



## **Knightsbridge Tankers Limited**

### **Interim Report September 2005**

#### **THIRD QUARTER AND NINE MONTH RESULTS**

The Board of Knightsbridge Tankers Limited (the "Company") reports net income of \$3.6 million and earnings per share of \$0.22 for the third quarter of 2005. The average daily time charter equivalents ("TCEs") earned by the Company's five VLCCs was \$34,700 compared with \$38,900 in the immediately preceding quarter. The decline in net income as compared with previous quarters reflects the weakening of the tanker market early in the third quarter combined with the effect of the drydocking of the two vessels. Net interest expense for the quarter was \$1.4 million (2004 comparable quarter: \$1.9 million) and at September 30, 2005, all of the Company's debt is floating rate debt.

During the third quarter, the drydockings of the vessels Chelsea and Mayfair were completed, as scheduled, at a total cost of \$1.6 million. The vessel Kensington is scheduled to be drydocked in the fourth quarter.

The net decrease in cash and cash equivalents in the quarter was \$11.6 million. The Company generated cash from operating activities of \$8.3 million and used \$6.3 million to repay debt and credit facilities and \$13.6 million to pay dividends.

For the nine months ended September 30, 2005 the Company reports net income of \$28.1 million and earnings per share of \$1.65. The average daily TCE's for the nine months ended September 30, 2005 was \$43,400. Net interest expense for the period was \$3.8 million (2004 comparable six months: \$6.7 million).

On November 10, 2005, the Board declared a dividend of \$0.50 per share. The record date for the dividend is November 21, 2005, ex dividend date is November 17, 2005 and the dividend will be paid on or about December 5th, 2005.

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

Compared to the steady downward trend witnessed throughout the second quarter tanker rates in the third quarter experienced higher volatility with steep ups and downs. A peak in rates in the middle of July, seeing the benchmark route from AG-Japan stretching up to Word Scale 107, was followed by a dive in the market down to period low of World Scale 58 less than a month later. Late September saw a sharp rebound with a particularly strong West Africa market; hence the overall trend was more positive than the previous quarter.

Multiple factors have influenced the oil tanker market during the period, with the Hurricanes Katrina and Rita stealing the headlines. With U.S. Gulf oil production and refinery capacity shut in, the global oil supply system started to look fragile. Analysts are still trying to assess the overall consequences, but the delay of vessels in the U.S. Gulf is one factor putting upwards pressure on rates. The refinery shut downs boosted the U.S. demand for sweeter crude, allowing for the rate increase in the West Africa to U.S. Gulf market seen towards the end of the quarter. As a consequence a larger portion of heavier, sour crude from the Caribbean went east, generating ton miles and stimulating the demand side of oil transportation services. With the winter ahead, rising rates toward the end of the third quarter is in line with the seasonal trend for this time of the year.

During the quarter the spread in earnings between eastbound and westbound routes decreased, seeing the traditionally lower yielding western routes increase in attractiveness. This is largely attributable to three factors: increased spread in earnings for single and double hulled units, the trade pattern after the hurricane activity, and a more favourable tonnage situation due to uncertainty created by a strike in Mediterranean port Fos/Lavera.

The increasing VLCC fleet obviously put pressure on the supply side, with six units delivered in the third quarter of 2005 and one scrapped, according to shipbroker Bassoe. This accounts for a year-to-date fleet growth of 5.1%. In line with the

oil price rally, bunker prices rose during the quarter, ending at an average of \$287 per ton in Fujairah, putting further pressure on vessel earnings.

At the time of writing the spot market is on the rise, and AG to Singapore has been fixed at World Scale 205. Oil market analysts have downgraded demand figures slightly after the oil price rally and the supply disruptions, but the IEA still believes in consumption growth of around 1.75 million barrels in 2006.

During the fourth quarter the vessels Hampstead and Kensington will be renamed TI Ningbo and TI Qingdao respectively, based on a request from the charterer.

The Board expect the earnings to improve significantly during the fourth quarter as the market rebounds from second and early third quarter lows.

## **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," "expect," "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.

