



N&T ARGONAUT

Interim Report January 1 - September 30, 1998

- **Income before taxes SEK 54 M, an improvement in earnings for tankers.**
- **Net asset value SEK 11 per share.**
- **Compared to the same period of 1997, net revenue in the VLCC spot market improved.**

Earnings and revenue

During the report period, the income of the NTA Group before taxes amounted to SEK 54 M, and after taxes to SEK 99 M. During the corresponding period of 1997, pro forma reported income before taxes was SEK 140 M, including about SEK 152 M total profit on sale of vessels, ferry traffic and other nonrecurring items. Pro forma income took into account the acquisition of Nordström & Thulin. As of September 30, 1997, Argonaut reported income before taxes of SEK 105 M.

The income of the NTA Group was distributed as follows:

Income before taxes, Jan – Sep			
MSEK	NTA 1998	NTA, pro forma 1997	Argonaut 1997
Tankers	84	23	32
Dry bulk vessels	-31	-35	-
Income before nonrecurring items	53	-12	32
Profit on sale of vessels	-	76	56
Ferry traffic	16	27	-
Restructuring expenses in connection with the merger with Nordström & Thulin	-15	-	-
Other nonrecurring items	-	49	17
Income before taxes	54	140	105

Revenue during the report period amounted to SEK 1,097 M. Pro forma revenue in January - September 1997 was SEK 1,507 M, including SEK 323 M for passenger ferry traffic in Nordström & Thulin.

Cash earnings

Cash earnings totalled SEK 330 M (pro forma 1997: 370). Cash earnings per share (CEPS) were equivalent to SEK 1.65 (pro forma: SEK 2.07).

CEPS is defined as income after financial items, excluding profit on sale of vessels, plus depreciation and minus taxes paid, divided by the average number of shares outstanding.

Net asset value

As of September 30, 1998, net asset value before taxes was estimated at SEK 11 per share (USD 1.41). On June 30, 1998, the corresponding value was about SEK 15 (USD 1.90), and on September 30, 1997 it was SEK 16 (USD 2.15). The change during the third quarter was mainly due to an average downward adjustment of about 16 percent in the value of the Company's vessels and of about 3 percent in the contract value of its newbuilding contracts. This means that the market value of these vessels has been adjusted downward by a total of 29 percent during 1998 and that of newbuilding contracts by 11 percent.

The sharp downward valuation of the fleet was mainly due to falling prices for newbuildings, which in turn pushed down prices of second-hand tonnage. An expected weakening of freight rates during 1999 also contributed to the price drop. During the third quarter, a few reported instances of forced sales reinforced the negative price trend.

The fleet was appraised by the three independent shipbroking firms of P.F. Bassøe AS & Co., E.A. Gibson Shipbrokers Ltd. and R.S. Platou Shipbrokers a.s. The valuation of newbuilding contracts is based on the Company's estimate. The deficit value of a chartering contract for a dry bulk vessel was taken into account in calculating the net asset value.

Financial position

On September 30, 1998, the NTA Group's visible equity/assets ratio amounted to 43 percent (June 30, 1998: 43 percent). Its adjusted equity/assets ratio, which takes into account the market values of vessels and commitments related to the current newbuilding program, amounted to 34 percent (June 30, 1998: 40 percent).

Available liquidity amounted to SEK 1,017 M (June 30, 1998: SEK 990 M), including overdraft facilities and confirmed lines of credit totaling SEK 8 M (SEK 35 M) and after subtracting SEK 102 M (SEK 24 M) in restricted funds.

Capital expenditures

Group capital expenditures during the period totalled SEK 2.415 M (SEK 0), including SEK 1,788 M for the acquisition of Nordström & Thulin. The acquisition of Nordström & Thulin was financed by an issue of 17,091,536 new Series A shares and 86,416,718 new Series B shares in N&T Argonaut plus a cash payment of SEK 14 M.

In compliance with the decision of the Extraordinary General Meeting in December 1997, during March, 1998 NTA acquired the Very Large Crude Carrier (VLCC) M/T Argo Medea from a company in the World-Wide Shipping group. Consideration was paid in the form of 9,226,259 Series A shares and 19,532,323 Series B shares. The reported acquisition value was SEK 523 M.

In the autumn of 1997, Argonaut, Nordström & Thulin and companies associated with the World-Wide Shipping group jointly signed newbuilding contracts for two identical VLCCs with the Daewoo

Shipyard in South Korea, with delivery in the first quarter of the year 2000. The contract hull reference numbers are 5123 and 5161. Following the merger between Argonaut and Nordström & Thulin, NTA owned 70 percent of the contract for Hull No. 5123 and 30 percent of the contract for Hull No. 5161. During the period, partial payments of SEK 64 M were made for shares in these VLCCs.

