



# Avantor ASA

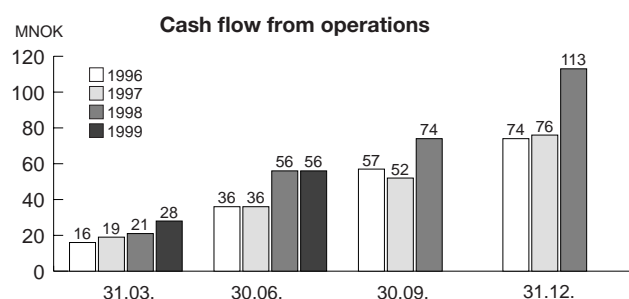
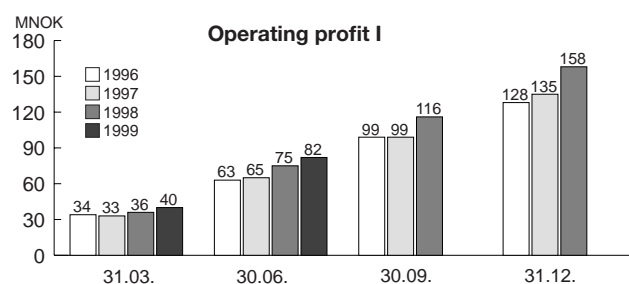
Report of the  
second quarter 1999

Avantor 

Nydalen is continuing to progress well. The development of the building plots is continuing and the construction of the new head office for EDB ASA is well under way.

The first half of 1999 saw the group renegotiating or entering into leases for a total of 25 300 m<sup>2</sup>. Vacancy by rental value dropped from 1.8 % to 1.2 % during the period.

The group recorded operating profit I of NOK 82.3 million, operating profit II of NOK 86.2 million and pre-tax profit of NOK 30.6 million in the first half of the year.



The group generated cash flow from operations of NOK 55.9 million during the period and operating costs came to 15.5 % of rental income.

### Important events during the second quarter

The second quarter saw Avantor selling its stake in Omegasenteret ANS, its last property in Kristiansund. In addition Stavanger Municipality granted the buyer of Jåtåflaten 10 in Hinna exemption from its development/division ban and so the proceeds of this sale were recognised as income during the period. Together these disposals triggered capital gains of NOK 8.2 million for accounting purposes.

### Income and profit

First half rental income climbed from NOK 118.5 million last year to NOK 131.9 million thanks to the completion of the final phase of Gullhaugveien 9 -13 and the first phase of Nydalsveien 28.

Underlying rental income has risen since the beginning of the year on account of the successful renegotiation of various leases. However, allowing for the disposal of the properties in Stavanger and Kristiansund, the rental value of the group's portfolio edged down from NOK 273.1 million to NOK 272.5 million during the period.

Operating profit I came to NOK 82.3 million, up from NOK 74.6 million in the first half of 1998.

The first half accounts feature renovation costs of NOK 4.3 million, compared with NOK 32.2 million for the whole of 1998. This is attributable to the completion of the major renovation projects at Nydalsveien 28 and Nydalsveien 26 during the course of 1998.

Net interest payable for the period climbed from NOK 43 million last year to NOK 55.6 million this year, due primarily to an increase in interest-bearing debt in connection with the group's development projects but also to the hedging of the group's loan portfolio in the summer of 1998. Building loan interest of NOK 11.3 million was capitalised in the first half of 1999, compared to NOK 13.5 million in the pro forma accounts for the same period last year.

At the end of June 1999 the group was paying interest at an average rate of 6.9 %, down from 7 % at the beginning of the year. The average fixed interest term edged down from 3.9 to 3.8 years during the period.

Pre-tax profit for the second quarter in isolation dropped from NOK 40.4 million last year to NOK 30.6 million on account of lower capital gains on the sale of properties and higher interest charges. The group generated cash flow from operations of NOK 55.9 million in the first half of 1999, compared with NOK 56.2 million last year.

Operating costs dropped from 16.3 % of rental income in the first half of 1998 to 15.5 % this year.

The new Financial Reporting Act entered into force in Norway at the beginning of 1999. The most important impact of the new legislation on Avantor's profit and loss account is that interest on building loans must now be capitalised; the figures for previous years have been restated accordingly. The layout of the balance sheet has also been adjusted in line with the new act.

### Condensed consolidated profit and loss account

(NOK million)	30.06.99	Pro forma 30.06.98	Pro forma 31.12.98
<i>Rental income</i>	131.9	118.5	249.0
Property operating costs	9.8	10.0	19.5
Administration costs	10.6	9.3	19.2
Bad debts	0.0	0.0	0.3
<i>Total operating costs</i>	20.4	19.3	39.0
Depreciation	29.2	24.6	52.5
<i>Operating profit I</i>	82.3	74.6	157.5
Capital gains	8.2	30.4	60.4
Renovation costs	-4.3	-21.6	-32.2
<i>Operating profit II</i>	86.2	83.4	185.7
Net interest payable	-55.6	-43.0	-97.4
<i>Profit before tax</i>	30.6	40.4	88.3

