



Knightsbridge Tankers Limited

Interim Report June 2004

SECOND QUARTER AND SIX MONTH RESULTS

Knightsbridge Tankers Limited (the "Company") reports net income of \$14.8 million and earnings per share of \$0.86 for the second quarter of 2004. In March 2004, the Company's long-term bareboat charters with Shell International expired and the vessels commenced trading under new employment regimes. Three of the vessels have been contracted under medium-term time charters, of which two include market related profit sharing arrangements, and two vessels are operating in the spot market. The average daily time charter equivalents ("TCEs") earned by the Company's five VLCCs was \$50,800 compared with \$86,200 in the immediately preceding quarter.

Net interest expense for the quarter was \$2.4 million compared with \$2.2 million for the quarter ended June 30, 2003. At June 30, 2004 approximately 91 per cent of bank debt was fixed under an interest rate swap that will terminate in August 2004. In the second quarter of 2004 there was a \$1.8 million non-cash credit to other financial items attributable to the market value adjustment on the interest rate swap.

The net decrease in cash and cash equivalents in the quarter was \$4.3 million. The decrease had resulted from cash generated from operating activities of \$32.7 million and net cash of \$2.8 million used to repay the Company's loan facility less dividend payments of \$34.2 million. As of August 2, 2004, the Company has an average cash breakeven rate for its vessels of \$18,700, including interest rate swap payments that will be incurred prior to its expiry in August 2004.

For the six months ended June 30, 2004 the Company reports net income of \$38.1 million and earnings per share of \$2.23. The average daily TCE's for the six months ended June 30, 2004 was \$68,500. Net interest expense for the period was \$4.8 million (2003 comparable six months: \$4.4 million).

On August 2, 2004, the Board declared a dividend of \$0.75 per share. The record date for the dividend is August 13, 2004, ex dividend date is August 11, 2004 and the dividend will be paid on or about August 27, 2004. The timing and amount of future distributions will be dependent upon the Company's earnings, financial condition, cash requirements and availability and other factors.

THE MARKET

The strong VLCC market that we experienced in the first quarter of 2004 continued into the second quarter although at slightly lower levels. Except for a weak period at the beginning of the quarter, the market from the Middle East to the Far East stayed above Worldscale (WS) 100 for the whole quarter. The average WS rate Arabian Gulf to East was about 110 versus 124 in the first quarter. This was the result of continued high world oil demand due to the economic recovery in the U.S. and Europe, continued strong growth in the demand for oil into China, and improving world economic activity in general. The oil production in Venezuela again failed to reach pre-strike levels, the shortfall being covered from the Middle East, resulting in increased ton miles.

According to IEA, the average OPEC oil production, including Iraq, in the second quarter of 2004 was approximately 28.1 million barrels per day (b/d), an increase from the first quarter when they produced about 27.9 million b/d. This surprising development came in spite of OPEC going ahead with their announced cut of 1 million b/d from the 1st of April. After implementing the cut, OPEC soon discovered that the world economy required more oil, and for the last two months of the quarter they have produced at close to capacity levels. On the 3rd of June OPEC announced that they would increase the quota by 2.0 million b/d and that they were committed to 'produce what is needed to supply the market'.

IEA estimates that world oil demand averaged 80.4 million b/d in the second quarter, an increase of 5.65 percent from the second quarter of 2003. Industry analysts had expected a seasonal decrease in the demand in the second quarter, but demand only fell by 1.34 percent from the first quarter and this indicates a very strong demand for oil. At present many

oil analysts have announced that they had seriously underestimated the demand for oil, and several are concerned that demand might end up being higher than production capacity this coming winter.

The world VLCC fleet totalled 435 vessels at the end of the second quarter 2004, an increase of 3 vessels or 0.7 percent over the quarter. One VLCC was scrapped in the period and 4 were delivered. The total order book is now at 85 vessels up from 80 after the first quarter. This represents 19.5 percent of the current VLCC fleet. A total of 9 VLCC's were ordered during the quarter.

