



N&T ARGONAUT

INTERIM REPORT JANUARY - JUNE 1999

- *Income before taxes reached SEK 69 M (January-June 1998: SEK 41 M). Net asset value on June 30, 1999 was SEK 10 M per share, unchanged from December 31, 1998.*
- *Freight rates weakened during the second quarter of 1999.*
- *The Suezmax vessels Nord Hope and Nord Horn were delivered from the Daewoo Shipyard.*

FINANCIAL POSITION

Income before taxes

During the first half of 1999, the income of the NTA Group before taxes was SEK 69 M. During the first half of 1998, the Group reported an income before taxes of SEK 41 M.

Mainly due to a weakening of the tanker market, income before taxes during the second quarter of 1999 was SEK 16 M, down from SEK 53 M during the first quarter. The corresponding 1998 figures were SEK 15 M and SEK 26 M, respectively.

Cash earnings

Cash earnings from current operations totaled SEK 244 M (January-June 1998: SEK 276 M), equalling SEK 1.18 (SEK 1.41) per share.

Cash earnings from current operations are defined as income after financial items adjusted for items not included in cash earnings and cash earnings from changes in working capital.

Net asset value

Based on vessel valuations by independent shipbroking firms, net asset value on June 30, 1999 was estimated at SEK 10 per share, unchanged from December 31, 1998. The valuation of the VLCC newbuilding was NTA's own estimate.

These valuations indicate that vessel prices had fallen by an average of 5 percent since year-end 1998. However, this was offset by earnings for the report period, including booked depreciation, as well as by a rising U.S. dollar (USD) exchange rate against the Swedish krona (SEK). It is important to emphasize that only a few sales transactions involving modern tanker tonnage have taken place.

A change of 10 percent in the market value of the fleet would affect net asset value by about SEK 2.60 per share.

Liquidity and equity/assets ratio

On June 30, 1999, the NTA Group's available liquidity amounted to SEK 798 M (Dec. 31, 1998: SEK 898 M), including unutilized overdraft facilities totaling SEK 10 M (Dec. 31, 1998: SEK 10 M) and after subtracting SEK 210 M (Dec. 31, 1998: SEK 115 M) in pledged funds.

On June 30, 1999, the visible equity/assets ratio was 38 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 32 percent (Dec. 31, 1998: 30).

Parent Company

Income before taxes was SEK 337 M (SEK –3 M). Revenue for the report period totaled SEK 397 M (SEK 460 M). Available liquidity at the end of the period, including short-term investments, totaled SEK 63 M (Dec. 31, 1998: SEK 73 M).

CAPITAL EXPENDITURES

NTA Group capital expenditures during the first half of 1999 totaled SEK 543 M (SEK 2,396 M, including the acquisition of Nordström & Thulin AB). Net capital expenditures by the Parent Company amounted to SEK 1 M (SEK 1,788 M).

Construction of the Very Large Crude Carrier (VLCC) contracted from the Daewoo Shipyard in South Korea is progressing as planned, and delivery is expected to occur early in 2000.

Suezmax vessels delivered

In April and June 1999, NTA took delivery of two Suezmax vessels from the Daewoo Shipyard. These vessels, which were named the Nord Hope and the Nord Horn, each have a deadweight of 158,000 tonnes and are equipped with a double hull.

THE TANKER MARKET DURING 1999

Employment of the NTA fleet

During the first half of 1999, the NTA fleet was mainly employed in the spot market. The VLCCs Argo Pallas and Argo Daphne are 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 time-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-Jun 1999	Jan-Jun 1998	Apr-Jun 1999	Jan-Dec 1998
VLCC	27,600	32,800	23,600	29,800
ULCC	14,800	25,700	10,000	26,000
Suezmax	18,100	20,700	16,400	20,300
Aframax	15,500	16,700	15,200	15,800

The tanker market

During the first half of 1999, the tanker market was weaker than during the same period of 1998. This deterioration was due to the oil production ceilings introduced by the Organization of the Petroleum Exporting Countries (OPEC). Since the production ceilings announced during 1998 proved

insufficient to keep up oil prices, in March 1999 OPEC decided to cut production by an additional 6 percent or 1.7 million barrels per day. As a consequence of this action, the price of Brent oil doubled from USD 10 per barrel to USD 20 per barrel. Because of the production ceilings, freight rates also deteriorated sharply, especially during the second quarter of 1999.

The average freight rate for VLCCs fell by more than 35 percent, compared to the first half of 1998. For Suez- and Aframax vessels, the decline was 24 and 12 percent, respectively. The VLCC market was hardest hit because about 80 percent of the latest production ceiling was imposed on oil producers in the Middle East, which is the main loading region for VLCCs. The decline in Middle Eastern oil output during the second quarter of 1999 was estimated to be equivalent to the shipping capacity of about 40 VLCCs, or about 10 percent of the active global VLCC fleet.

