



N&T ARGONAUT

INTERIM REPORT

January 1 - September 30, 1999

- *Income before taxes SEK 33 M (January-September 1998: SEK 54 M)*
- *Net asset value on September 30, 1999: SEK 10 per share, unchanged from June 30, 1999.*
- *Weak freight rates during the third quarter of 1999.*

FINANCIAL POSITION

Income

During the period January 1 - September 30, 1999, the income of the NTA Group before taxes was SEK 33 M. During the same period of 1998, the Group reported an income before taxes of SEK 54 M.

Income during the third quarter of 1999 was SEK -36 M (third quarter of 1998: SEK 13 M). The very weak tanker market during the quarter was offset to some extent because NTA managed to charter at rates considerably higher than the spot market average. Income during the first quarter of 1999 was SEK 53 M (year-earlier: SEK 26 M) and during the second quarter SEK 16 M (SEK 15 M).

NTA terminated its time charter on the dry bulk vessel United Respect in September. This had no impact on earnings, because in its 1998 financial statements NTA made a provision for the entire cost of discontinuing its dry bulk operations.

Cash earnings

Cash earnings from current operations totaled SEK 296 M (January-September 1998: SEK 502 M). This was equivalent to SEK 1.43 (SEK 2.51) per share. The calculation of cash earnings is based on the cash flow statement included in this Report.

Net asset value

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

A change of 10 percent in the market value of the fleet would affect net asset value by about SEK 2.40 per share.

Liquidity and equity/assets ratio

On September 30, 1999, the NTA Group's available liquidity amounted to SEK 779 M (June 30, 1999: SEK 798 M), including unutilized overdraft facilities totaling SEK 10 M (June 30, 1999: SEK 10 M) and after subtracting SEK 203 M (June 30, 1999: SEK 210 M) in pledged funds.

On September 30, 1999, 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 (June 30, 1999: 32 percent). The visible equity/assets ratio was 38 percent (June 30, 1999: 38 percent).

CAPITAL EXPENDITURES

NTA Group capital expenditures during January-September totaled SEK 552 M (year-earlier: SEK 574 M, excluding the acquisition of Nordström & Thulin AB). Capital expenditures for the period included final payment for the Nord Hope and Nord Horn in conjunction with their delivery to NTA during the second quarter of 1999.

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

THE TANKER MARKET DURING 1999

Employment of the NTA fleet

During the period January - September 1999, the fleet was mainly employed in the spot market. The VLCCs Argo Pallas and Argo Daphne, however, were time-chartered at rates that were substantially higher than VLCC spot rates. The Aframax vessels Nord Jahre Princess and North Pacific are time-chartered out until February 2000 and October 2001, respectively.

NTA's average net revenue, based on all calendar days during the period, including offhire and time-charter contracts

USD/day	Jan-Sep 1999	Jan-Sep 1998	Jul-Sep 1999	Jan-Dec 1998
VLCC	25,200	31,600	20,600	29,800
ULCC	13,200	28,300	9,900	26,000
Suezmax	16,900	20,900	15,700	20,300
Aframax	15,000	15,900	13,700	15,800

The tanker market

The oil production ceiling by the Organization of Petroleum Producing Countries (OPEC) was the dominant reason behind the continued poor tanker market during the third quarter of 1999. Tanker tonnage was hurt both by lower shipping volumes and by sharply higher bunker prices. Due to the production ceiling, the average oil price climbed during the quarter by more than 50 percent, compared to the first half of 1999. The deterioration in the freight market was especially dramatic for VLCCs, which saw freight rates fall by 55 percent during the third quarter, compared to the same period of 1998. This was because the drop in oil production was largest in the Middle East, the main loading region for these vessels. Freight rates for Suezmax and Aframax tonnage fell by 34 and 42 percent, respectively.

The weak tanker market and the growing number of vessels reaching 25 years of age have led to increased scrapping. So far during 1999, about 12 million deadweight tons (dwt) have been scrapped, which is as much as deliveries from shipyards.

