657 400
232 136	251 179	Land	9	272 605	253 134
2 363 109	2 508 566	Total fixed assets		2 714 413	2 576 597
2 446 514	2 709 595	Total assets		2 936 520	2 678 600
LIABILITIES AND EQUITY					
197 509	228 926	Non interest-bearing liabilities	10	127 309	98 196
85 258	0	Interest-bearing liabilities	11	0	85 258
282 767	228 926	Total current liabilities		127 309	183 454
110 285	113 533	Deferred tax	12	143 999	145 452
1 741 262	1 761 895	Interest-bearing liabilities	13	1 962 229	1 951 262
1 851 547	1 875 428	Total long-term liabilities		2 106 228	2 096 714
16 883	22 134	Share capital (22 133 708 shares @ NOK 1 par)		22 134	16 883
137 276	400 878	Non-distributable reserves		405 796	138 119
154 159	423 012	Total non-distributable equity		427 930	155 002
158 041	182 229	Distributable reserves		275 053	243 430
312 200	605 241	Total equity	15	702 983	398 432
2 446 514	2 709 595	Total liabilities and equity		2 936 520	2 678 600
2 057 790	1 922 052	Guarantees	16		
		Secured assets	18	2 097 427	2 286 454