



## **Knightsbridge Tankers Limited**

### **HIGHLIGHTS**

- Knightsbridge reports net income of \$7.2 million and earnings per share of \$0.30 for the second quarter of 2011.
- Knightsbridge reports EBITDA of \$14.2 million and EBITDA per share of \$0.58 for the second quarter of 2011.
- Knightsbridge announces a cash dividend of \$0.50 per share for the second quarter of 2011.
- Knightsbridge reports net income of \$15.8 million and earnings per share of \$0.65 for the six months ended June 30, 2011.
- The VLCC Kensington was re-delivered after a four year time charter to Frontline Ltd.
- With a strong cash position, low debt and seven out of eight vessels on medium and long term charters, Knightsbridge is in a good position to capitalize on growth opportunities.

### **SECOND QUARTER 2011 AND SIX MONTHS RESULTS**

Knightsbridge Tankers Limited (the "Company" or "Knightsbridge") reports net income of \$7.2 million and earnings per share of \$0.30 for the second quarter compared to net income of \$8.6 million and earnings per share of \$0.35 for the first quarter of 2011. The average daily time charter equivalents ("TCEs") earned by the Company's VLCCs, excluding bareboat charters, and Cape Size vessels were \$29,000 and \$36,600, respectively, compared with \$34,200 and \$36,700 in the preceding quarter. Net income decreased by \$1.4 million compared to the preceding quarter mainly due to an increase in drydock costs of \$0.7 million for the VLCC Hampstead and a reduction in TCE revenue from the VLCC Kensington of \$1.0 million. The drydock was completed in the second quarter and costs of \$1.8 million were incurred compared with costs of \$1.1 million in the first quarter. TCE revenues from the VLCC Kensington fell due to the termination of its time charter to Frontline Ltd. on May 18 and the commencement of trading in the spot market

Cash and cash equivalents decreased by \$2.5 million in the quarter. The Company generated cash from operating activities of \$10.6 million, used \$0.9 million to repay loan facilities and paid \$12.2 million in dividends. In August 2011, the Company has an average cash breakeven rate for its VLCCs, which are on time charter and Cape Size vessels of \$16,200 and \$8,500, respectively, per vessel per day. The VLCCs which are on bare-boat contract have a cash break even rate of \$4,200 per vessel per day.

For the six months ended June 30, 2011 the Company reports net income of \$15.8 million and earnings per share of \$0.65. The average daily TCEs for the Company's VLCCs, excluding bareboat charters, and Cape Size vessels for the six months ended June 30, 2011 were \$31,500 and \$36,700 respectively.

### **THE TANKER MARKET**

The market rate for a VLCC trading on a standard 'TD3' voyage between The Arabian Gulf and Japan in the second quarter of 2011 was WS 53; equivalent to \$7,000/day; representing a decrease of approximately WS 5.5 points or \$11,300/day from the first quarter of 2011 and a decrease of WS 35 points from the second quarter of 2010. Present market indications are approximately \$7,300/day in the third quarter of 2011.

Bunkers at Fujairah averaged \$657/mt in the second quarter of 2011 compared to \$600/mt in the first quarter of 2011; an increase of approximately \$57/mt. Bunker prices varied between a low of \$611/mt at the beginning of May and a high of \$686/mt on April 10.

The International Energy Agency's ("IEA") July 2011 report stated an average OPEC oil production, including Iraq, of 29.4 million barrels per day (mb/d) during the second quarter of the year. This was a decrease of 540,000 barrels per day compared to the first quarter of 2011 and an increase of 960,000 barrels per day compared to the second quarter of 2010.

IEA further estimates that world oil demand averaged 88.2 mb/d in the second quarter of 2011, representing a decrease of 890,000 barrels per day compared to the previous quarter, and an increase of approximately 740 kb/d from the second quarter of 2010. Additionally, the IEA estimates that world oil demand will average approximately 89.5 mb/d in 2011, representing an increase of 1.4 percent or approximately 1.2 mb/d from 2010.

