

AVA - AVANTOR ASA - REPORT FOR THE FIRST QUARTER 2000

- The agreement with Industrifinans Næringseiendom ASA (IFN) has been approved at the companies' general meetings.
- Construction of Sandakerveien 130, the new head offices for Tele1 Europe AS, covering a gross area of around 6 500 m², has begun.
- Oslo City Council has approved the new metro link, with the start of construction scheduled for 05.06.2000.

The agreement with IFN regarding the sale/demerger of Avantor's fully developed property portfolio in Nydalen was approved at the companies' general meetings on 21.03.2000. The agreement was regarded as finally entered into for accounting purposes as of this date, and Avantor has calculated the gain and recorded the transaction in the accounts with effect from the same date. Final settlement will take place upon expiry of the creditor deadlines, which is expected to be 15.06.2000. The cash effects of the transaction in the period from 01.01.2000 until settlement has been made will be accounted for in a separate pro and contra statement. Through the demerger, Avantor's shareholders will receive one 0.5713831 share for each share held in Avantor. The IFN shares will be available on the shareholders' accounts with the Norwegian Central Securities Depository by 21.06.2000, given a creditor deadline of 15.06.2000.

The profit and loss items in the first quarter of 2000 comprise the entire property portfolio in the period 01.01.2000 to 21.03.2000. Between 22.03.2000 and 31.03.2000, the results from Avantor's remaining portfolio have been incorporated. The figures for the first quarter of 1999 and the 1999 accounting year have not been changed as the trade of shares was dealt with for accounting purposes as a transaction.

Condensed consolidated profit and loss account

	31.03.2000	31.03.1999	31.12.1999
<i>Rental income</i>	64.2	65.4	267.4
Property operating costs	3.8	3.8	20.2
Administration costs	6.0	6.5	20.7
<i>Total operating costs</i>	9.8	10.3	40.9
Depreciation	15.3	14.6	58.1
<i>Operating profit I</i>	39.1	40.5	168.4
Capital gains	369.6	0.0	8.3
Renovation costs	-8.6	-2.1	-7.8
Write-down investments	0.0	0.0	-122.6
<i>Operating profit II</i>	400.1	38.4	46.3
Net interest payable	-32.3	-26.9	-101.3
<i>Profit before tax</i>	367.8	11.5	-55.0

Consolidated balance sheet

	31.03.2000	31.03.1999	31.12.1999
Property and land	752.9	2 459.1	2 603.0
Financial fixed assets	211.1	283.4	158.2
<i>Total fixed assets</i>	<i>964.0</i>	<i>2 742.5</i>	<i>2 761.2</i>
<i>Current assets</i>	<i>1 405.0</i>	<i>116.4</i>	<i>212.6</i>
<i>Total assets</i>	<i>2 369.0</i>	<i>2 858.9</i>	<i>2 973.7</i>
Gross shareholders' equity	814.2	727.5	667.3
Own shares	-101.6	-55.4	-101.6
<i>Total equity</i>	<i>712.6</i>	<i>672.1</i>	<i>565.7</i>
Deferred tax	121.3	144.0	113.7
Long-term interest-bearing liabilities	898.3	1 926.4	2 182.7
<i>Total long-term liabilities</i>	<i>1 019.6</i>	<i>2 070.4</i>	<i>2 296.5</i>
<i>Current interest-free liabilities</i>	<i>636.8</i>	<i>116.4</i>	<i>111.6</i>
<i>Total liabilities and equity</i>	<i>2 369.0</i>	<i>2 858.9</i>	<i>2 973.7</i>

Key ratios

	31.03.2000	31.03.1999	31.12.1999
Equity/assets ratio (%)	30.1	23.5	19.1
Cash flow from operations (NOK mill)	22.1	28.2	125.2
Operating costs/rental income (%)	15.3	15.7	15.3
Average borrowing rate (%)	6.9	7.0	7.0
Average remaining rental period (years)	5.7		5.3
Occupancy (%)	96.7		97.2

Operating income and profit

Rental income

Rental income in the first quarter 1999 totalled NOK 64.2 mill, which is marginally down on the same period of 1999. The income from the sold portfolio has been eliminated for the period 22.03. – 31.03.2000. Vacancies for Avantor's remaining portfolio at the end of the first quarter of 2000 stood at 3.3 %, against 2.8 % at the year-end.

