



## **Knightsbridge Tankers Limited**

### **HIGHLIGHTS**

- Knightsbridge reports net income of \$1.0 million and earnings per share of \$0.04 for the third quarter of 2013. Excluding the results from discontinued operations, the Company reports net income of \$1.1 million and earnings per share of \$0.04 for the third quarter.
- Knightsbridge reports EBITDA from continuing operations of \$4.7 million and EBITDA from continuing operations per share of \$0.19 for the third quarter of 2013.
- Knightsbridge announces a cash distribution of \$0.175 per share for the third quarter of 2013.
- Knightsbridge reports a net loss of \$6.9 million and a loss per share of \$0.28 for the nine months ended September 30, 2013. Excluding the results from discontinued operations, the Company reports net income of \$0.05 million and earnings per share of \$0.002 for the nine months ended September 30, 2013.
- In October 2013, Knightsbridge sold 6,000,000 common shares at a public offering price of \$9.00 per share generating net proceeds of approximately \$51.0 million.
- In November 2013, Knightsbridge concluded newbuilding contracts for two 180,000 dwt Capesize bulk carriers.

### **THIRD QUARTER 2013 AND NINE MONTHS RESULTS**

The Company reports net income from continuing operations (i.e. the Capesize vessels) of \$1.1 million and earnings per share from continuing operations of \$0.04 for the third quarter compared with a net loss from continuing operations of \$0.6 million and a loss per share from continuing operations of \$0.03 for the preceding quarter. The average daily time charter equivalent ("TCE") earned by the Capesize vessels in the third quarter was \$21,000 compared with \$16,900 in the preceding quarter. In November 2013, the Company has an average cash breakeven rate for its Capesize vessels of \$11,000 per vessel per day for the remaining period of 2013.

The results of the VLCCs have been recorded as discontinued operations in accordance with U.S. generally accepted accounting principles. The Company reports a net loss from discontinued operations of \$0.1 million and a loss per share from discontinued operations of \$0.004 for the third quarter compared with a net loss from discontinued operations of \$0.4 million and a loss per share from discontinued operations of \$0.01 for the preceding quarter.

Cash and cash equivalents decreased by \$0.7 million in the third quarter. The Company generated cash from operating activities of \$3.6 million and paid \$4.3 million to shareholders.

For the nine months ended September 30, 2013, the Company reports net income from continuing operations of \$0.05 million and earnings per share from continuing operations of \$0.002 compared with net income from continuing operations of \$4.6 million and net income per share from continuing operations of \$0.18 in the nine months ended September 30, 2012. The average daily TCE earned by the Capesize vessels in the nine months ended September 30, 2013 is \$18,600 compared with \$22,500 in the nine months ended September 30, 2012.

## THE DRY BULK MARKET

At the end of the second quarter of 2013, we witnessed an increased number of analysts expressing their concerns over the Chinese growth story. But over the summer several indicators were pointing in a more positive direction and the majority of forecasters do believe that China will achieve its 7.5 percent GDP growth target for 2013. The United States is showing firmer growth on a more solid private sector foundation in spite of tighter fiscal policy. Even some of the worst hit European economies are believed to be on their way out of recession.

The bulk market surprised forecasters during the third quarter. Cape spot earnings peaked at \$42,200 per day on September 25 and the average spot earnings for the quarter was \$19,000 per day. Under normal circumstances dry bulk analysts have a fairly common view of the utilization of the dry bulk fleet, but the spread between the estimates has been wider than normal. Cape earnings during the third quarter should indicate a utilization of 82 to 84 percent based on historical data for that segment.

After iron ore inventory draw downs for several months during the first half of 2013, imports in the third quarter resulted in slightly higher stockpiles in major Chinese iron ore ports. A massive 217 million metric tones (mt) of iron ore was imported during the third quarter. This compares with 185 million mt in the same quarter last year, which represents an increase of 17 percent. Coal imports to China reached 70 million mt in the third quarter this year compared to 52.4 million mt in the same quarter last year.