November 10, 2005  
The Board of Directors  
Knightsbridge Tankers Limited  
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**KNIGHTSBRIDGE TANKERS LIMITED THIRD QUARTER REPORT  
(UNAUDITED)**

<b>2004 Jul- Sep</b>	<b>2005 Jul- Sep</b>	<b>INCOME STATEMENT (in thousands of \$)</b>	<b>2005 Jan-Sep</b>	<b>2004 Jan-Sep</b>	<b>2004 Jan-Dec (audited)</b>
<b>28,481</b>	<b>19,752</b>	<b>Operating revenues</b>	<b>70,045</b>	<b>93,132</b>	<b>135,695</b>
3,733	4,673	Voyage expenses	12,362	10,089	14,240
2,989	5,667	Ship operating expenses	12,889	6,756	9,868
266	247	Administrative expenses	810	894	1,114
<b>21,493</b>	<b>9,165</b>	<b>Operating income before depreciation</b>	<b>43,984</b>	<b>75,393</b>	<b>110,473</b>
4,290	4,315	Depreciation	12,805	12,915	17,219
<b>17,203</b>	<b>4,850</b>	<b>Operating income after depreciation</b>	<b>31,179</b>	<b>62,478</b>	<b>93,254</b>
126	220	Interest income	819	263	449
(1,949)	(1,368)	Interest expense	(3,804)	(6,742)	(7,877)
2,401	(57)	Other financial items	(79)	(76)	13
<b>17,781</b>	<b>3,645</b>	<b>Net income (loss)</b>	<b>28,115</b>	<b>55,923</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>\$ 1.04</b>	<b>\$ 0.22</b>	<b>Earnings per Share (\$)</b>	<b>\$ 1.65</b>	<b>\$ 3.27</b>	<b>\$ 5.02</b>

<b>BALANCE SHEET (in thousands of \$)</b>	<b>2005 Sep 30</b>	<b>2004 Sep 30</b>	<b>2004 Dec 31 (audited)</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	21,228	36,124	41,653
Other current assets	8,886	12,497	22,009
<i>Long term</i>			
Vessels and equipment, net	289,385	305,803	301,500
Deferred charges and other long-term assets	376	408	392
<b>Total assets</b>	<b>319,875</b>	<b>354,832</b>	<b>365,554</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<i>Short term</i>			
Short term interest bearing debt	11,355	11,200	11,309
Other current liabilities	8,789	4,378	4,974
<i>Long term</i>			
Long term interest bearing debt	112,000	123,200	120,400
Stockholders' equity	187,731	216,054	228,871
<b>Total liabilities and stockholders' equity</b>	<b>319,875</b>	<b>354,832</b>	<b>365,554</b>

<b>2004</b> <b>Jul- Sep</b>	<b>2005</b> <b>Jul- Sep</b>	<b>STATEMENT OF CASHFLOWS</b> <i>(in thousands of \$)</i>	<b>2005</b> <b>Jan-Sep</b>	<b>2004</b> <b>Jan-Sep</b>	<b>2004</b> <b>Jan-Dec</b> <i>(audited)</i>
		<b>OPERATING ACTIVITIES</b>			
17,781	3,645	Net income (loss)	28,115	55,923	85,839
		Adjustments to reconcile net income to net cash provided by operating activities			
4,310	4,332	Depreciation and amortisation	12,854	13,009	17,219
(2,477)	-	Adjustment of financial derivatives to market value			-
	-	Other	-		110
(6,504)	326	Change in operating assets and liabilities	16,248	12,336	3,420
<b>13,110</b>	<b>8,303</b>	<b>Net cash provided by operating activities</b>	<b>57,217</b>	<b>81,268</b>	<b>106,588</b>
		<b>INVESTING ACTIVITIES</b>			
-	-	Compensation on vessel redelivery	-	690	690
690	-	<b>Net cash provided by investing activities</b>	-	<b>690</b>	<b>690</b>
<b>690</b>	-				
		<b>FINANCING ACTIVITIES</b>			
-	(33)	Proceeds from long-term debt and credit facilities, net of fees paid	(33)	140,000	139,556
(2,894)	(6,211)	Repayments of long-term debt and credit facilities	(8,354)	(131,441)	(133,688)
(12,825)	(13,680)	Dividends paid	(69,255)	(60,705)	(77,805)
<b>(15,719)</b>	<b>(19,924)</b>	<b>Net cash used in financing activities</b>	<b>(77,642)</b>	<b>(52,146)</b>	<b>(71,937)</b>
<b>(1,919)</b>	<b>(11,621)</b>	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(20,425)</b>	<b>29,812</b>	<b>35,341</b>
<b>38,043</b>	<b>32,849</b>	<b>Cash and cash equivalents at start of period</b>	<b>41,653</b>	<b>6,312</b>	<b>6,312</b>
<b>36,124</b>	<b>21,228</b>	<b>Cash and cash equivalents at end of period</b>	<b>21,228</b>	<b>36,124</b>	<b>41,653</b>