## Condensed consolidated balance sheet

(NOK million)	30.06.99	Pro forma 30.06.98	Pro forma 31.12.98
Property and land	2 456.7	2 343.4	2 440.3
Other tangible fixed assets	6.6	8.4	7.1
Financial fixed assets	282.1	278.6	284.7
<i>Total fixed assets</i>	<i>2 745.4</i>	<i>2 630.4</i>	<i>2 732.1</i>
Current assets	119.9	139.1	222.1
<i>Total assets</i>	<i>2 865.3</i>	<i>2 769.5</i>	<i>2 954.2</i>
Gross shareholders' equity	744.2	677.9	720.6
Own shares	-55.4	-	-
<i>Net shareholders' equity</i>	<i>688.8</i>	<i>677.9</i>	<i>720.6</i>
Deferred tax	143.8	145.5	144.0
Long-term int. bearing debt	1 980.2	1 825.2	1 962.2
<i>Total long-term liabilities</i>	<i>2 124.0</i>	<i>1 970.7</i>	<i>2 106.2</i>
Current interest-free debt	52.5	86.3	127.4
Current interest-bearing debt	0.0	34.6	0.0
<i>Total current liabilities</i>	<i>52.5</i>	<i>120.9</i>	<i>127.4</i>
<i>Total equity and liabilities</i>	<i>2 865.3</i>	<i>2 769.5</i>	<i>2 954.2</i>

## Key figures

	30.06.99	Pro forma 30.06.98	Pro forma 31.12.98
Equity/assets ratio (%)	24.0	24.5	24.4
Cash flow from op. (m NOK)	55.9	56.2	112.6
Cost ratio (%)	15.5	16.3	15.6
Occupancy (%)	98.8	97.1	98.2
Av. fixed interest term (years)	3.8	4.2	3.9
Av. borrowing rate (%)	6.9	6.9	7.0

## Balance sheet and key figures

Total assets dipped from NOK 2 954.2 million to NOK 2 865.3 million during the first half of 1999.

Shareholders' equity totalled NOK 688.8 million at the end of the period, compared with NOK 677.9 million at the same time last year and NOK 720.6 million at the beginning of the period. The reduction in equity during the first half of the year was due to a NOK 55.4 million share buyback.

Long-term interest-bearing debt edged up from NOK 1 962.2 million to NOK 1 980.2 million during the period. Besides mortgage loans, this figure includes NOK 128.9 million in building loans and NOK 60 million in notes loans with an underlying long-term line of credit as backstop.

Vacancy by rental value fell from 1.8 % to 1.2 % during the period.

## RGI Holding Inc

The management of Legend Properties, Inc in the USA was replaced during the first quarter of 1999 in the light of the company's poor performance and results. Peter Henn was appointed CEO and the company's head office was transferred from Virginia to Florida. Legend Properties, Inc has now embarked on an in-depth review of its operations with a view to improving its operational model and drawing up a new strategic plan. Principal shareholder, RGI Holdings, Inc, intends to play an active role in this process, which will be completed during the

autumn of 1999. Avantor will undertake a detailed assessment of the values at RGI Holdings, Inc once the results of the review are available. Avantor has a 19.6 % stake in RGI Holdings, Inc, which in turn holds a 79.7 % stake in Legend Properties, Inc.

## Financing

Avantor is now paying interest at an average of 6.9 %, down from 7 % at the year-end. 10 % of the group's interest-bearing debt (including notes and building loans) is on variable rates or rates due to be renegotiated by the end of 1999, and the rates payable on a further 19 % are scheduled to follow suit in the year 2000. The average fixed interest term for the portfolio is 3.8 years.

## Property operation and development

The second quarter saw Avantor embarking on a programme to introduce further improvements in service levels in its properties, including an increase in caretaking staff. The combination of a concentrated property portfolio and a high proportion of modern properties mean that Avantor can operate its portfolio efficiently and profitably even with high service levels, as can be seen from the group's cost/income ratio.

Continued growth in capacity in the Norwegian construction sector is pushing down construction costs and professional tenants are looking to see this reflected in rents on new developments. This, in turn, is impacting on market rates for large office premises in general. However, new developments will continue to meet the required rates of return, and demand for properties in Nydalen fully warrants its continued development.

## Market conditions and competition

Demand for office accommodation has been buoyant in the late 1990s and peaked in the summer of 1998. The market then took a turn for the worse and was relatively slow in the first half of this year but is showing signs of picking up once more. The market has now caught on to the increased capacity and falling prices in the construction market. Rents are therefore expected to remain stable in Avantor's market.

Nydalen is now firmly established in the minds of Norway's business community and there is considerable demand for the environment developed there. Most clients opt to stay in Nydalen when their leases come up for renegotiation, hence vacancy is extremely low by current standards. Avantor is also continuing to see a healthy flow of major new prospects that may provide the basis for new development projects.

*Oslo, 11 August 1999*

*Jan Petter Storetvedt*  
(chairman)

*Kjell Inge Røkke*

*Carl Erik Krefting*

*Göte Dahlin*

*Christian Joys*  
(CEO)