Due to low newbuilding prices, order activity for new vessels remained high in the third quarter of 1999. So far this year new tanker contracts amounted to approximately 10 million deadweight tons, equivalent to about 30 percent of world shipyard orderbooks. The total current orderbook for VLCC, Suezmax and Aframax tonnage now stands at 35 million tons deadweight, or 15 percent of the global fleet in these categories.

Despite rising oil consumption and the International Energy Agency (IEA) forecasts of a 1.5 percent global increase in demand this year, and of 2.4 percent in 2000, oil prices have now moved up to levels that - if sustained - may affect the fragile recovery of the Far Eastern economies. A setback there would in turn impact negatively again on these forecasts. High oil prices may well also affect the level and the speed of restocking oil inventories. On balance therefore, and short of unforeseen circumstances, it is not expected that the tanker market supply/demand equation will change much for the rest of this year. Although growth in energy demand should have a positive effect on the demand for tankers, one must also remain conscious of the detrimental effects of overordering of newbuilding tonnage, and the potential for an economic slowdown resulting from higher costs.

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 have been 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

- The Year-End Report of 1999 results will be published on February 23, 2000.
- Interim Report for the first quarter will be published on April 26, 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, October 28, 1999
N&T ARGONAUT AB (publ)

Anders Berg
President and CEO

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

The Company's auditors have not subjected this report to examination.

NTA GROUP, FINANCIAL HIGHLIGHTS

		Jan-Sep 1999	Jan-Sep 1998	Jul-Sep 1999	Jan-Dec 1998
Income after taxes	SEK/share	0.17	0.50	-0.17	-2.68
	USD/share	0.02	0.06	-0.02	-0.34
Income before taxes	SEK/share	0.16	0.27	-0.17	-3.34
	USD/share	0.02	0.03	-0.02	-0.42
Cash earnings from current operations	SEK/share	1.43	2.51	0.25	2.74
	USD/share	0.17	0.32	0.03	0.35
Net asset value	SEK/share	10	11	10	10
	USD/share	1.20	1.41	1.20	1.20
Visible equity/assets ratio, %		38	43	38	38
Adjusted equity/assets ratio, %		32	34	32	30
Return on shareholders' equity, %		2	6	-6	-21
Return on capital employed, %		5	6	2	-10
Interest-bearing net indebtedness at end of period		2,485	2,107	2,485	2,284
Shares outstanding, balance sheet date		207,608,861	207,608,861	207,608,861	207,608,861
Average shares outstanding		207,608,861	199,620,366	207,608,861	201,617,490

CONSOLIDATED INCOME STATEMENTS

	Jan-Sep 1999		Jan-Sep 1998¹		Jul-Sep 1999		Full year 1998¹	
	SEK M	USD M	SEK M	USD M	SEK M	USD M	SEK M	USD M
Net sales								
Vessel operating revenue	989	120	1,097	138	305	37	1,415	178
Profit on sale of vessels	-	-	-	-	-	-	-	-
Vessel expenses								
Voyage costs	-218	-26	-247	-31	-81	-10	-323	-41
Operating expenses	-376	-46	-352	-44	-124	-15	-477	-60
Depreciation on vessels	-199	-24	-275	-35	-69	-8	-367	-46
Gross income	196	24	223	28	31	4	248	31
Administrative expenses	-60	-8	-75	-9	-16	-2	-92	-11
Items affecting comparability ²	-	-	-	-	-	-	-715	-90
Operating income	136	16	148	19	15	2	-559	-70
Income from receivables and securities accounted for as fixed assets	10	1	26	3	2	0	43	5
Other interest income and similar income items	62	8	42	5	12	2	54	6
Interest expenses and similar expense items	-174	-21	-161	-20	-65	-8	-210	-26
Income after financial items	34	4	55	7	-36	-4	-672	-85
Minority share	-1	0	-1	0	0	0	-1	0
Income before taxes	33	4	54	7	-36	-4	-673	-85
Tax expenses for the year	-	-	-	-	-	-	-	-
Change in deferred tax liability	2	0	45	5	1	0	132	17
Income after taxes	35	4	99	12	-35	-4	-541	-68
<i>SEK per USD 1, average for period</i>		8.25		7.95		8.33		7.95

