N&T ARGONAUT

Interim Report
January 1 – June 30, 1998

- **Continued strong market for large tankers after year-end 1997**
- **Net revenue in the spot market increased by more than 15 percent for VLCC tonnage, compared to the same period of 1997**
- **Income before taxes SEK 41 M**
- **Net asset value SEK 15 per share**

After the merger with Nordström & Thulin AB and the acquisition of the M/T Argo Medea (see below under "Capital expenditures"), the total number of shares in NTA amounts to 207,608,861, divided into 41,385,828 Series A shares and 166,223,033 Series B shares.

NTA has consolidated Nordström & Thulin in its accounts effective January 1, 1998.

Earnings and revenue

During the report period, the income of the NTA Group before taxes amounted to SEK 41 M, and after taxes SEK 77 M. During the corresponding period of 1997, pro forma reported income before taxes was SEK -20 M, excluding SEK 56 M profit on sale of vessels and SEK 49 M in nonrecurring financial items. Pro forma income took into account the acquisition of Nordström & Thulin. As of June 30, 1997, Argonaut reported income before taxes of SEK 12 M, excluding SEK 56 M profit on sale of a vessel.

Income for the 1998 report period included a loss of SEK 18 M on dry bulk operations. In addition, SEK 15 M was charged to earnings for the report period to cover estimated restructuring expenses related to the merger with Nordström & Thulin. Passenger ferry operations, which were part of the acquisition, were divested, yielding a positive effect of SEK 16 M on earnings.

Revenue during the report period amounted to SEK 742 M (SEK 408 M). Pro forma revenue in January – June 1997 was SEK 991 M, including SEK 193 M for passenger ferry operations in Nordström & Thulin.

Cash earnings

Cash earnings totaled SEK 225 M (pro forma; SEK 231 M). Cash earnings per share (CEPS) were equivalent to SEK 1.15 (pro forma; 1.29).

N&T Argonaut AB (publ)
Street address: Skeppsbron 34
Mailing address: Box 1215, SE-111 82 Stockholm, Sweden
Telephone: +46 8 613 19 00. Fax: +46 8 21 31 37
Swedish corporate identity number: 55 62 26-6477

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 June 30, 1998, net asset value before taxes was estimated at SEK 15 per share (USD 1.90). On December 31, 1997, the corresponding pro forma value was about SEK 19 (USD 2.40), and on June 30, 1997 it was SEK 15 M (USD 1.91). The change during the report period was mainly due to an average downward adjustment of about 16 percent in the market value of the Company’s vessels and of about 8 percent in the contract value of its newbuilding contracts. Also taken into account was the negative value of a chartering contract for a dry bulk vessel.

The fleet was appraised by the three independent shipbrokers of P.F. Bassøe A/S & 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.

Financial position
On June 30, 1998, the NTA Group’s visible equity/assets ratio amounted to 43 percent (pro forma at year-end 1997; 41 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 40 percent (pro forma at year-end 1997; 44 percent).

Available liquidity amounted to SEK 990 M (pro forma at year-end 1997; SEK 1,265 M), including overdraft facilities and confirmed lines of credit totaling about SEK 35 M (SEK 269 M) and after subtracting SEK 24 M (SEK 24 M) in restricted funds.

Capital expenditures
Group capital expenditures during the period totaled SEK 2,396 M (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 NTA plus a cash payment of SEK 14 M.

In compliance with the decision of the Extraordinary General Meeting in December 1997, during March 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 addition, the Company made SEK 64 M in partial payments for its participations in the VLCCs ordered during the autumn of 1997.

Divestments
The Company sold the dry bulk cargo vessel M/S Nord Sea. 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 SEK 30 M on liquidity. The Group is retaining its previous partial financing of ferries operating on EstLine routes by means of interest-bearing loans totaling about SEK 45 M plus loan guarantee obligations.

Parent Company
Revenue for the period amounted to SEK 460 M (SEK 375 M). Income before taxes was SEK –3 M (SEK -37 M). Available liquidity, including short-term investments, at the end of the period

amounted to SEK 8 M (year-end 1997; SEK 51 M). Capital expenditures by the Parent Company amounted to SEK 1,788 M (0).

