



N & T ARGONAUT

INTERIM REPORT JANUARY - MARCH 1999

- *Freight rates improved during the first quarter of 1999 compared to fourth quarter 1998.*
- *Income before taxes reached SEK 53 M (January-March 1998: SEK 26 M).*
- *Available liquidity was more than SEK 1,000 M, the adjusted equity/assets ratio 30 percent.*

EARNINGS AND REVENUE

Income before taxes

During the report period, the income of the NTA Group before taxes was SEK 53 M. During the first quarter of 1998, the Group reported income before taxes of SEK 26 M.

Revenue

Group revenue during the report period amounted to SEK 360 M (364).

CASH EARNINGS

Cash earnings totaled SEK 115 M (118). Cash earnings per share (CEPS) were SEK 0.55 (0.64).

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

NET ASSET VALUE

On December 31, 1998, net asset value was SEK 10 per share (USD 1.20), based on valuations by independent shipbroking firms. The valuation of newbuilding contracts was NTA's own estimate. During the first quarter of 1999, vessel prices are believed to have been largely unchanged. Net asset value on March 31, 1999 was thus about SEK 10 per share (USD 1.30).

A change of 10 percent in the market value of the fleet would affect net asset value by about SEK 2.65 (USD 0.32) per share.

FINANCIAL POSITION

On March 31, 1999, the NTA Group's available liquidity amounted to SEK 1,050 M (Dec. 31, 1998: 897), including overdraft facilities and confirmed lines of credit totaling SEK 10 M (Dec. 31, 1998: 10) and after subtracting SEK 183 M (Dec. 31, 1998: 115) in restricted funds. On March 31, 1999, the visible equity/assets ratio was 39 percent (Dec. 31, 1998: 38). The adjusted equity/assets

ratio, which takes into account the market value of the fleet and commitments related to the current newbuilding program, amounted to 30 percent (Dec. 31, 1998: 30).

CAPITAL EXPENDITURES

NTA Group capital expenditures during the period totaled SEK 15 M (568).

On April 16, 1999, NTA took delivery of one of the two Suezmax newbuildings it had ordered. The vessel, which was built at the Daewoo Shipyard in South Korea, has a deadweight of 158,000 tonnes and is equipped with a double hull. It is named the Nord Hope. Its sister vessel, which is named the Nord Horn, is expected to be delivered late in May 1999. Delivery of the NTA's VLCC newbuilding is expected to occur early in 2000.

THE TANKER MARKET IN THE FIRST QUARTER OF 1999

During the first quarter, the NTA fleet was mainly employed in the spot market. The VLCCs Argo Pallas and Argo Daphne have been time-chartered out until November 1999 with an option for the charterer to extend the contract for six more months. The Suezmax vessel Nord Jahre Traveller is time-chartered out until October 1999. The Aframax vessels Nord Jahre Princess and North Pacific are chartered out until February 2000 and October 2001, respectively.

Average net revenue based on all calendar days during the period, including offshore and time-charter contracts

USD/day	Jan-Mar 1999	Jan-Mar 1998	Jan-Dec 1998
VLCC	31,400	32,000	29,800
ULCC	21,000	23,900	26,000
Suezmax	20,700	21,800	20,300
Aframax	16,200	16,700	15,800

The tanker market improved somewhat during the first quarter of 1999, compared to the fourth quarter of 1998. The downturn in the tanker market that occurred during the autumn of 1998 was due to a transition from a sharp buildup in the world's oil inventories to a reduction of these inventories toward the end of the year. Early in 1999, the pace of this decrease slowed somewhat. However, oil consumption increased more than expected. Thus the tanker market recovered slightly. Another cause of the upturn in freight rates early in 1999 was lower oil production, especially in the Atlantic region. This was replaced by oil from the Middle East, thereby increasing transport distances.

The big event during the quarter was the agreement late in March among a number of oil-producing countries to cut oil production by about 2.0 million barrels per day. This was intended to push up oil prices, which had reached their lowest levels in fifty years. These cutbacks come on top of the 2.6 million barrels per day decided during 1998. If oil production should now decrease, this will have a negative short-term impact on the tanker market. It is worth noting that last year's agreed cutbacks were only followed 60-70 percent and did not lead to higher oil prices.