CONSOLIDATED BALANCE SHEETS

	September 30, 1999		September 30, 1998		December 31, 1998	
	SEK M	USD M	SEK M	USD M	SEK M	USD M
Assets						
Vessels	4,905	598	4,607	586	4,352	540
Advance payments on vessel contracts	201	25	617	78	456	56
Interest-bearing financial fixed assets	150	18	275	35	145	18
Other fixed assets	36	4	39	6	38	5
Interest-bearing financial current assets	17	2	36	5	60	7
Other current assets	225	27	261	33	258	33
Cash, bank deposits and short-term investments ³	972	119	1,111	141	1,002	124
Total assets	6,506	793	6,946	884	6,311	783
Shareholders' equity and liabilities						
Shareholders' equity	2,475	302	3,003	382	2,421	300
Interest-bearing long-term liabilities	3,256	397	3,205	408	3,195	396
Other long-term liabilities	53	6	142	18	54	7
Interest-bearing current liabilities	368	45	324	41	296	37
Other current liabilities	354	43	272	35	345	43
Total shareholders' equity and liabilities	6,506	793	6,946	884	6,311	783
<i>SEK per USD 1, balance sheet date</i>		<i>8.20</i>		<i>7.86</i>		<i>8.06</i>

CONSOLIDATED CASH FLOW STATEMENT

	Jan-Sep 1999		Jan-Sep 1998		Jul-Sep 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	34	4	55	7	-36	-4	43	5
Adjustment for items not included in cash earnings	<u>186</u>	<u>23</u>	<u>397</u>	<u>50</u>	<u>68</u>	<u>8</u>	<u>522</u>	<u>66</u>
	220	27	452	57	32	4	565	71
Cash earnings from changes in working capital	<u>76</u>	<u>9</u>	<u>50</u>	<u>6</u>	<u>20</u>	<u>2</u>	<u>-12</u>	<u>-1</u>
Cash earnings from current operations	296	36	502	63	52	6	553	70
INVESTMENT OPERATIONS								
Acquisitions of subsidiaries	-	-	-800	-101	-	-	-800	-101
Acquisitions of tangible fixed assets	-552	-67	-574	-72	-9	-1	-772	-97
Divestments of fixed assets etc.	<u>134</u>	<u>16</u>	<u>522</u>	<u>67</u>	<u>127</u>	<u>15</u>	<u>675</u>	<u>85</u>
Cash earnings from investment operations	-418	-51	-852	-106	118	14	-897	-113
FINANCING OPERATIONS								
New share issues	-	-	1,834	230	-	-	1,834	230
New borrowings	362	44	-	-	-	-	-	-
Repayments of loan principal	<u>-285</u>	<u>-35</u>	<u>-839</u>	<u>-105</u>	<u>-172</u>	<u>-20</u>	<u>-973</u>	<u>-122</u>
Cash earnings from financial operations	77	9	995	125	-172	-20	861	108
Cash earnings for the period	-45	-6	645	82	-2	0	517	65
Liquid assets at beginning of period	1,002	124	467	59	998	118	467	59
Translation difference in liquid assets	15	0	-1 ⁴	0	-24	0	18 ⁴	0
Liquid assets at end of period	972 ³	118	1,111	141	972	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 period January-September 1998 would have amounted to SEK 132 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 972 M on September 30, 1999. Available liquidity amounted to SEK 779 M, including unutilized overdraft facilities totaling SEK 10 m and after subtracting SEK 203 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.