NTA and the companies associated with the World-Wide Shipping group in September have swapped shares in the newbuilding contracts. As a result, NTA now owns all shares in the contract for Hull No. 5123 and a company associated with the World-Wide Shipping group owns all shares in the contract for Hull No. 5161. Because these contracts are identical, there was no cash payment between the parties.

Divestments

The Company sold the dry bulk cargo vessel M/S Nord Sea during the first quarter of 1998. This divestment had no effect on earnings but had a positive effect of about SEK 30 M on liquidity.

In addition, the Company sold its participations in the passenger ferry company EstLine and the Gotland ferries M/S Nord Gotlandia and M/S Graip. The discontinuation of its ferry traffic yielded a capital gain of SEK 16 M and an effect of about SEK 30 M on liquidity. The Group is retaining its previous partial financing of ferries operating on Baltic routes by means of interest-bearing loans totaling about SEK 45 M plus loan guarantee obligations.

Net revenues and employment of vessels

Two VLCCs are time-chartered out until May 1999 with an option for six more months. One Suezmax vessel is time-chartered out until the end of 1999. Other vessels are employed in the spot market.

Average net revenue, based on all calendar days during the period, including offhire and time-charter contracts			
USD/day	Jul - Sep 1998	Jan - Sep 1998	Jan - Sep 1997
VLCC	28,700	31,600 ²⁾	31,600
ULCC	32,300	28,300	21,800
Suezmax	21,400	20,900	23,400 ¹⁾
Aframax	14,700	15,900	21,200 ¹⁾
Capesize	6,700	10,100	14,200 ¹⁾

¹⁾ These vessels were not part of the NTA Group in 1997.

²⁾ Average net revenue in the spot market was USD 32,500 per day.

The tanker and dry bulk markets

Tanker market

Freight rates for modern VLCC tonnage improved somewhat during the first nine months of 1998, compared to the same period of last year. Rates for Suezmax tonnage declined marginally, while rates for Aframax tonnage fell by 30 percent.

One important reason why the VLCC market was better than during the corresponding period of 1997 was low oil prices, which led to a buildup of oil reserves. During the third quarter of 1998, however, there was a reaction to low oil prices in the form of cutbacks in OPEC oil production. The decline in

production led to a fall in demand for shipping services. In addition, demand from many refineries fell because of maintenance work.

The VLCC market reached its lowest level of the year during September, with average net revenue of USD 21,000 per day for a modern vessel. Since then there has been some recovery, and in mid-October net revenue was around USD 25,000 per day. For Suezmax vessels, net revenue dropped to around USD 13,000 per day in August but then climbed to USD 17,000 per day in October. There was also a similar trend for Aframax tonnage, with net revenue rising from USD 12,000 per day in September to USD 17,000 per day in October.

Due to the comparatively strong tanker market, scrapping activity was low. Because deliveries of new vessels were also limited, the size of the global tanker fleet was largely unchanged during the report period. At the same time as the VLCC market weakened, beginning late in the third quarter of 1998, a noticeable increase in scrapping activity occurred.

Dry bulk market

The dry bulk market, which has been severely affected by the economic crisis in Asia, deteriorated steadily during the first half of 1998. It bottomed out in July, when the average net revenue for Capesize vessels was just above USD 6,000 per day. The market subsequently recovered. In early October, rates were USD 10-12,000 per day.

Outlook for the future

The autumn and winter period is normally the time of year when oil consumption is at its highest. Given unchanged low oil prices and limited drawdowns of reserves, demand for shipping services should increase, resulting in some improvement in the market during the next few months. However, in light of the weakening of rates that began late in the third quarter of 1998, lower earnings are expected during the fourth quarter than during the three preceding quarters.

During 1999 the market will be more affected by tanker newbuilding deliveries than it was in 1998. This may be offset by the fact that more VLCCs and Suezmax vessels are reaching the critical age of 25 years, leading to greater scrapping volume. Taken together, however, most indications seem to suggest that average tanker freight rates during 1999 will be somewhat lower than during 1997 and 1998.

Other events

Compulsory redemption

The Company requested compulsory redemption of the approximately 456,000 remaining shares in Nordström & Thulin (equivalent to 0.6 percent of capital stock). The payment offered to shareholders amounts to SEK 17 per share and is based on the average value of compensation during the period of acceptance.