If OPEC is to increase production again, lower oil inventories, higher oil consumption and continued higher oil prices are regarded as necessary. The buildup in oil inventories, which was one reason behind the strong tanker market in 1998, has now been replaced by drawdowns, since demand for oil is larger than oil output. Oil inventories are now rapidly shrinking. Oil consumption is expected to increase by 1.5 percent this year, because the countries of Asia have begun to recover following the economic crisis that began in 1997. Oil prices have gradually climbed throughout the summer. OPEC's criteria may therefore very well be met as early as during the autumn. This would also lead to a recovery in the tanker market.

If current oil production ceilings should continue into next year, there is a major risk that certain oil producers cannot resist the temptation to boost their income by means of higher production at the expense of others, especially since Middle East oil production capacity exceeds current output by more than 30 percent, or 6 million barrels per day. This scenario, too, would mean a recovery in the tanker market, although with a time lag.

Vessel prices

Because both the tanker and dry bulk markets have been weak, order bookings to shipyards have declined. Newbuilding prices have consequently fallen, adversely affecting second-hand prices. Low newbuilding prices, excess shipyard capacity and strained finances due to the Asian crisis are factors that have led to discussions of a consolidation of the Japanese and South Korean shipyards.

Scrapping of older tonnage has increased. In the VLCC and Suezmax segments, almost as many vessels have been scrapped as have been delivered from shipyards. In the Aframax size category, however, the number of scrapped vessels is considerably smaller than newbuilding deliveries, because there are fewer older vessels in this segment.

EVENTS AFTER THE CLOSE OF THE REPORT PERIOD

Discontinuation of dry bulk operations

In light of continued weak dry bulk market prospects, during 1998 NTA decided to discontinue its dry bulk operations. A provision for the estimated discontinuation cost was made against 1998 net income. As part of the discontinuation process, NTA has reached an agreement on termination of its time charter on the vessel United Respect. This transaction is expected to be completed by late August. The remaining dry bulk vessel, the World Nord, which NTA hires on a time charter, will be redelivered to its owner late in 1999. The provision made in the 1998 financial statements for the entire cost of discontinuing NTA's dry bulk operations is believed to be sufficient.

OTHER EVENTS

The millennium shift

All essential equipment on NTA's vessels has been inventoried with respect to their function on critical dates around the transition to the year 2000. This study has not revealed any critical technical problems. Older systems and components have undergone fine-tuning and upgrading. Functional tests were conducted on board, and safety procedures for alternative operation of systems in case of any disruptions in their function have been devised and incorporated into the vessels' safety plans and drill procedures.

INFORMATION SCHEDULE FOR 1999

-The Interim Report for the first nine months will be published on October 28, 1999.

-The Year-End Report of 1999 results will be published on February 23, 2000.

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

Stockholm, August 19, 1999
N&T ARGONAUT AB (publ)

Anders Berg
President and CEO

Any questions about this Interim Report for January-June 1999 can be answered by Anders Berg, President and CEO, or Björn Hansson, CFO, tel. +46 8 613 19 00.

NTA GROUP, FINANCIAL HIGHLIGHTS

		Jan-Jun 1999	Jan-Jun 1998	Apr-Jun 1999	Jan-Dec 1998
Income after taxes	SEK/share	0.34	0.39	0.08	-2.68
	USD/share	0.04	0.05	0.01	-0.34
Income before taxes	SEK/share	0.33	0.21	0.08	-3.34
	USD/share	0.04	0.03	0.01	-0.42
Cash earnings from current operations	SEK/share	1.18	1.41	0.20	2.74
	USD/share	0.14	0.18	0.02	0.35
Net asset value	SEK/share	10	15	10	10
	USD/share	1.20	1.90	1.20	1.20
Visible equity/assets ratio, %		38	43	38	38
Adjusted equity/assets ratio, %		32	40	32	30
Return on shareholders' equity, %		6	7	3	-21
Return on capital employed, %		6	6	5	-10
Shares outstanding, balance sheet date		207,608,861	207,608,861	207,608,861	207,608,861
Average shares outstanding		207,608,861	195,626,119	207,608,861	201,617,490

CONSOLIDATED INCOME STATEMENTS

	Jan-Jun 1999		Jan-Jun 1998 ¹		Apr-Jun 1999		Full year 1998 ¹	
	SEK M	USD M	SEK M	USD M	SEK M	USD M	SEK M	USD M
Net sales								
Vessel operating revenue	684	83	742	93	324	38	1,415	178
Profit on sale of vessels	-	-	-	-	-	-	-	-
Vessel expenses								
Voyage costs	-137	-16	-167	-21	-58	-6	-323	-41
Operating expenses	-252	-31	-231	-29	-131	-16	-477	-60
Depreciation on vessels	-130	-16	-184	-23	-68	-8	-367	-46
Gross income	165	20	160	20	67	8	248	31
Administrative expenses	-44	-5	-68	-9	-30	-3	-92	-11
Items affecting comparability ²	-	-	-	-	-	-	-715	-90
Operating income	121	15	92	11	37	5	-559	-70
Income from receivables and securities accounted for as fixed assets	8	1	21	3	3	-	43	5
Other interest income and similar income items	50	6	39	5	40	5	54	6
Interest expenses and similar expense items	-109	-13	-111	-14	-63	-8	-210	-26
Income after financial items	70	9	41	5	17	2	-672	-85
Minority share	-1	0	0	0	-1	0	-1	-
Income before taxes	69	9	41	5	16	2	-673	-85
Tax expenses for the year	-	-	-	-	-	-	-	-
Change in deferred tax liability	1	0	36	5	0	0	132	17
Income after taxes	70	9	77	10	16	2	-541	-68
<i>SEK per USD 1, average for period</i>		<i>8.21</i>		<i>7.92</i>		<i>8.41</i>		<i>7.95</i>