Operating profit I

Operating profit I totalled NOK 39.1 mill against NOK 40.5 mill in the first quarter of 1999. Costs as a percentage of income for the first quarter totalled 15.3 %. The company manages its properties efficiently, because of the large and increasing proportion of efficient new buildings in its portfolio, together with synergies derived from having a concentration of properties. This scenario will alter significantly following the implementation of the transaction with IFN. The board and the management are working to adapt the company's cost structure to the new situation.

Operating profit II

Profit after capital gains and renovation costs totalled NOK 400.1 mill against NOK 38.4 mill in the first quarter of 1999. NOK 367.8 mill was recorded in income as the gain from the transaction with IFN. Furthermore, the sale of the leasehold sites at Hinna in Stavanger yielded an accounting gain of NOK 1.8 mill. The renovation costs for the period include the cost of buying out a tenant in a building to be demolished in conjunction with the NOK 7.5 mill construction of the new metro link.

Financial items

Net interest payable amounted to NOK 32.3 mill for the group, against NOK 26.9 mill for the first quarter last year. Interest-bearing debt rose sharply at the end of 1999, due partly to a NOK 320 mill bond issue, which explains the increase in financial costs in the first quarter of 2000 compared with the same period last year.

Profit before tax

Profit before tax totalled NOK 367.8 mill for the first quarter of 2000, against NOK 11.5 mill for 1999.

Balance sheet and key ratios

Balance sheet

Avantor's total assets at the end of the first quarter equalled NOK 2 369 mill, against NOK 2 973.7 mill at 31.12.1999. Book equity after the first quarter totalled NOK 712.6 mill, giving a book equity ratio of 30.1 % against 19.1 % at 31.12.1999. No repayment of debt was made in the quarterly accounts for 2000 beyond the debt that is being demerged in conjunction with the transaction with IFN.

Interest-bearing liabilities

At the end of the first quarter, interest-bearing liabilities totalled NOK 898.3 mill, of which construction loans account for NOK 25 mill and certificate loans NOK 50 mill. As at 31.12.1999, Avantor's interest-bearing liabilities totalled NOK 2 182.7 mill. The reduction is attributable to the hiving off of liabilities. The company's debt-equity ratio will be assessed as part of the board's ongoing discussion regarding strategy.

Liquidity

Cash flow from ordinary operations in the first quarter of 2000, after financial costs relating to the property portfolio, totalled NOK 22.1 mill against NOK 28.2 mill in 1999. The reduction is due entirely to the increase in financial costs. Following the implementation of the transaction with IFN, the company will have a substantial cash balance.

Events since 31 March 2000

On 24.04.2000, Oslo City Council approved the building of the new metro link. Nydalen will mark the start of the work on 05.06.2000. This is a welcome decision for Avantor and existing and potential customers in Nydalen, and is the result of lengthy and concentrated efforts to provide Nydalen with a good public transport service.

Future development

Future strategy

Work has begun to assess the company's possible strategic options, and the strategy for the new Avantor will be published no later than together with the accounts for the second quarter of 2000. However, there is widespread agreement in the board to focus fully on and accelerate the further development of Nydalen.

The rental market

So far in 2000, there has been a discernible tightening of the rental market, with signs of an increasing level of vacancies in areas with which Avantor competes. However, the demand for premises in Nydalen remains buoyant, and the company is facing major challenges with respect to solving existing customers' requirements while at the same time giving new customers the opportunity to set up in Nydalen.

Oslo, 10.05.2000

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