According to reports so far during 1999, 15 VLCCs, 7 Suezmax and 10 Aframax vessels have been sold for scrap, which is a clear increase on an annual basis compared to 1998. Vessel prices have been largely unchanged. However, there has been a slight downturn in VLCC newbuilding prices. Order bookings at shipyards have decreased after the strong activity of the preceding two years and somewhat lower freight rates.

OUTLOOK FOR THE FUTURE

Since the end of the first quarter, OPEC's production ceilings have led to higher oil prices and thus diminishing oil inventories. As a consequence of this, freight rates for VLCCs in particular have fallen sharply in recent weeks.

Low oil prices were having an impact on the many low-production oil wells in such countries as the United States and Canada, where the cost of production is currently higher than the market price. As a consequence, many wells are being closed in such countries that have high production costs. Equivalent oil must be obtained from other more remote areas. These longer distances increase the need for transport capacity.

On the supply side, a large number of VLCCs and Suezmax vessels will reach the critical age of 25 years, when vessels must undergo an extensive classification survey. The shipowner must then decide either on major investments to extend vessel service life by five years or decide on scrapping. During the four-year period 1999-2002, 163 VLCCs and 100 Suezmax vessels will reach the age of 25 years. This is equivalent to 35-40 percent of the existing fleet.

One short-term threat to this is the OPEC agreement on production restrictions aimed at raising oil prices, plus the relatively large orderbook at shipyards. At year-end 1998, the orderbook for VLCCs amounted to approximately 20 percent of the existing fleet, while the corresponding figures for Suezmax- and Aframax vessels were 17 and 14 percent respectively.

OTHER EVENTS

The millennium shift

NTA has analyzed how to manage the problems that the transition to the year 2000 will involve for all computerized equipment, especially on board its vessels. All systems that are essential to operating safety will be year 2000-ready and tested before the summer of 1999.

INFORMATION SCHEDULE FOR 1999

The Annual Meeting of Shareholders will take place at 4 p.m. on Thursday, April 22, 1999 at the Stockholm City Conference Center (Norra Latin), Drottninggatan 71 B, Stockholm, Sweden.

- The Interim Report for the first six months will be published on August 19, 1999.
- The Interim Report for the first nine months will be published on October 28, 1999.
- The Year-End Report of 1999 will be published on February 23, 2000.

NTA's web site contains publicly available information about NTA and freight rates. Current press releases, Interim Reports etc. are also published there. The address is: www.ntargonaut.com.

Stockholm, April 22, 1999

N&T ARGONAUT AB (publ)

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Any questions about this Interim Report can be answered by
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NTA GROUP, FINANCIAL HIGHLIGHTS

		Mar 31, 1999	Mar 31, 1998	Dec 31, 1998
Income after taxes	SEK/share	0.26	0.48	-2.68
	USD/share	0.03	0.06	-0.34
Income before taxes	SEK/share	0.25	0.14	-3.34
	USD/share	0.03	0.02	-0.42
Cash earnings (CEPS)	SEK/share	0.55	0.64	2.03
	USD/share	0.07	0.08	0.26
Net asset value	SEK/share	10	17	10
	USD/share	1.30	2.10	1.20
Visible equity/assets ratio, %		39	42	38
Adjusted equity/assets ratio, %		30	41	30
Return on shareholders' equity, %		9	5	Neg.
Shares outstanding, balance sheet date		207,608,861	207,608,861	207,608,861
Average shares outstanding		207,608,861	183,962,916	201,617,490

CONSOLIDATED INCOME STATEMENTS

	Jan-Mar 1999		Jan-Mar 1998¹⁾		Full year 1998¹⁾	
	SEK M	USD M	SEK M	USD M	SEK M	USD M
Net sales						
Vessel operating revenue	360	45	364	45	1,415	178
Profit on sale of vessels	-	-	-	-	-	-
Vessel expenses						
Voyage costs	-79	-10	-71	-9	-323	-41
Operating expenses, charter hires	-121	-15	-124	-16	-477	-60
Depreciation	-62	-8	-91	-11	-367	-46
Gross income	98	12	78	9	248	31
Administrative expenses	-14	-2	-19	-2	-92	-12
Items affecting comparability ²	-	-	-	-	-715	-90
Operating income	84	10	59	7	-559	-71
Income from other fixed-asset receivables and securities	5	1	12	2	43	6
Interest income and similar income items	10	1	16	2	54	6
Interest expenses and similar expense items	-46	-5	-61	-8	-210	-26
Income after financial items	53	7	26	3	-672	-85
Minority share	0	0	0	0	-1	-
Income before taxes	53	7	26	3	-673	-85
Tax expenses for the year	-	-	-	-	-	-
Change in deferred tax liability	1	0	63	8	132	17
Income after taxes	54	7	89	11	-541	-68
<i>SEK per USD 1, average for period</i>		<i>8.01</i>		<i>8.02</i>		<i>7.95</i>