Net revenues and employment of vessels

The VLCCs Argo Athena and Argo Pallas are time-chartered out until May 1999 with an option for six more months. The Suezmax vessel Nord Jahre Traveller 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		
USD/day	**January – June 1998**	**January – June 1997**
VLCC	32,800 [2)]	29,700
ULCC	25,700	21,100
Suezmax [1)]	20,700 [3)]	21,800
Aframax [1)]	16,700	20,300
Capesize [1)]	11,100	14,000

[1)] These vessels were not part of the NTA Group in 1997.
[2)] Average net revenue in the spot market was USD 34,300/day.
[3)] Average net revenue excluding off-hire time was USD 23,200/day.

The tanker and dry bulk markets

Tanker market

The average net revenue for modern VLCC tonnage improved by about USD 5,000/day to more than USD 34,000/day during the first half of 1998, compared to the same period of 1997. Net revenue for Suezmax tonnage was largely unchanged, while Aframax vessels saw a decline of 30-40 percent, partly due to larger supply as well as competition from the larger Suezmax vessels.

One important reason behind the improvement in the VLCC market was falling oil prices, plus the fact that spot market prices of oil were lower than those of oil sold for later delivery. As a result, oil companies and consumers built up their oil reserves to levels higher than in many years. Total world crude oil output is estimated to have been 2.2 million barrels/day higher than demand during the first half of 1998. Total world demand for oil nevertheless increased by an estimated 1.2 percent or 900,000 barrels/day during the period. Another important factor contributing to the stronger VLCC market was that more oil was being transported from the Middle East to the United States and Europe, resulting in longer shipping distances.

Overproduction of oil, which led to low oil prices, was primarily due to the fact that OPEC increased its production quotas just before the Asian crisis broke out last autumn and also exceeded these quotas by 800,000 barrels/day. This can partly be explained by Iraq's increased oil production. Meanwhile the crisis in Asia led to stagnant oil consumption in that region.

The tanker market for the rest of 1998 is difficult to assess, due to uncertainty about how the Asian crisis will develop. Other question marks are whether OPEC will actually implement its planned cutbacks in oil production in order to push oil prices upward, thereby initiating a drawdown in oil reserves. Despite this uncertainty, the average VLCC market during 1998 should not deviate substantially from the strong market during 1997.

Dry bulk market
The dry bulk market deteriorated further during 1998. The market is highly dependent on demand in Asia, so the economic crisis in that region had major repercussions on freight rates. Meanwhile large deliveries of newbuildings continued. Net revenue for Capesize vessels fell by 25 percent compared to last year, falling to about USD 8,000/day at the end of the report period.

Newbuildings
The weakening of the Japanese and South Korean currencies caused newbuilding prices to drop by 5-15 percent since year-end 1997, which also pulled down second-hand prices. Ordering activity was nevertheless not especially high, since a great deal of tanker tonnage had already been ordered during 1997 for delivery in 1999/2000. The VLCC orderbook amounts to 16 percent of the existing global fleet. The corresponding figure for Suezmax vessels is 18 percent, for Aframax 21 percent and for Capesize 11 percent. The strong tanker market during 1997 and 1998 has resulted in low scrapping activity.

Other events
Stock quotation
The shares of NTA were quoted on the O list of the Stockholm Stock Exchange as from September 1997. Effective from April 29, 1998 they have been quoted on the A list.

Compulsory redemption
The Company requested compulsory redemption of the 550,000 remaining shares in Nordström & Thulin (equivalent to 0.7 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.

Swap of shares in VLCC newbuilding contracts
In the autumn of 1997 Argonaut, Nordström & Thulin and companies associated with the World-Wide Shipping group jointly signed newbuilding contracts for two identical VLCC vessels with the Daewoo Shipyard in South Korea, with delivery in the first quarter of year 2000. The contract hull reference numbers are 5123 and 5161. Following the merger between Argonaut and Nordström & Thulin, NTA now owns 70 per cent of the contract for Hull No. 5123 and 30 per cent of the contract for Hull No. 5161.

NTA and the companies associated with the World-Wide Shipping group have now agreed to swap shares in the newbuilding contracts so that NTA will become sole owner of the contract for Hull No. 5123 and a company associated with the World-Wide Shipping group will be the owner of the contract for Hull No. 5161. As these contracts are identical there will be no cash payment between the parties.