Vessel values have reacted positively to the improved spot and longer term time charter markets. A Cape resale has over the year moved from \$44 million to \$52 million (concluded last month) and a 5 year old Cape has been sold at \$40 million compared to \$34 million a few months ago. In October, Korean yards are said to have concluded newbuilding orders for their outline specifications for delivery 2015/16 at \$55 million. Values for smaller vessels have improved as well, but gains are more modest.

One important part of dry bulk fleet utilization is speed and consumption optimization. Since March 2011, bunker prices have been on or above approximately \$600/mt. It took some time, however, before owners started to slow steam on a broader scale. With a bunker price of \$600/mt the optimal speed in a \$30,000 per day market is considered to be 12.5 knots for a Cape size (basis average laden and ballast). During the third quarter, some owners started to increase speed when the market picked up, but quickly reduced speed when the market softened a few weeks later. The third quarter of 2013 was maybe the first and most active quarter when it came to pro active speed and consumption optimization. It is important to bear in mind that the total fleet has never sailed faster than 13.7 knots on average since 2007, so the impact should not be over exaggerated but it might contribute to a floor and ceiling in freight rates in the medium term.

## THE FLEET

The Company's sailing fleet consists of four Capesize bulk carriers. The *Battersea* is employed in the spot market. *Golden Zhejiang*, *Golden Future* and *Belgravia* are employed on time charters with estimated redeliveries in Q1 2014, Q1 2014 and Q3 2014, respectively.

The Company is pleased to announce that the Letters of Intent with Daehan Shipyard have been converted into two newbuilding contracts for 180,000 dwt Capesize bulk carriers. The vessels are expected to be delivered to the Company during 2015 and represent the next generation Capesize bulk carriers with the latest technology available in order to secure fuel efficiency. The Board is of the opinion that the Company has obtained favorable terms and attractive pricing for its newbuilding program which now consists of four Capesize bulk carriers.

## **CORPORATE**

24,472,061 ordinary shares were outstanding as of September 30, 2013, and the weighted average number of shares outstanding for the quarter was 24,472,061.

In October 2013, the Company sold 6,000,000 common shares at a public offering price of \$9.00 per share generating net proceeds of approximately \$51.0 million. The Company also granted the book-running manager a 30-day option to purchase 900,000 additional common shares. The common shares are being offered pursuant to the Company's effective shelf registration statement. The Company intends to use the net proceeds of this offering to partially fund the acquisition of newbuilding vessels and for general corporate purposes.

The Board has decided to declare a cash distribution of \$0.175 per share. The record date is November 29, 2013, the ex cash distribution date is November 26, 2013 and the cash distribution will be paid on or around December 10, 2013.

## **OUTLOOK**

Knightsbridge remains well positioned in the market place with its modern bulk fleet and financial flexibility. The Board believes that the Company will benefit from its current Capesize play. The Capesize vessels are mainly carrying coal and iron ore and the demand for freight is expected to increase for these commodities going forward. Despite the recent spikes in freight rates the dry bulk market is still over supplied. However the Company expects that balance will improve at the time of delivery of the newbuildings.

## **FORWARD LOOKING STATEMENTS**

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements, which 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 Tankers Limited and its subsidiaries, or the Company, 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. This report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, including, without limitation, management's examination of historical operating trends, data contained in our records and 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. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

In addition to these important factors and matters discussed elsewhere herein and in the documents incorporated by reference herein, 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, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk market, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, the market for the Company'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, political events or acts by terrorists, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the Commission.

