



KNIGHTSBRIDGE TANKERS LIMITED

***THIRD QUARTER 2000
REPORT TO SHAREHOLDERS***

Knightsbridge Tankers Limited
Registered Office
Cedar House, 41 Cedar Avenue
Hamilton HM 12 Bermuda



Bermuda, October 26, 2000

To the Shareholders of Knightsbridge Tankers Limited:

Enclosed is our report for the third quarter of 2000. The report contains selected unaudited financial information accompanied by a Management's Discussion and Analysis of Financial Condition and Results of Operations for the period ended September 30, 2000.

On February 27, 1997, the Company's ship owning subsidiaries purchased five very large crude carriers ("VLCC's") from their previous owners and delivered them to Shell International Petroleum Company Limited ("Shell International"), as charterer, under separate "hell and high water" bareboat charters. Under those charters, the Company's ship owning subsidiaries receive the greater of a Base Rate of hire in the amount of \$22,069 per day per VLCC or a spot market related rate. After inclusion of a component for operating expenses of \$10,500 per day, the spot market related rate must exceed \$32,569 per day for the Company's subsidiaries to receive any additional charter hire over the Base Rate.

Based upon the determination by the London Tanker Brokers Panel the spot market related rate, after inclusion of the component for operating expenses, totaled \$59,096 per day for the period July 1 through September 30, 2000. (The corresponding spot market related rate for the period July 1 through September 30, 1999, was determined to be \$17,498).

Accordingly, on October 16, 2000, Shell International paid to the Company's vessel owning subsidiaries charter hire in the aggregate amount of \$22,354,160 for the period July 1 through September 30, 2000. (For the period July 1 through September 30, 1999, Shell International paid charter hire at the base rate in the aggregate amount of \$10,151,740).

On October 16, 2000, the Board of Directors of the Company declared a distribution to shareholders of record as of October 26, 2000, payable on or about November 8, 2000, in the amount of \$1.17 per share for the period July 1 through September 30, 2000. (For the period July 1 through September 30, 1999, the distribution was \$0.45 per share.)

The Company has agreed to provide information to shareholders that are United States income tax payers by February 15, 2001, so that they may make the appropriate tax reporting and elections with the United States tax authorities with respect to the Company's status as a "Passive Foreign Investment Company". Under present United States tax rules, the amount of income reported by a shareholder is based on the Company's income on an annual basis. Therefore, the Company will provide information enabling shareholders to determine the tax consequences of their investment in the Company, including the treatment of distributions received from the Company, for the entire year ending December 31, 2000.

We are pleased to answer any inquiries that shareholders may have. Our investor relations contacts are: Ola Lorentzon in Oslo, Norway (Tel: 47 23 11 40 00, Fax: 47 23 11 40 44) and Kate Blankenship in Hamilton, Bermuda (Tel: 441 295-6935, Fax: 441 295-3494). The NASDAQ National Market symbol for the Company's Common Shares is "VLCCF".

Very truly yours,

Ola Lorentzon
Chairman and Chief Executive Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

Knightsbridge Tankers Limited (the "Company") was incorporated in Bermuda on September 18, 1996. In February 1997, the Company offered and sold to the public 16,100,000 common shares at an initial offering price of \$20 per share. Simultaneously, the Company sold 1,000,000 common shares at a price of \$20 per share to ICB International Limited, an indirect wholly-owned subsidiary of ICB Shipping Aktiebolag (publ) ("ICB"), a Swedish publicly traded ship owning and operating company. The Company used the proceeds of these offerings, together with advances under a \$145.6 million credit facility from an international syndicate of lenders, primarily to fund the purchase by the Company's subsidiaries of five recently constructed very large crude carrier oil tankers ("VLCC's"). Upon their purchase from their previous owners, the VLCC's were delivered on February 27, 1997, to Shell International Petroleum Company Limited ("Shell International"), a company of the Royal Dutch/Shell Group of Companies, under separate "Hell and high water" bareboat charters. The term of these charters is a minimum of seven years, with an option for Shell International to extend the period for each VLCC for an additional seven-year term, to a maximum of 14 years per VLCC. Under the charters, Shell pays the greater of a Base Rate of hire of \$22,069 per day or a spot market related rate, determined quarterly by the London Tankers Brokers Panel. After taking into account a component for operating costs of \$10,500 per day, Shell International pays the higher rate if the award exceeds \$32,569 per day. In addition, for the first three years of the charters, Shell International paid "Supplemental Hire" as described below.

Results of Operations – Nine Months Ended September 30, 2000

Revenues

The Company's revenues consisted of charter hire of \$45.2 million for the nine months ending September 30, 2000. (Revenues for the corresponding period in 1999 were \$30.1 million).

Operating Expenses

The Company's operating expenses consist of (i) fees due to the Company's manager, ICB Shipping (Bermuda) Ltd (the "Manager"), (ii) depreciation of the vessels and (iii) administration expenses consisting of payments of insurance premiums for directors and officers liability insurance. There can be no assurance, however, that the Company will not have other expenses or contingent liabilities for which reserves will be required.