CONSOLIDATED BALANCE SHEETS

	Jan - Mar 1999		Jan-Mar 1998		Full year 1998	
	SEK M	USD M	SEK M	USD M	SEK M	USD M
Assets						
Vessels	4,419	532	4,859	609	4,352	540
Advance payments on vessel contracts	489	59	612	77	456	56
Other fixed assets	183	22	349	44	183	23
Other current assets	237	29	259	32	318	40
Cash, bank deposits and short-term investments	1,223	147	1,142	143	1,002	124
Total assets	6,551	789	7,221	905	6,311	783
Shareholders' equity and liabilities						
Shareholders' equity	2,526	304	3,038	381	2,421	300
Long-term liabilities	3,334	402	3,595	450	3,249	403
Current liabilities	691	83	588	74	641	80
Total shareholders' equity and liabilities	6,551	789	7,221	905	6,311	783
<i>SEK per USD 1, balance sheet date</i>		<i>8.30</i>		<i>7.98</i>		<i>8.06</i>

CONSOLIDATED CASH-FLOW STATEMENT

	Jan-Mar 1999		Jan-Mar 1998		Full year 1998	
	SEK M	USD M	SEK M	USD M	SEK M	USD M
CURRENT OPERATIONS						
Income after financial items	53	7	26	3	177	22
Adjustment for items not included in cash earnings	<u>59</u>	<u>7</u>	<u>157</u>	<u>20</u>	<u>388</u>	<u>49</u>
	112	14	183	23	565	71
Cash earnings before changes in working capital	<u>91</u>	<u>11</u>	<u>47</u>	<u>6</u>	<u>-12</u>	<u>-1</u>
Cash earnings from current operations	203	25	230	29	553	70
INVESTMENT OPERATIONS						
Acquisitions of subsidiaries	-	-	-800	-100	-800	-101
Acquisitions of tangible fixed assets	-15	-2	-568	-71	-772	-97
Divestments of fixed assets etc.	<u>6</u>	<u>1</u>	<u>492</u>	<u>62</u>	<u>675</u>	<u>85</u>
Cash earnings from investment operations	-9	-1	-876	-110	-897	-113
FINANCING OPERATIONS						
New share issue	-	-	1,834	228	1,834	230
Repayments of loan principal	<u>-7</u>	<u>-1</u>	<u>-523</u>	<u>-65</u>	<u>-973</u>	<u>-122</u>
Cash earnings from financing operations	-7	-1	1,311	163	861	108
Cash earnings for the period	187	23	665 ⁴	83	517 ⁴	65
Liquid assets at beginning of period	1,002	125	467	58	467	59
Translation differences in liquid assets ³	34	4	10	1	18	2
Liquid assets at end of period	1,223	152	1,142	142	1,002	126

Notes

¹ Effective from January 1, 1999, depreciation of vessels is based on a 25-year service life. During 1998, depreciation of vessels was based on a 20-year service life. Interest on invested capital in newbuilding contracts is capitalized as from June 30, 1998. Adjusting for these two items reported income before taxes would have amounted 57 MSEK for the first quarter 1998. The corresponding figure for the full year 1998 would have amounted to -570 MSEK.

² The amount in "Items affecting comparability" consists of a nonrecurring writedown of SEK 605 M in the book value of tanker vessels and an estimated expense of SEK 110 M for the discontinuation of dry bulk operations.

³ The translation difference in liquid assets at the beginning of the period is calculated on the basis of liquid assets on that date.

⁴ These items include liquid assets of SEK 529 M that were part of the acquisition of Nordström & Thulin.

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