The Board of Directors  
Knightsbridge Tankers Limited  
Hamilton, Bermuda  
November 13, 2013

Questions should be directed to:

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

2012 Jul-Sept	2013 Jul-Sept	INCOME STATEMENT <i>(in thousands of \$)</i>	2013 Jan-Sept	2012 Jan-Sept	2012 Jan-Dec
<b>11,164</b>	<b>9,950</b>	<b>Operating revenues</b>	<b>24,079</b>	<b>28,707</b>	<b>37,315</b>
		<b>Operating expenses</b>			
2,780	2,232	Voyage expenses	3,884	4,083	4,323
1,927	2,022	Ship operating expenses	5,854	5,536	7,608
943	1,014	Administrative expenses	3,429	3,053	4,259
2,792	2,792	Depreciation	8,286	8,322	11,117
<b>8,442</b>	<b>8,060</b>	<b>Total operating expenses</b>	<b>21,453</b>	<b>20,994</b>	<b>27,307</b>
<b>2,722</b>	<b>1,890</b>	<b>Net operating income</b>	<b>2,626</b>	<b>7,713</b>	<b>10,008</b>
		<b>Other income (expenses)</b>			
36	6	Interest income	35	57	106
(947)	(682)	Interest expense	(2,235)	(2,841)	(3,765)
(117)	(113)	Other financial items	(379)	(345)	(467)
<b>(1,028)</b>	<b>(789)</b>	<b>Total other expenses</b>	<b>(2,579)</b>	<b>(3,129)</b>	<b>(4,126)</b>
<b>1,694</b>	<b>1,101</b>	<b>Net income from continuing operations</b>	<b>47</b>	<b>4,584</b>	<b>5,882</b>
<b>(58,699)</b>	<b>(93)</b>	<b>Net loss from discontinued operations</b>	<b>(6,961)</b>	<b>(57,737)</b>	<b>(59,311)</b>
<b>(57,005)</b>	<b>1,008</b>	<b>Net (loss) income</b>	<b>(6,914)</b>	<b>(53,153)</b>	<b>(53,429)</b>
0.07	0.04	Basic earnings per share from continuing operations (\$)	0.002	0.18	0.24
(2.40)	(0.004)	Basic loss per share from discontinued operations (\$)	(0.28)	(2.37)	(2.43)
(2.33)	0.04	Basic (loss) earnings per share (\$)	(0.28)	(2.19)	(2.19)
\$22,800	\$21,000	Income on timecharter basis (\$ per day per vessel)* Capesize * Calender days less off-hire after deduction of broker commission	\$18,600	\$22,500	\$22,500

Note: EBITDA from continuing operations is defined as earnings from continuing operations before interest, taxes, depreciation and amortization of deferred charges. EBITDA from continuing operations in Q3 is calculated as \$4,687,000 based on net income from continuing operations \$1,101,000, depreciation (\$2,792,000), net interest expense (\$676,000) and amortization of deferred charges (\$118,000).

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

<b>BALANCE SHEET</b> <i>(in thousands of \$)</i>	<b>2013</b> <b>Sept 30</b>	<b>2012</b> <b>Sept 30</b>	<b>2012</b> <b>Dec 31</b>
<b>ASSETS</b>			
<i>Short term</i>			
Cash and cash equivalents	57,340	67,517	79,259
Other current assets	7,462	7,831	6,590
<i>Long term</i>			
Restricted cash	15,000	15,000	15,000
Vessels, net	265,540	298,832	273,826
Newbuildings	15,590	-	-
Vessel held for sale	-	41,982	21,523
Deferred charges	782	1,544	1,222
<b>Total assets</b>	<b>361,714</b>	<b>432,706</b>	<b>397,420</b>
<b>LIABILITIES AND EQUITY</b>			
<i>Short term</i>			
Current portion of long-term debt	-	26,833	4,700
Other current liabilities	8,234	12,721	6,798
<i>Long term</i>			
Long-term debt	95,000	111,010	106,978
Other long term liabilities	-	-	1,250
Equity	258,480	282,142	277,694
<b>Total liabilities and equity</b>	<b>361,714</b>	<b>432,706</b>	<b>397,420</b>