Information schedule
- The Interim Report for January - September 1998 will be published on October 29, 1998.
- The Year-End Report of 1998 Results will be published on February 26, 1999.

Stockholm, August 17, 1998

N&T ARGONAUT AB (publ)

Anders Berg
President and CEO

For further information, please contact: Anders Berg, President and CEO, tel +46 8 613 19 00
Björn Ersman, Executive Vice President, ”

The NTA Group, financial highlights

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

		Jun 30, 1998	Jun 30, 1997 NTA, pro forma	Jun 30, 1997 Argonaut	Dec 31, 1997
Income after taxes,	SEK/share	0.39	0.51	0.64	1.37
	USD/share	0.05	0.07	0.09	0.18
Cash earnings, CEPS	SEK/share	1.15	1.29	0.99	2.57
	USD/share	0.15	0.17	0.13	0.34
Net asset value,	SEK/share	15		15	19 [1)]
	USD/share	1.90		1.91	2.40 [1)]
Visible equity/assets ratio, %		43		33	41 [1)]
Adjusted equity/assets ratio, %		40		43	44 [1)]
Return on shareholders' equity, %		7	8	15	15
Shares outstanding, balance sheet date		207,608,861	178,850,279	105,268,196	105,268,196
Average shares outstanding		195,626,119	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-Jun 1998		Jan-Jun 1997		Full year 1997
			NTA, proforma[2]	Argonaut	
	SEK M	USD M	SEK M	SEK M	SEK M
Net sales					
Vessel operating revenue	742	93,7	991	408	887
Profit on sale of vessels	-	-	56	56	56
Vessel expenses					
Voyage costs	-167	-21.1	-200	-112	-224
Operating expenses, charter hires	-231	-29.2	-431	-139	-251
Depreciation	-184	-23.2	-202	-93	-182
Gross income	**160**	**20.2**	**214**	**120**	**286**
Administrative expenses	-68 [3]	-8.6 [3]	-57	-14	-30
Operating income	**92**	**11.6**	**157**	**106**	**256**
Income/loss from other fixed-asset receivables and securities	21	2.7	62	17	40
Other interest income and income items	39	5.0	28	16	
Other interest expenses and similar expense items	-111	-14.1	-161	-71	-148
Income after financial items [1]	**41**	**5.2**	**86**	**68**	**148**
Minority share	0	0	-1	0	0
Income/loss before taxes	**41**	**5.2**	**85**	**68**	**148**
Estimated taxes	36 [4]	4.5 [4]	6 [4]	-	-4
Income/loss after taxes	**77**	**9.7**	**91**	**68**	**144**

Consolidated balance sheets

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

	Jun 30, 1998		Jun 30, 1997		Dec 31, 1997
			NTA, proforma [2]	Argonaut	
	SEK M	USD M [5]	SEK M	SEK M	SEK M
Assets					
Vessels	4,747	596	5,263	2,378	2,337
Advance payments on vessel contracts	612	77	-	-	189
Other fixed assets	389	49	343	7	44
Other current assets	303	38	496	271	157
Liquid assets	979	123	969	386	467
Total assets	**7,030**	**883**	**7,071**	**3,042**	**3,194**

Shareholders' equity and liabilities					
Shareholders' equity	3,016	379	2,296	991	1,087
Long-term liabilities	3,522	442	3,448	1,646	1,776
Current liabilities	492	62	1,327	405	331
Total shareholders' equity and liabilities	**7,030**	**883**	**7,071**	**3,042**	**3,194**

[1] Income after financial items for the first quarter of 1998 was SEK 31 M (USD 3.9 M) after alignment of accounting principles in the new group. In the imterim report for the first quarter a profit of SEK 26 M (USD 3.4 M) was reported.

[2] In the pro forma report, the effects of the acquisition of Nordström & Thulin were taken into account. When consolidating income, SEK 14 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 –5 M) was eliminated.

[3] This amount includes restructuring expenses of SEK 15 M (USD 1.9 M).

[4] Estimated change in deferred tax liability.

[5] SEK 7.96 = USD 1 as of June 30, 1998.

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 Companies Act.

Stockholm, August 17, 1998

Carl Lindgren
Authorized Public Accountant