The tanker market looks healthy for the remainder of the year. At present the market is the highest it has ever been during this period of the year. The freight futures market seems to be reflecting this view, and at the moment it is possible to sell freight futures for the rest of the year at a level that equates to approximately US\$85,000 per day on VLCC, and US\$50,000 per day for next year.

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.

August 2, 2004
The Board of Directors
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KNIGHTSBRIDGE TANKERS LIMITED FIRST QUARTER REPORT (UNAUDITED)

2003 Apr-Jun	2004 Apr-Jun	INCOME STATEMENT (in thousands of \$)	2004 Jan-Jun	2003 Jan-Jun	2003 Jan-Dec (audited)
19,422	28,090	Total operating revenues	64,651	42,468	75,246
		Operating expenses			
-	5,053	Voyage expenses	6,355	-	-
-	3,166	Ship operating expenses	3,766	-	-
218	253	Administrative expenses	629	426	864
4,398	4,267	Depreciation	8,625	8,796	17,593
4,616	12,739	Total operating expenses	19,375	9,222	18,457
		Other income/(expenses)			
14	112	Interest income	138	20	55
(2,231)	(2,494)	Interest expense	(4,794)	(4,449)	(9,332)
(106)	1,802	Other financial items	(2,478)	(211)	(50)
(2,323)	(580)	Net other income/(expenses)	(7,134)	(4,640)	(9,327)
12,483	14,771	Net income (loss)	38,142	28,606	47,462
17,100	17,100	Average number of ordinary shares outstanding	17,100	17,100	17,100
\$ 0.73	\$ 0.86	Earnings per Share (\$)	\$ 2.23	\$ 1.67	\$ 2.78

BALANCE SHEET (in thousands of \$)	2004 Jun 30	2003 Jun 30	2003 Dec 31 (audited)
ASSETS			
<i>Short term</i>			
Cash and cash equivalents	38,043	391	6,312
Other current assets	9,553	19,537	22,665
<i>Long term</i>			
Vessels and equipment, net	310,783	-	-
Vessels under capital lease, net	-	328,204	319,408
Deferred charges and other long-term assets	334	244	58
Total assets	358,713	348,376	348,443
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term interest bearing debt	11,200	-	125,397
Other current liabilities	10,415	2,188	7,519
<i>Long term</i>			
Long term interest bearing debt	126,000	125,397	-
Other long term liabilities	-	9,392	-
Stockholders' equity	211,098	211,399	215,527
Total liabilities and stockholders' equity	358,713	348,376	348,443

2003 Apr-Jun	2004 Apr-Jun	STATEMENT OF CASHFLOWS (in thousands of \$)	2004 Jan-Jun	2003 Jan-Jun	2003 Jan-Dec (audited)
		OPERATING ACTIVITIES			
12,482	14,771	Net income (loss)	38,142	28,606	47,462
		Adjustments to reconcile net income to net cash provided by operating activities			
4,398	4,267	Depreciation and amortisation	8,625	8,796	17,593
-	(1,818)	Adjustment of financial derivatives to market value	2,477	-	-
93	13	Other	74	186	372
3,690	15,463	Change in operating assets and liabilities	18,840	(9,379)	(12,487)
20,662	32,696	Net cash provided by operating activities	68,158	28,209	52,940
		FINANCING ACTIVITIES			
-	-	Proceeds from long-term debt, net of fees paid	139,650	-	-
-	(2,800)	Repayments of long-term debt	(128,197)	-	-
(20,349)	(34,200)	Dividends paid	(47,880)	(28,044)	(46,854)
(20,349)	(37,000)	Net cash used in financing activities	(36,427)	(28,044)	(46,854)
313	(4,304)	Net increase/(decrease) in cash and cash equivalents	31,731	165	6,086
78	42,347	Cash and cash equivalents at start of period	6,312	226	226
391	38,043	Cash and cash equivalents at end of period	38,043	391	6,312