



## **Knightsbridge Tankers Limited**

### **Interim Report June 2005**

#### **SECOND QUARTER AND SIX MONTH RESULTS**

The Board of Knightsbridge Tankers Limited (the "Company") is pleased to report net income of \$7.4 million and earnings per share of \$0.43 for the second quarter of 2005. The average daily time charter equivalents ("TCEs") earned by the Company's five VLCCs was \$38,900 compared with \$56,900 in the immediately preceding quarter. These reduced earnings reflect the continued weakening of the tanker market in the first half of 2005 compared with the exceptionally high rates experienced in the fourth quarter of 2004. Net interest expense for the quarter was \$1.0 million (2004 comparable quarter: \$2.4 million) and at June 30, 2005, all of the Company's debt is floating rate debt. As of August 8, 2005, the Company has an average cash breakeven rate for its vessels of \$16,113.

During the second quarter, the drydocking of the first of the four vessels scheduled for 2005 was completed at a cost of \$0.9 million. The Company had originally budgeted \$1.0 million per vessel for drydocking. An additional two vessels will be drydocked in the third quarter.

The net decrease in cash and cash equivalents in the quarter was \$7.7 million. The Company generated cash from operating activities of \$17.2 million and \$0.7 million from credit facilities and used \$25.6 million to pay dividends.

For the six months ended June 30, 2005 the Company reports net income of \$24.5 million and earnings per share of \$1.43. The average daily TCE's for the six months ended June 30, 2005 was \$48,100. Net interest expense for the period was \$1.8 million (2004 comparable six months: \$4.7 million).

On August 12, 2005, the Board declared a dividend of \$0.80 per share. The record date for the dividend is August 26, 2005, ex dividend date is August 24, 2005 and the dividend will be paid on or about September 6, 2005.

#### **THE MARKET AND OUTLOOK**

The overall downward trend of the VLCC market witnessed in the first quarter of the year continued in the second quarter. Early April started off on a rebound seeing a peak in rates at Worldscale ("WS") 90 levels. This was followed by a steady decline until the middle of June, when the market did not bottom out until Worldscale 50 levels were reached. However, at the end of the quarter the market climbed back up towards WS 70 levels. The average WS rate from Arabian Gulf to the East was about WS 72 compared to WS 107 in the first quarter of 2005. This equates to a daily time charter equivalent of approximately \$32,000 per day.

A greater proportion of eastbound voyages thickened the list of vessels open in the Arabian Gulf during the quarter. Combined with an increasing fleet, the psychology in the market shifted in owners' disfavour resulting in a downward pressure on rates. In line with oil prices, bunker prices remained high, with an average of \$256 per ton in the Arabian Gulf.

The International Energy Agency (IEA) reported in its August report an average OPEC Oil production, including Iraq, of approximately 29.32 million barrels per day during the second quarter of the year, a 0.54 million barrels per day or 1.9 percent increase from the first quarter. OPEC announced in June a 500,000 barrels increase in the production ceiling.

IEA estimates world oil demand averaged 81.79 million barrels per day in the second quarter, a 2.5 percent decrease from first quarter in 2005. IEA further predicts that the average demand for 2005 in total will be 83.72 mb/d, or a 1.95 percent growth from 2004, showing that oil demand remains relatively stable at a high level despite the record high oil prices.

The world trading VLCC fleet totalled 456 vessels at the end of the second quarter of 2005, an increase of 1.1 percent over the quarter. No VLCCs were scrapped in the period and five were delivered. The total order book is now at 94 vessels, up from 88 after the first quarter of 2005. This represents 20.62 percent of the current VLCC fleet. A total of 11 VLCCs were ordered during the quarter.

Although the tanker market recently has seen lower levels than were anticipated, the rates are expected to rebound in the second half of the year. The freight futures market maintains an optimistic view, demonstrated through the possibility of selling freight futures for the remainder of the year at a level that equates to TCEs of approximately \$64,000, and \$46,000 for 2006.

At the Annual General Meeting of the Company held on June 27, 2005, the Shareholders approved amending the Company's bye-laws and thereby removed the restrictions on the Company's business activities. In view of this change, the Board will consider over the coming months the future strategy and opportunities available for the Company within its current business sector.

## **FORWARD LOOKING STATEMENTS**

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Knightsbridge desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" "pending and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the tanker market, as a result of changes in OPEC's petroleum production levels and world wide oil consumption and storage, changes in Knightsbridge's operating expenses, including bunker prices, drydocking and insurance costs, the market for Knightsbridge's vessels, availability of financing and refinancing, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by Knightsbridge with the Securities and Exchange Commission.