The VLCC fleet totalled 573 vessels at the end of the second quarter of 2011, up from 561 vessels at the end of the previous quarter. 15 VLCCs were delivered during the quarter versus an estimated 18 at the beginning of the year. The orderbook counted 152 vessels at the end of the second quarter, down from 164 orders at the end of the previous quarter.

Three new orders were placed during the quarter and the current orderbook represents about 26 percent of the VLCC fleet. During the quarter three vessels were removed from the trading fleet and according to Fearnleys the single hull fleet stands at 35 vessels. These vessels are not longer involved in active trading.

## **THE DRY BULK MARKET**

After the strong downward trend in the first quarter the market stabilized during the second quarter. The average spot earnings in the Cape Size segment were marginally higher than first quarter (\$8,600 per day as reported by Baltic). Panmaxes continued to show relative strength with TC earnings of \$ 13,800 during the same quarter.

Demand growth remained robust for the two biggest dry bulk commodities. Iron ore and coal grew by 4.5 percent and 3 percent, respectively, compared to similar quarter previous year. These two commodities alone accounts for almost 70 percent of global dry bulk trade.(steel industry and energy)

In spite of recent turbulence in the financial market most analysts are not concerned about the underlying demand for dry bulk transportation. Consensus among forecasters is well above historic average both in volume and ton mile terms.

As previously stated, question may be asked about the size of the official order book. For quite some time we have witnessed a combination of what has been described as slippage, delays and cancellations, which for the last 18 months has resulted in a delivery rate of 65 percent compared to the official order book.

So far this year almost 15 million dwt dry bulk capacity has been scrapped out of which 52 units or 8,2 million dwt are Cape Size vessels. Given the current delivery rate and assuming scrapping continues at the same pace we could expect a net fleet growth of 13 percent this year for the total dry bulk fleet. Even though the pace of deliveries will peak this year we still have to get through another three quarters of 2012 before deliveries are back to levels which should be in line with demand growth.

By the end of the second quarter, a Cape Size resale was priced at \$53 million while a five year old unit was priced at \$43 million, according to independent shipbrokers. Weaker sales have been concluded after this date, however, analysts do not see much further downside in asset prices for modern units going forward. Compared with 2002 when new building Cape Sizes were priced at \$35 million, the difference is marginal when adjusted for inflation. It is believed that the break even building cost for the yards is just in excess of \$50 million. The cost of steel alone accounts for almost 50 percent of the building cost.

Coming back to demand outlook, the optimistic long term growth by most analysts is based on substantial new capacity of iron ore, particularly from 2013 and onwards (more than 500 million tons over the next four years). This could lead to

lower iron ore prices which in turn will put pressure on domestic iron ore production in China and stimulate imports. Furthermore coal as an energy source will remain competitive and is a reliable and non political commodity.

## **CORPORATE AND OUTLOOK**

The VLCC Kensington was re-delivered on May 18 after a four year time charter to Frontline Ltd. and commenced trading in the spot market.

The VLCC Hampstead finished the replacement of her damaged propeller shaft in July 2011. The Company expects to receive payment under its loss of hire insurance within a reasonable timeframe.

The time charter party for the Cape Size vessel Golden Zhejiang has been restructured. The charterer has been granted a reduction in the time charter hire for one year with effect from the July 1, 2011, which will be repaid by the charterers on a daily basis from July 1, 2012 over the remaining period of the initial charter to September 2014.. Additionally the Company has been granted two one year extension options at a favorable rate.

The Company's VLCC and Cape Size fleet is fixed on time and bareboat charters expiring between 2012 and 2015, except for the VLCC Kensington which is employed in the spot market.

Knightsbridge risk exposure to the weak markets is significantly reduced through a solid charter portfolio. The risk is further reduced by the fact that the leverage on the tanker assets as of June 30<sup>th</sup> only equates to 65% to 70 % of the residual steel value of these vessels.

With a strong cash position and seven out of eight vessels fixed on charters, Knightsbridge has the intention and ability to acquire additional tonnage. With strong long term demand and depressed assets values for modern vessels, the board sees interesting opportunities. The board will look for transactions which have limited downside, have significant assets appreciation potential and can create a basis for further growth in dividend.

The Board is of the opinion that the current weakness in the markets is likely to create several of these opportunities in the next two to three year period.