Interest income and expense

Interest income of \$100,896 was earned during the period. In addition, the Company received interest income of \$5,101 on the principal balance of the receivable note from Shell International. This note was repaid in full on January 18, 2000.

The Company's borrowings under its credit facility have been effectively converted to a fixed rate pursuant to a swap arrangement to which the Company is a party. Interest on the credit facility has effectively been fixed at 7.05 %, which resulted in interest expenses of \$6,687,604

for the first nine months of 2000. This has decreased from \$6,959,688 incurred in the first nine months of 1999 due to the repayment of the final installment of the Amortizing Loan as discussed below.

Liquidity and Capital Resources

Total shareholders' equity at September 30, 2000 was \$273.0 million compared to \$274.0 million at December 31, 1999. The decrease was due to net income of \$24.5 million for the period January 1 through September 30, 2000 less distributions of \$25.5 million to shareholders in the same period. These distributions are for earnings in the fourth quarter of 1999 and the first half of 2000.

The Company's long-term debt as of September 30, 2000, consists of \$125.4 million borrowed under its credit facility. At December 31, 1999, the Company's long-term debt included an amount of \$1.7 million that represented the "Amortizing Loan" which was payable in eight equal quarterly installments ending on January 15, 2000. Supplemental Hire payable by Shell International was equal to amounts payable by the Company on account of the Amortizing Loan. The balance of the credit facility matures seven years and six months from February 27, 1997. Interest on this balance is payable quarterly in arrears.

Currency Exchange Rates

The international shipping industry's functional currency is the United States Dollar and virtually all of the Company's operating revenues and expenses are expected to be denominated in United States Dollar. Accordingly, the company's operating results, following expiration or termination of the charters with Shell International, are not expected to be significantly affected by movements in currency exchange rates.

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in U.S. Dollars)

September 30, 2000 December 31, 1999

ASSETS

Current assets

Cash	260,367	70,695
Current installments of notes receivable	-	1,681,538
Charter hire receivable	22,354,160	10,175,142
Prepaid expenses	41,710	14,525
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Total current assets	22,656,237	11,941,900

Vessels under capital lease, less accumulated depreciation of \$63,236,558 and \$50,041,913	376,584,987	389,779,632
Capitalized financing fees and expenses, less accumulated amortization of \$1,335,493 and \$1,056,835	1,265,312	1,543,969
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TOTAL ASSETS	400,506,536	403,265,501
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LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities

Accrued expenses and other current liabilities	2,129,726	2,206,021
Current installments of credit facility	-	1,681,538
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Total current liabilities	2,129,726	3,887,559

Credit facility	125,397,399	125,397,399
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Shareholders equity

Common shares, par value \$0.01 per share:		
Authorized and outstanding 17,100,000	171,000	171,000
Contributed capital surplus account	272,808,411	273,809,543
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Total shareholders equity	272,979,411	273,980,543
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	400,506,536	403,265,501
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KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in U.S. Dollars)

	January 1, 2000 to September 30, 2000	January 1, 1999 to September 30,
1999		
Charter hire revenue	45,219,275	30,124,185
Operating expenses:		
Depreciation of vessels under capital leases	13,194,645	13,194,645
Management fee	562,500	562,500
Administration expenses	44,458	68,314
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Net operating income	31,417,672	16,298,726
Interest income	105,997	341,304
Interest expense	(6,687,604)	(6,959,688)
Other financial costs	(358,166)	(316,158)
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Net income	24,477,900	9,364,184
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KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in U.S. Dollars)

	January 1, 2000 to September 30, 2000	January 1, 1999 to September 30,
1999		
Cash flows from operating activities		
Net income	24,477,900	9,364,184
Items to reconcile net income to net cash provided by operating activities:		
Depreciation	13,194,645	13,194,645
Amortization of capitalized fees and expenses	278,657	278,658
Changes in operating assets and liabilities:		
Receivables	(10,524,665)	5,079,854
Accrued expenses and other current liabilities	(76,295)	(70,240)
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Net cash provided by operating activities	27,350,242	27,847,101
Cash flows from financing activities		
Repayments of loan	(1,681,538)	(5,044,614)
Distribution to shareholders	(25,479,032)	(23,085,000)
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Net cash used in financing activities	(27,160,570)	(28,129,614)
Net increase (decrease) in cash and cash equivalents	189,672	(282,513)
Cash and cash equivalents at beginning of period	70,695	315,223
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Cash and cash equivalents at end of period	260,367	32,710
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KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
(in U.S. Dollars)

	Share capital	Contributed capital surplus account	Retained earnings	Total
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Balance at December 31, 1998	171,000	292,017,066	-	292,188,066
Net income	-	-	12,572,476	12,572,476
Distribution to shareholders	-	(18,207,523)	(12,572,476)	(30,779,999)
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Balance at December 31, 1999	171,000	273,809,543	-	273,980,543
Net income	-	-	24,477,900	24,477,900
Distribution to shareholders	-	(1,001,132)	(24,477,900)	(25,479,032)
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Balance at September 30, 2000	171,100	272,808,411	-	272,979,411
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