August 12th, 2005  
The Board of Directors  
Knightsbridge Tankers Limited  
Hamilton, Bermuda

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**KNIGHTSBRIDGE TANKERS LIMITED SECOND QUARTER REPORT  
(UNAUDITED)**

<b>2004 Apr-Jun</b>	<b>2005 Apr-Jun</b>	<b>INCOME STATEMENT (in thousands of \$)</b>	<b>2005 Jan-Jun</b>	<b>2004 Jan-Jun</b>	<b>2004 Jan-Dec (audited)</b>
<b>28,090</b>	<b>20,924</b>	<b>Operating revenues</b>	<b>50,293</b>	<b>64,651</b>	<b>135,695</b>
5,053	3,878	Voyage expenses	7,689	6,355	14,240
3,166	4,120	Ship operating expenses	7,222	3,766	9,868
253	334	Administrative expenses	563	629	1,114
<b>19,618</b>	<b>12,592</b>	<b>Operating income before depreciation</b>	<b>34,819</b>	<b>53,901</b>	<b>110,473</b>
4,267	4,269	Depreciation	8,490	8,625	17,219
<b>15,351</b>	<b>8,323</b>	<b>Operating income after depreciation</b>	<b>26,329</b>	<b>45,276</b>	<b>93,254</b>
112	292	Interest income	599	138	449
(2,494)	(1,251)	Interest expense	(2,436)	(4,794)	(7,877)
1,802	(6)	Other financial items	(22)	(2,478)	13
<b>14,771</b>	<b>7,358</b>	<b>Net income (loss)</b>	<b>24,470</b>	<b>38,142</b>	<b>85,839</b>
<b>17,100</b>	<b>17,100</b>	<b>Average number of ordinary shares outstanding</b>	<b>17,100</b>	<b>17,100</b>	<b>17,100</b>
<b>\$ 0.86</b>	<b>\$ 0.43</b>	<b>Earnings per Share (\$)</b>	<b>\$ 1.43</b>	<b>\$ 2.23</b>	<b>\$ 5.02</b>

<b>BALANCE SHEET (in thousands of \$)</b>	<b>2005 June 30</b>	<b>2004 Jun 30</b>	<b>2004 Dec 31 (audited)</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	32,849	38,043	41,653
Other current assets	9,033	9,553	22,009
<i>Long term</i>			
Vessels and equipment, net	293,700	310,783	301,500
Deferred charges and other long-term assets	360	334	392
<b>Total assets</b>	<b>335,942</b>	<b>358,713</b>	<b>365,554</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	14,766	11,200	11,309
Other current liabilities	8,610	10,415	4,974
<i>Long term</i>			
Long term interest bearing debt	114,800	126,000	120,400
Stockholders' equity	197,766	211,098	228,871
<b>Total liabilities and stockholders' equity</b>	<b>335,942</b>	<b>358,713</b>	<b>365,554</b>

<b>2004</b> <b>Apr-Jun</b>	<b>2005</b> <b>Apr-Jun</b>	<b>STATEMENT OF CASHFLOWS</b> <i>(in thousands of \$)</i>	<b>2005</b> <b>Jan-Jun</b>	<b>2004</b> <b>Jan-Jun</b>	<b>2004</b> <b>Jan-Dec</b> <i>(audited)</i>
		<b>OPERATING ACTIVITIES</b>			
14,771	7,358	Net income (loss)	24,470	38,142	85,839
		Adjustments to reconcile net income to net cash provided by operating activities			
4,267	4,285	Depreciation and amortisation	8,522	8,625	17,219
(1,818)	-	Adjustment of financial derivatives to market value	-	2,477	-
13	-	Other	-	74	110
15,463	5,555	Change in operating assets and liabilities	15,922	18,840	3,420
<b>32,696</b>	<b>17,198</b>	<b>Net cash provided by operating activities</b>	<b>48,914</b>	<b>68,158</b>	<b>106,588</b>
		<b>INVESTING ACTIVITIES</b>			
-	-	Compensation on vessel redelivery	-	-	690
-	-	<b>Net cash provided by activities</b>	-	-	<b>690</b>
		<b>FINANCING ACTIVITIES</b>			
-	766	Proceeds from long-term debt and credit facilities, net of fees paid	-	139,650	139,556
(2,800)		Repayments of long-term debt and credit facilities	(2,143)	(128,197)	(133,688)
(34,200)	(25,650)	Dividends paid	(55,575)	(47,880)	(77,805)
<b>(37,000)</b>	<b>24,884</b>	<b>Net cash used in financing activities</b>	<b>(57,718)</b>	<b>(36,427)</b>	<b>(71,937)</b>
<b>(4,304)</b>	<b>(7,686)</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(8,804)</b>	<b>31,731</b>	<b>35,341</b>
<b>42,347</b>	<b>40,535</b>	<b>Cash and cash equivalents at start of period</b>	<b>41,653</b>	<b>6,312</b>	<b>6,312</b>
<b>38,043</b>	<b>32,849</b>	<b>Cash and cash equivalents at end of period</b>	<b>32,849</b>	<b>38,043</b>	<b>41,653</b>