On August 15, 2011, the Board declared a dividend of \$0.50 per share. The record date for the dividend is August 31, 2011, the ex dividend date is August 29, 2011 and the dividend will be paid on or around September 14, 2011.

24,425,699 ordinary shares were outstanding as of June 30, 2011, and the weighted average number of shares outstanding for the quarter was 24,425,699.

The Company advises that its 2011 Annual General Meeting will be held on September 23, 2011.

## **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.

The Board of Directors  
Knightsbridge Tankers Limited  
Hamilton, Bermuda  
August 15, 2011

Questions should be directed to:

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

<b>2010 Apr-Jun</b>	<b>2011 Apr-Jun</b>	<b>INCOME STATEMENT</b> <i>(in thousands of \$)</i>	<b>2011 Jan-Jun</b>	<b>2010 Jan-Jun</b>	<b>2010 Jan-Dec</b> <i>(audited)</i>
<b>26,341</b>	<b>22,897</b>	<b>Operating revenues</b>	<b>45,305</b>	<b>50,527</b>	<b>95,897</b>
		<b>Operating expense</b>			
2,748	2,010	Voyage expenses	3,098	6,147	10,467
3,916	5,845	Ship operating expenses	10,799	8,702	19,678
917	794	Administrative expenses	1,613	1,418	3,018
4,478	5,674	Depreciation	11,286	8,907	19,567
<b>12,059</b>	<b>14,323</b>	<b>Total operating expenses</b>	<b>26,796</b>	<b>25,174</b>	<b>52,730</b>
<b>14,282</b>	<b>8,574</b>	<b>Net operating income</b>	<b>18,509</b>	<b>25,353</b>	<b>43,167</b>
		<b>Other income (expenses)</b>			
5	14	Interest income	32	8	54
(738)	(1,254)	Interest expense	(2,419)	(1,473)	(3,940)
(112)	(154)	Other financial items	(337)	(207)	(724)
<b>(845)</b>	<b>(1,394)</b>	<b>Total other expenses</b>	<b>(2,724)</b>	<b>(1,672)</b>	<b>(4,610)</b>
<b>13,437</b>	<b>7,180</b>	<b>Net income</b>	<b>15,785</b>	<b>23,681</b>	<b>38,557</b>
\$0.79	\$0.30	Earnings per share (\$)	\$0.65	\$1.39	\$2.02
		Income on timecharter basis (\$ per day per vessel)*			
\$49,800	\$29,000	VLCC (excluding bareboat charters)	\$31,500	\$41,800	\$37,700
\$45,500	\$36,600	Cape Size	\$36,700	\$45,500	\$41,100
		* Calender days less off-hire after deduction of broker commission			

Note: EBITDA is defined as earnings before interest, taxes, depreciation and amortization. EBITDA in Q2 is calculated as \$14,247,000 based on net income (\$7,180,000) plus depreciation (\$5,674,000), net interest expense (\$1,240,000) and amortization of deferred charges (\$153,000)

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

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2011</b> <b>Jun 30</b>	<b>2010</b> <b>Jun 30</b>	2010 Dec 31 <i>(audited)</i>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	53,624	9,960	56,771
Restricted cash	15,000	15,000	15,000
Other current assets	13,246	11,296	6,157
<i>Long term</i>			
Vessels, net	447,746	335,492	459,032
Deferred charges	2,420	1,035	2,629
Other long term assets	1,884	-	2,364
<b>Total assets</b>	<b>533,920</b>	<b>372,783</b>	<b>541,953</b>
<b>LIABILITIES AND EQUITY</b>			
<i>Short term</i>			
Current portion of long-term debt	3,600	7,600	3,600
Other current liabilities	11,010	7,862	8,712
<i>Long term</i>			
Long-term debt	151,940	105,900	153,740
Equity	367,370	251,421	375,901
<b>Total liabilities and equity</b>	<b>533,920</b>	<b>372,783</b>	<b>541,953</b>

