



KNIGHTSBRIDGE TANKERS LIMITED

***FIRST QUARTER 2003
REPORT TO SHAREHOLDERS***

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



Bermuda, May 26, 2003

To the Shareholders of Knightsbridge Tankers Limited:

Enclosed is our report for the first quarter of 2003. 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 March 31, 2003.

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 totaled \$61,613 per day for the period January 1 through March 31, 2003. (The corresponding spot market related rate for the period January 1 through March 31, 2002 was determined to be \$16,327).

Accordingly, on April 15, 2003, Shell International paid to the Company's vessel owning subsidiaries charter hire at the Base Rate of \$9,931,050 plus Additional Hire of \$13,069,800 for the period January 1 through March 31, 2003. (For the period January 1 through March 31, 2002, Shell International paid charter hire at the Base Rate of \$9,931,050).

On April 15, 2003, the Board of Directors of the Company declared a distribution to shareholders of record as of April 25, 2003, payable on or about May 8, 2003, in the amount of \$1.19 per share for the period January 1 through March 31, 2003. (For the period January 1 through March 31, 2002, 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, 2004, 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, by February 15, 2004, 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, 2003.

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

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. This term expires in February 2004. In the event, that Shell International intends to exercise the option to extend the charter period, it is required to notify Knightsbridge by the end of June 2003.

Under the current 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 – Three Months Ended March 31, 2003

Revenues

The Company's revenues consisted of charter hire of \$23.0 million for the three months ending March 31, 2003 compared with \$9.9 million for the first three months of 2002. This increase is due to the fact that additional hire in the amount of \$13.1 million was paid in the first three months of 2003 while no additional was paid in the first three months of 2002.

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 \$5,878 was earned during the first three months of 2003 compared with \$7,998 in the comparable period of 2002, a decrease due to decreased cash balances and lower interest rates during the first three months 2003.

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 approximately 7.14 %, which resulted in interest expenses of \$2,217,738 for the first three months of 2003.

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 March 31, 2003 the interest rate swap had a negative value of \$10,630,528. 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 March 31, 2003 was \$218.0 million compared to \$208.6 million at December 31, 2002. The increase was due to net income of \$16.1 million for the period January 1 through March 31, 2003 less distributions to shareholders during the first quarter of 2003 of \$7.7 million and the recording of the \$1 million movement in the fair value of the swap in other comprehensive income/loss.

The Company's long-term debt as of March 31, 2003 and 2002, 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>March 31, 2003</u> <i>(Unaudited)</i>	<u>Dec 31, 2002</u>
Cash	77,864	226,215
Charter hire receivable	23,045,850	
	10,151,740	
Prepaid expenses	<u>157,649</u>	<u>16,384</u>
Total current assets	23,281,363	
	10,394,339	
Vessels under capital lease, net	333,602,837	
	337,001,052	
Capitalized financing fees and expenses, net	<u>336,452</u>	<u>429,338</u>
TOTAL ASSETS	356,220,652	
	347,824,729	
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LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Accrued expenses and other current liabilities	<u>2,165,843</u>	
	<u>2,197,824</u>	
Total current liabilities	2,165,843	
	2,197,824	

Credit facility	125,397,399	
	125,397,399	
Interest rate swap agreement at fair value	10,630,528	
	11,590,392	

Shareholders' equity

Common shares, par value \$0.01 per share:

Authorized and outstanding 17,100,000	171,000	171,000
Contributed capital surplus account	228,486,410	
	220,058,506	
Retained earnings	-	-

Accumulated other comprehensive income	(10,630,528)
	<u>(11,590,392)</u>
Total shareholders' equity	218,026,882
	<u>208,639,114</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	356,220,652
	<u>347,824,729</u>
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KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in U.S. Dollars)

	<u>Jan 1, 2003</u> <u>to Mar 31, 2003</u>	<u>Jan 1, 2002</u> <u>to Mar 31, 2002</u>
Charter hire revenue	23,045,850	9,931,050
Operating expenses:		
Depreciation of vessels under capital leases	4,398,215	4,398,215
Management fee	187,500	187,500
Administration expenses	<u>20,156</u>	<u>13,209</u>
	4,605,871	4,598,294
Net operating income	18,439,979	5,332,126
Interest income	5,878	7,998
Interest expense	(2,217,738)	(2,189,918)
Other financial costs	<u>(105,215)</u>	<u>(105,078)</u>
	(2,317,075)	(2,286,995)
Net income	16,122,904	3,045,131
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KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED COMPREHENSIVE INCOME (UNAUDITED)
(in U.S. Dollars)

	<u>Jan 1, 2003</u> <u>to Mar 31, 2003</u>	<u>Jan 1, 2002</u> <u>to Mar 31, 2002</u>
Net income	16,122,904	3,045,131
Other comprehensive loss		
Gain/(loss) on derivative cash flow hedging instrument	<u>959,864</u>	<u>(8,035,673)</u>
Comprehensive income	17,082,768	
	(4,990,542)	=====
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KNIGHTSBRIDGE TANKERS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in U.S. Dollars)

	<u>Jan 1, 2003</u> <u>to Mar 31, 2003</u>	<u>Jan 1, 2002</u> <u>to Mar 31, 2002</u>
<u>Cash flows from operating activities</u>		
Net income	16,122,904	3,045,131
Items to reconcile net income to net cash provided by operating activities:		
Depreciation	4,398,215	4,398,215
Amortization of capitalized fees and expenses	92,886	92,886
Changes in operating assets and liabilities:		
Charter hire receivable and prepaid expenses	(13,035,375)	504,399
Accrued expenses and other current liabilities	<u>(31,981)</u>	<u>(65,434)</u>
Net cash provided by operating activities	7,546,649	7,975,197
<u>Cash flows from financing activities</u>		
Distribution to shareholders	<u>(7,695,000)</u>	<u>(7,866,000)</u>
Net cash used in financing activities	(7,695,000)	(7,866,000)
Net increase (decrease) in cash and cash equivalents	(148,351)	109,197
Cash and cash equivalents at beginning of period	<u>226,215</u>	<u>278,268</u>
Cash and cash equivalents at end of period	77,864	387,465
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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	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2001	171,000		238,458,720	-	(9,552,504)
	229,077,216				
Net income	-	-	12,550,786	-	
	12,550,786				
Other comprehensive loss				(2,037,888)	
	(2,037,888)				
Distribution to shareholders	-	(18,400,214)		(12,550,786)	-
	(30,951,000)				
Balance at December 31, 2002	171,000		220,058,506	-	(11,590,392)
	208,639,114				
Net income	-	-	16,122,904	-	
	16,122,904				
Other comprehensive gain				959,864	
	959,864				
Distribution to shareholders	-	-	(7,695,000)	-	(7,695,000)
Balance at March 31, 2003	171,000		220,058,506	8,427,904	(10,630,528)
	218,026,882				