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

<b>2012 Jul-Sept</b>	<b>2013 Jul-Sept</b>	<b>STATEMENT OF CASHFLOWS</b> <i>(in thousands of \$)</i>	<b>2013 Jan-Sept</b>	<b>2012 Jan-Sept</b>	<b>2012 Jan-Dec</b>
		<b>OPERATING ACTIVITIES</b>			
(57,005)	1,008	Net (loss) income	(6,914)	(53,153)	(53,429)
		Adjustments to reconcile net (loss) income to net cash provided by operating activities;			
5,900	2,910	Depreciation and amortization	8,726	17,559	21,364
12,679	(223)	Net (gain) loss on sale of vessels	(254)	12,679	13,088
41,597	-	Impairment loss on vessels	5,342	41,597	41,597
-	-	Amortization of time charter contract	-	2,303	2,303
138	230	Restricted stock unit expense	772	619	906
3,201	-	Provision for doubtful accounts	-	10,507	10,155
3,897	(281)	Change in operating assets and liabilities	(1,549)	2,784	815
<b>10,407</b>	<b>3,644</b>	<b>Net cash provided by operating activities</b>	<b>6,123</b>	<b>34,895</b>	<b>36,799</b>
		<b>INVESTING ACTIVITIES</b>			
-	(247)	Additions to newbuildings	(15,590)	-	-
26,712	223	Proceeds from the sale of assets	17,075	26,712	66,993
<b>26,712</b>	<b>(24)</b>	<b>Net cash provided by (used in) investing activities</b>	<b>1,485</b>	<b>26,712</b>	<b>66,993</b>
		<b>FINANCING ACTIVITIES</b>			
(14,096)	-	Repayment of long-term debt	(16,678)	(15,896)	(42,062)
(4,276)	(4,283)	Distributions to shareholders	(12,849)	(25,042)	(29,319)
<b>(18,372)</b>	<b>(4,283)</b>	<b>Net cash used in financing activities</b>	<b>(29,527)</b>	<b>(40,938)</b>	<b>(71,381)</b>
<b>18,747</b>	<b>(663)</b>	<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(21,919)</b>	<b>20,669</b>	<b>32,411</b>
<b>48,770</b>	<b>58,003</b>	<b>Cash and cash equivalents at start of period</b>	<b>79,259</b>	<b>46,848</b>	<b>46,848</b>
<b>67,517</b>	<b>57,340</b>	<b>Cash and cash equivalents at end of period</b>	<b>57,340</b>	<b>67,517</b>	<b>79,259</b>

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

<b>STATEMENT OF CHANGES IN EQUITY</b> <i>(in thousands of \$)</i>	<b>2013</b> <b>Jan-Sept</b>	<b>2012</b> <b>Jan-Sept</b>	<b>2012</b> <b>Jan-Dec</b>
<b>NUMBER OF SHARES OUTSTANDING</b>			
Balance at beginning of period	24,437,000	24,425,699	24,425,699
Shares issued	35,061	11,301	11,301
<b>Balance at end of period</b>	<b>24,472,061</b>	<b>24,437,000</b>	<b>24,437,000</b>
<b>SHARE CAPITAL</b>			
Balance at beginning of period	244	244	244
Shares issued	1	-	-
<b>Balance at end of period</b>	<b>245</b>	<b>244</b>	<b>244</b>
<b>ADDITIONAL PAID IN CAPITAL</b>			
Balance at beginning of period	131,766	131,256	131,256
Shares issued	-	-	-
Restricted stock unit expense	548	405	510
<b>Balance at end of period</b>	<b>132,314</b>	<b>131,661</b>	<b>131,766</b>
<b>CONTRIBUTED CAPITAL SURPLUS</b>			
Balance at beginning of period	149,700	179,019	179,019
Distributions to shareholders	(12,849)	(25,042)	(29,319)
<b>Balance at end of period</b>	<b>136,851</b>	<b>153,977</b>	<b>149,700</b>
<b>RETAINED (DEFICIT) EARNINGS</b>			
Balance at beginning of period	(4,016)	49,413	49,413
Net loss	(6,914)	(53,153)	(53,429)
<b>Balance at end of period</b>	<b>(10,930)</b>	<b>(3,740)</b>	<b>(4,016)</b>
<b>Total Equity</b>	<b>258,480</b>	<b>282,142</b>	<b>277,694</b>