NTA - the new abbreviation for N&T Argonaut

N&T Argonaut AB will be marketed from now on under the abbreviation NTA. This acronym, which the Stockholm Stock Exchange and others are already using, is found on our flag and logotype. However, the registered name of the Company will remain unchanged: N&T Argonaut AB (publ).

Information schedule

The Year-End Report of 1998 Results will be published on February 23, 1999.

Stockholm, October 29, 1998

N&T ARGONAUT AB (publ)

Anders Berg, President and CEO

This report has not been subjected to separate examination by the Company's auditors.

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NTA Group, financial highlights

(Nordström & Thulin is included
in the Group effective from
January 1, 1998.)

		Sep 30, 1998	Sep 30, 1997		Dec 31, 1997
			NTA, pro forma	Argonaut	
Income after taxes	SEK/share	0.50	0.83	1.00	1.37
	USD/share	0.06	0.11	0.13	0.18
Cash earnings	SEK/share	1.65	2.07	1.78	2.57
(CEPS)	USD/share	0.21	0.27	0.23	0.34
Net asset value	SEK/share	11		16	19 ¹⁾
	USD/share	1.41		2.15	2.40 ¹⁾
Visible equity/assets ratio, %		43		35	41 ¹⁾
Adjusted equity/assets ratio, %		34		43	44 ¹⁾
Return on shareholders' equity, %		6	9	11	15
Shares outstanding, balance sheet date		207,608,861	178,850,279	105,268,196	105,268,196
Average shares outstanding		199,620,366	178,850,279	105,268,196	105,268,196

¹⁾ Pro forma.

Consolidated income statements

(Nordström & Thulin is included in the Group
effective from January 1, 1998)

	Jan - Sep 1998		Jan - Sep 1997		Full year 1997
	SEK M	USD M	NTA, pro forma ⁴⁾ SEK M	Argonaut SEK M	Argonaut SEK M
Net sales					
Vessel operating revenue	1,097	137.9	1,507	632	887
Profit on sale of ships	-	-	76	56	56
Vessel expenses					
Voyage costs	-233	-29.3	-304	-165	-224
Operating expenses, charter hires	-352	-44.2	-596	-181	-251
Depreciation ¹⁾	-275	-34.6	-303	-138	-182
Gross income	237	29.8	380	204	286
Administrative expenses ²⁾	-89	-11.2	-95	-26	-30
Operating income	148	18.6	285	178	256
Income/loss from other fixed-asset receivables and securities	26	3.3	68	17	17
Other interest income and income items	42	5.3	43	23	23
Other interest expenses and similar expense items	-161	-20.3	-253	-113	-148
Income after financial items	55	6.9	143	105	148
Minority share	-1	0.0	-3	-	0
Income before taxes	54	6.9	140	105	148
Estimated taxes ³⁾	45	5.6	9	-	-4
Income after taxes	99	12.5	149	105	144

¹⁾ Vessels are depreciated on a straight line basis, based on a lifespan of 20 years, to an estimated scrap value.

²⁻⁴⁾ See next page.

Consolidated balance sheets

(Nordström & Thulin is included in the Group effective from January 1, 1998.)

	Sep 30, 1998		Sep 30, 1997		Dec 31, 1997
	SEK M	USD M ⁵⁾	NTA, pro forma ⁴⁾	Argonaut	Argonaut
			SEK M	SEK M	SEK M
Assets					
Vessels	4,607	586	4,900	2,298	2,337
Advance payments on vessel contracts	617	78	245	-	189
Other fixed assets	314	41	334	7	44
Other current assets	297	38	412	174	157
Liquid assets	1,111	141	969	442	467
Total assets	6,946	884	6,860	2,921	3,194
Shareholders' equity and liabilities					
Shareholders' equity	3,003	382	2,309	1,012	1,087
Long-term liabilities	3,347	426	3,405	1,599	1,776
Current liabilities	596	76	1,146	310	331
Total shareholders' equity and liabilities	6,946	884	6,860	2,921	3,194

²⁾ The amount as of September 30, 1998 included restructuring expenses of SEK 15 M (USD 1.9 M).

³⁾ Estimated change in deferred tax liability.

⁴⁾ In the pro forma report, the effects of the acquisition of Nordström & Thulin were taken into account. When consolidating income, SEK 30 M in depreciation was made on the surplus value of the acquisition, including change in deferred tax liabilities. In addition, Nordström & Thulin's share in the income of Argonaut (SEK -2 M) was eliminated.

⁵⁾ SEK 7.86 = USD 1 as of September 30, 1998.