CONSOLIDATED BALANCE SHEETS

	June 30, 1999		June 30, 1998		December 31, 1998	
	SEK M	USD M	SEK M	USD M	SEK M	USD M
Assets						
Vessels	5,260	622	4,747	596	4,352	540
Advance payments on vessel contracts	202	24	612	77	456	56
Other fixed assets	180	21	389	49	183	23
Other current assets	239	28	303	38	318	40
Cash, bank deposits and short-term investments	998	118	979	123	1,002	124
Total assets	6,879	813	7,030	883	6,311	783
Shareholders' equity and liabilities						
Shareholders' equity	2,578	305	3,016	379	2,421	300
Long-term liabilities	3,716	439	3,522	442	3,249	403
Current liabilities	585	69	492	62	641	80
Total shareholders' equity and liabilities	6,879	813	7,030	883	6,311	783
<i>SEK per USD 1, balance sheet date</i>		<i>8.46</i>		<i>7.96</i>		<i>8.06</i>

CONSOLIDATED CASH FLOW STATEMENT

	Jan-Jun 1999		Jan-Jun 1998		Apr-Jun 1999		Full year 1998	
	SEK M	USD M	SEK M	USD M	SEK M	USD M	SEK M	USD M
CURRENT OPERATIONS								
Income after financial items	70	9	41	5	17	2	43	5
Adjustment for items not included in cash earnings	<u>118</u>	<u>14</u>	<u>242</u>	<u>31</u>	<u>59</u>	<u>6</u>	<u>522</u>	<u>66</u>
	188	23	283	36	76	8	565	71
Cash earnings from changes in working capital	<u>56</u>	<u>7</u>	<u>-7</u>	<u>-1</u>	<u>-35</u>	<u>-3</u>	<u>-12</u>	<u>-1</u>
Cash earnings from current operations	244	30	276	35	41	5	553	70
INVESTMENT OPERATIONS								
Acquisitions of subsidiaries	-	-	-800	-101	-	-	-800	-101
Acquisitions of tangible fixed assets	-543	-66	-561	-71	-528	-64	-772	-97
Divestments of fixed assets etc.	<u>7</u>	1	<u>492</u>	<u>62</u>	<u>1</u>	-	<u>675</u>	<u>85</u>
Cash earnings from investment operations	-536	-65	-869	-110	-527	-64	-897	-113
FINANCING OPERATIONS								
New share issues	-	-	1,834	231	-	-	1,834	230
New borrowings	487	59	-	-	487	44	-	-
Repayments of loan principle	<u>-238</u>	<u>-29</u>	<u>-734</u>	<u>-92</u>	<u>-231</u>	<u>-13</u>	<u>-973</u>	<u>-122</u>
Cash earnings from financial operations	249	30	1,100	139	256	31	861	108
Cash earnings for the period	-43	-5	507	64	-230	-28	517⁵	65
Liquid assets at beginning of period	1,002	124	467	59	1,223	147	467	59
Translation difference in liquid assets	39	-1	5⁴	-	5	-1	18⁴	-
Liquid assets at end of period	998³	118	979	123	998	118	1,002	124

Notes to the income statements, balance sheets and cash flow statements

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 capital invested in newbuilding contracts is reported as part of the vessel investment effective from the financial statements for the first half of 1998. Adjusted for these items, reported income before taxes for the first half of 1998 would have amounted to SEK 95 M. For the full year 1998, the corresponding income would have amounted to SEK - 570 M.

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

³ NTA's gross liquidity was SEK 998 M per 1999-06-30. Available liquidity amounted to SEK 798 M, including unutilized overdraft facilities totaling SEK 10 M and after subtracting SEK 210 M in pledged funds.

⁴ Translation differences in liquid assets are calculated on the basis of their amount at the beginning of the report period.

⁵ These items include liquid assets of SEK 529 M that were part of the acquisition of Nordström & Thulin.

REVIEW REPORT

I have reviewed this report in compliance with the recommendations of the Swedish Institute of Authorized Public Accountants (FAR). A review is substantially more limited in scope than an audit.

Nothing has emerged which would indicate that the Interim Report does not fulfill the requirements of the Swedish Stock Exchange and Clearing House Act and the Swedish Annual Accounts Act.

Stockholm, August 19, 1999

Carl Lindgren
Authorized Public Accountant