



KNIGHTSBRIDGE TANKERS LIMITED

***SECOND QUARTER 2002
REPORT TO SHAREHOLDERS***

Knightsbridge Tankers Limited
Registered Office
Par-la-Ville Place, 14 Par-la-Ville Road
Hamilton, Bermuda



Bermuda, August 9, 2002

To the Shareholders of Knightsbridge Tankers Limited:

Enclosed is our report for the second quarter of 2002. 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 June 30, 2002.

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 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 \$13,057 per day for the period April 1 through June 30, 2002. (The corresponding spot market related rate for the period April 1 through June 30, 2001, was determined to be \$42,949).

Accordingly, on July 15, 2002, Shell International paid to the Company's vessel owning subsidiaries charter hire at the Base Rate in the aggregate amount of \$10,041,395 for the period April 1 through June 30, 2002. (For the period April 1 through June 30, 2001, Shell International paid charter hire at the Base Rate of \$10,041,395 plus Additional Hire of \$4,722,900).

On July 15, 2002, the Board of Directors of the Company declared a distribution to shareholders of record as of July 25, 2002, payable on or about August 7, 2002, in the amount of \$0.45 per share for the period April 1 through June 30, 2002. (For the period April 1 through June 30, 2001, the distribution was \$0.72 per share.)

The Company has agreed to provide information to shareholders that are United States income tax payers by February 15, 2003, 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, 2002.

Please visit our website at www.knightsbridgetankers.com. 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: 441 295-0182, 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.

Results of Operations – Six Months Ended June 30, 2002

Revenues

The Company's revenues consisted of charter hire of \$19.9 million for the six months ending June 30, 2002 compared with \$40.9 million for the first half of 2001. This decrease is due to the fact that no additional hire was paid in the first half of 2002 while additional hire of \$20.9 million was paid in the first half of 2001.

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 \$16,745 was earned during the first half of 2002 compared with \$164,728 in the comparable period of 2001, a decrease due to the lower cash balances arising from the decreased charter hire received in the first half of 2002.

The Company's borrowings under its primary 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

primary credit facility has effectively been fixed at 7.14 %, which resulted in interest expenses of \$4,409,997 for the first half of 2002.

On January 1, 2001 the Company adopted SFAS No. 133, "Accounting for Derivatives and Hedging Activities", which requires that all derivative instruments be recorded on the balance sheet at their fair value. As the interest rate swap is designated as part of a hedge transaction, changes in the fair value are recorded each period in other comprehensive income. At June 30, 2002 the interest rate swap had a negative value of \$10,108,518. A separate statement for consolidated comprehensive income is included in the enclosed financial statements.

Liquidity and Capital Resources

Total shareholders' equity of the Company at June 30, 2002 was \$219.1 million compared to \$229.1 million at December 31, 2001. The decrease was due to net income of \$6.2 million for the period January 1 through June 30, 2002 less distribution to shareholders for the first half of 2002 in the aggregate amount of \$15.6 million and the recording of the fair value of the swap in other comprehensive income/loss.

The Company's long-term debt as of June 30, 2002 and 2001, consists of \$125.4 million borrowed under its credit facility. The balance of the credit facility matures in August 2004. 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
(in U.S. Dollars)

ASSETS

<u>Current assets</u>	<u>June 30, 2002</u> <i>(Unaudited)</i>	<u>December 31, 2001</u>
Cash	269,941	278,268
Charter hire receivable	10,041,395	10,515,600
Prepaid expenses	<u>69,315</u>	<u>15,342</u>
Total current assets	10,380,651	10,809,210
Vessels under capital lease, net	345,797,482	354,593,912
Capitalized financing fees and expenses, net	<u>615,110</u>	<u>800,882</u>
TOTAL ASSETS	356,793,243 =====	366,204,004 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accrued expenses and other current liabilities	<u>2,156,991</u>	<u>2,176,885</u>
Total current liabilities	2,156,991	2,176,885
Credit facility	125,397,399	125,397,399
Interest rate swap agreement at fair value	10,108,518	9,552,504

Shareholders' equity

Common shares, par value \$0.01 per share:

Authorized and outstanding 17,100,000	171,000	171,000
Contributed capital surplus account	229,067,853	238,458,720
Retained earnings	-	-
Accumulated other comprehensive income	<u>(10,108,518)</u>	<u>(9,552,504)</u>
Total shareholders' equity	219,130,335 =====	229,077,216 =====
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	356,793,243 =====	366,204,004 =====

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in U.S. Dollars)

	<u>Jan 1, 2002</u> <u>to June 30, 2002</u>	<u>Jan 1, 2001</u> <u>to June 30, 2001</u>
Charter hire revenue	19,972,445	40,866,995
Operating expenses:		
Depreciation of vessels under capital leases	8,796,430	8,796,430
Management fee	375,000	375,000
Administration expenses	<u>27,220</u>	<u>25,239</u>
	9,198,650	9,196,669
Net operating income	10,773,795	31,670,326
Interest income	16,745	164,728
Interest expense	(4,409,977)	(4,475,356)
Other financial costs	<u>(210,430)</u>	<u>(210,681)</u>
	(4,603,662)	(4,521,309)
Net income	6,170,133	27,149,017
	=====	=====

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)
(in U.S. Dollars)

	<u>Jan 1, 2002</u> <u>-June 30, 2002</u>	<u>Jan 1, 2001</u> <u>-June 30, 2001</u>
Net income	6,170,133	27,149,017
Other comprehensive loss		
Loss on derivative cash flow hedging instrument	<u>(556,014)</u>	<u>(5,632,301)</u>
Comprehensive income	5,614,119	21,516,716
	=====	=====

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in U.S. Dollars)

	<u>Jan 1, 2002</u> <u>to June 30, 2002</u>	<u>Jan 1, 2001</u> <u>to June 30, 2001</u>
<u>Cash flows from operating activities</u>		
Net income	6,170,133	27,149,017
Items to reconcile net income to net cash provided by operating activities:		
Depreciation	8,796,430	8,796,430
Amortization of capitalized fees and expenses	185,772	185,772
Changes in operating assets and liabilities:		
Charter hire receivable and prepaid expenses	420,232	16,302,725
Accrued expenses and other current liabilities	<u>(19,894)</u>	<u>(2,055)</u>
Net cash provided by operating activities	15,552,673	52,431,889
<u>Cash flows from financing activities</u>		
Repayments of loan	-	-
Distribution to shareholders	<u>(15,561,000)</u>	<u>(52,497,000)</u>
Net cash used in financing activities	(15,561,000)	(52,497,000)
Net increase (decrease) in cash and cash equivalents	(8,327)	(65,111)
Cash and cash equivalents at beginning of period	<u>278,268</u>	<u>247,370</u>
Cash and cash equivalents at end of period	269,941 =====	182,259 =====

KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)
(in U.S. Dollars)

	Share Capital	Contributed capital surplus Account	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2000	171,000	273,809,543	3,237,745	-	277,218,288
Net income	-	-	33,915,432	-	33,915,432
Other comprehensive loss	-	-	-	(9,552,504)	(9,552,504)
Distribution to shareholders	-	(35,350,823)	(37,153,177)	-	(72,504,000)
Balance at December 31, 2001	171,000	238,458,720	-	(9,552,504)	229,077,216
Net income	-	-	6,170,133	-	6,170,133
Other comprehensive loss	-	-	-	(556,014)	(556,014)
Distribution to shareholders	-	(9,390,867)	(6,170,133)	-	(15,561,000)
Balance at June 30, 2002	171,000	229,067,853	-	(10,108,518)	219,130,335