



Knightsbridge Tankers Limited

Interim Report September 2004

THIRD QUARTER AND NINE MONTH RESULTS

Knightsbridge Tankers Limited (the "Company") reports net income of \$17.8 million and earnings per share of \$1.04 for the third 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 \$53,800 compared with \$50,800 in the immediately preceding quarter.

Net interest expense for the quarter was \$1.8 million compared with \$2.3 million for the quarter ended September 30, 2003. In August 2004 the interest rate swap, which fixed 91% of the outstanding debt, matured. At September 30, 2004, 100% of bank debt is floating rate debt.

The net decrease in cash and cash equivalents in the quarter was \$1.9 million. The decrease had resulted from cash generated from operating activities of \$13.1 million, cash provided for compensation on redelivery in the amount of \$0.7 million and net cash of \$2.9 million used to repay the Company's loan facility less dividend payments of \$12.8 million. As of October 28, 2004, the Company has an average cash breakeven rate for its vessels of \$15,411 per vessel per day.

For the nine months ended September 30, 2004 the Company reports net income of \$55.9 million and earnings per share of \$3.27. The average daily TCE's for the nine months ended September 30, 2004 was \$68,700. Net interest expense for the period was \$6.4 million (2003 comparable nine months: \$6.7 million).

On November 2, 2004, the Board declared a dividend of \$1.00 per share. The record date for the dividend is November 15, 2004, ex dividend date is November 11, 2004 and the dividend will be paid on or about November 29, 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 second quarter of 2004 continued into the third quarter at even higher levels. Except for a brief, weak period in the beginning of September, 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 119 versus 110 in the second quarter. This equates to a daily timecharter equivalent of about USD 67,000 per day. The continued strong market was a result of the high world oil demand especially into China, and improving world economic activity in general. All the additional demand was met by increased production in the Middle East, resulting in increased ton miles.

According to IEA, the average OPEC oil production, including Iraq, in the third quarter of 2004 was approximately 29.3 million barrels per day (b/d), an increase from the first quarter when they produced about 28.1 million b/d. During the quarter OPEC continued their policy of 'producing what is needed to supply the market', but despite this oil prices continued to climb to record levels.

IEA estimates that world oil demand averaged 82.0 million b/d in the third quarter, an increase of approximately 3.5 percent from the third quarter of 2003. IEA further predicts that the average demand for 2005 will be 83.9 million b/d. Many oil analysts are still concerned that demand might end up being higher than production capacity this coming winter.

The world VLCC fleet totalled 441 vessels at the end of the third quarter 2004, an increase of 5 vessels or 1.4 percent over the quarter. One VLCC was scrapped in the period and 6 were delivered. The total order book is now at 88 vessels

up from 85 after the second quarter. This represents approximately 20 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. The freight futures market seems to be very optimistic, 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\$148,000 per day on VLCC, and US\$75,000 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," "except," "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.

November 2, 2004
The Board of Directors
Knightsbridge Tankers Limited
Hamilton, Bermuda

Questions should be directed to:

Contact: Ola Lorentzon
+ 46 703 998886

Inger M. Klemp
+ 47 23 11 40 76

KNIGHTSBRIDGE TANKERS LIMITED THIRD QUARTER REPORT (UNAUDITED)

2003 Jul-Sept	2004 Jul-Sept	INCOME STATEMENT <i>(in thousands of \$)</i>	2004 Jan-Sept	2003 Jan-Sept	2003 Jan-Dec <i>(audited)</i>
10,152	28,481	Total operating revenues	93,132	52,620	75,246
		Operating expenses			
-	3,733	Voyage expenses	10,089	-	-
-	2,989	Ship operating expenses	6,756	-	-
219	266	Administrative expenses	894	645	864
4,398	4,290	Depreciation	12,915	13,195	17,593
4,617	11,278	Total operating expenses	30,654	13,840	18,457
		Other income/(expenses)			
9	126	Interest income	263	29	55
(2,255)	(1,949)	Interest expense	(6,742)	(6,704)	(9,332)
(106)	2,401	Other financial items	(76)	(316)	(50)
(2,352)	578	Net other income/(expenses)	(6,555)	(6,991)	(9,327)
3,183	17,781	Net income (loss)	55,923	31,789	47,462
17,100	17,100	Average number of ordinary shares outstanding	17,100	17,100	17,100
\$ 0.19	\$ 1.04	Earnings per Share (\$)	\$ 3.27	\$ 1.86	\$ 2.78

BALANCE SHEET <i>(in thousands of \$)</i>	2004 Sept 30	2003 Sept 30	2003 Dec 31 <i>(audited)</i>
ASSETS			
<i>Short term</i>			
Cash and cash equivalents	36,124	6,286	6,312
Other current assets	12,497	10,222	22,665
<i>Long term</i>			
Vessels and equipment, net	305,803	-	-
Vessels under capital lease, net	-	323,806	319,408
Deferred charges and other long-term assets	408	151	58
Total assets	354,832	340,465	348,443
LIABILITIES AND STOCKHOLDERS' EQUITY			
<i>Short term</i>			
Short term interest bearing debt	11,200	-	125,397
Other current liabilities	4,378	2,209	7,519
<i>Long term</i>			
Long term interest bearing debt	123,200	125,397	-
Other long term liabilities	-	7,745	-
Stockholders' equity	216,054	205,114	215,527
Total liabilities and stockholders' equity	354,832	340,465	348,443

2003 Jul- Sept	2004 Jul-Sept	STATEMENT OF CASHFLOWS (in thousands of \$)	2004 Jan-Sept	2003 Jan-Sept	2003 Jan-Dec (audited)
		OPERATING ACTIVITIES			
3,184	17,781	Net income (loss)	55,923	31,789	47,462
		Adjustments to reconcile net income to net cash provided by operating activities			
4,491	4,310	Depreciation and amortisation	13,009	13,473	17,593
-	(2,477)	Adjustment of financial derivatives to market value	-	-	-
-	-	Other	-	-	372
9,335	(6,504)	Change in operating assets and liabilities	12,336	(43)	(12,487)
17,010	13,110	Net cash provided by operating activities	81,268	45,219	52,940
		INVESTING ACTIVITIES			
-	690	Compensation on vessel redelivery	690	-	-
-	690	Net cash provided by investing activities	690	-	-
		FINANCING ACTIVITIES			
-	-	Proceeds from long-term debt, net of fees paid	140,000	-	-
-	(2,894)	Repayments of long-term debt	(131,441)	-	-
(11,115)	(12,825)	Dividends paid	(60,705)	(39,159)	(46,854)
(11,115)	(15,719)	Net cash used in financing activities	(52,146)	(39,159)	(46,854)
5,895	(1,919)	Net increase/(decrease) in cash and cash equivalents	29,812	6,060	6,086
391	38,043	Cash and cash equivalents at start of period	6,312	226	226
6,286	36,124	Cash and cash equivalents at end of period	36,124	6,286	6,312