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

<b>2010</b> <b>Apr-Jun</b>	<b>2011</b> <b>Apr-Jun</b>	<b>STATEMENT OF CASHFLOWS</b> <i>(in thousands of \$)</i>	<b>2011</b> <b>Jan-Jun</b>	<b>2010</b> <b>Jan-Jun</b>	<b>2010</b> <b>Jan-Dec</b> <i>(audited)</i>
		<b>OPERATING ACTIVITIES</b>			
13,437	7,180	Net income	15,785	23,681	38,557
		Adjustments to reconcile net income to net cash provided by operating activities;			
4,571	5,827	Depreciation and amortization	11,575	9,092	20,219
-	259	Other, net	529	-	152
(1,312)	(2,696)	Change in operating assets and liabilities	(4,731)	(3,227)	3,543
<b>16,696</b>	<b>10,570</b>	<b>Net cash provided by operating activities</b>	<b>23,158</b>	<b>29,546</b>	<b>62,471</b>
		<b>INVESTING ACTIVITIES</b>			
(5,000)	-	Change in restricted cash	-	(5,000)	(5,000)
-	-	Additions to newbuildings	-	(3,600)	(3,600)
-	-	Purchase of vessels	-	-	(94,000)
<b>(5,000)</b>	<b>-</b>	<b>Net cash used in investing activities</b>	<b>-</b>	<b>(8,600)</b>	<b>(102,600)</b>
		<b>FINANCING ACTIVITIES</b>			
(3,490)	(900)	Repayment of long-term debt	(1,800)	(6,980)	(168,880)
-	-	Proceeds from long-term debt	-	-	205,740
-	-	Debt fees paid	(79)	-	(2,061)
-	-	Net proceeds from share issuance	-	-	87,602
(6,840)	(12,213)	Dividends paid	(24,426)	(11,970)	(33,465)
<b>(10,330)</b>	<b>(13,113)</b>	<b>Net cash (used in) provided by financing activities</b>	<b>(26,305)</b>	<b>(18,950)</b>	<b>88,936</b>
<b>1,366</b>	<b>(2,543)</b>	<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,147)</b>	<b>1,996</b>	<b>48,807</b>
<b>8,594</b>	<b>56,167</b>	<b>Cash and cash equivalents at start of period</b>	<b>56,771</b>	<b>7,964</b>	<b>7,964</b>
<b>9,960</b>	<b>53,624</b>	<b>Cash and cash equivalents at end of period</b>	<b>53,624</b>	<b>9,960</b>	<b>56,771</b>

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

<b>STATEMENT OF CHANGES IN EQUITY</b> <i>(in thousands of \$)</i>	<b>2011</b> <b>Jan-Jun</b>	<b>2010</b> <b>Jan-Jun</b>	<b>2010</b> <b>Jan-Dec</b> <i>(audited)</i>
<b>NUMBER OF SHARES OUTSTANDING</b>			
Balance at beginning of period	24,425,699	17,100,000	17,100,000
Shares issued	-		7,325,699
<b>Balance at end of period</b>	<b>24,425,699</b>	<b>17,100,000</b>	<b>24,425,699</b>
<b>SHARE CAPITAL</b>			
Balance at beginning of period	244	171	171
Shares issued	-	-	73
<b>Balance at end of period</b>	<b>244</b>	<b>171</b>	<b>244</b>
<b>ADDITIONAL PAID IN CAPITAL</b>			
Balance at beginning of period	131,026	-	-
Shares issued	-	-	131,026
Restricted stock unit expense	110	-	-
<b>Balance at end of period</b>	<b>131,136</b>	<b>-</b>	<b>131,026</b>
<b>CONTRIBUTED CAPITAL SURPLUS</b>			
<b>Balance at beginning and end of period</b>	<b>179,019</b>	<b>179,019</b>	<b>179,019</b>
<b>RETAINED EARNINGS</b>			
Balance at beginning of period	65,612	60,520	60,520
Net income	15,785	23,681	38,557
Dividends paid	(24,426)	(11,970)	(33,465)
<b>Balance at end of period</b>	<b>56,971</b>	<b>72,231</b>	<b>65,612</b>
<b>Total Equity</b>	<b>367,370</b>	<b>251,421</b>	<b>375,901</b>