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TEEKAY SHIPPING CORPORATION
ANNUAL GENERAL MEETING
LONDON - May 15, 2003
MANAGEMENT REVIEW

I am pleased to report to you on 2002, a successful year for Teekay Shipping in which we demonstrated the increased quality of our earnings and took advantage of a cyclical downturn to grow our business through a series of well-timed strategic initiatives.

Our industry experienced reduced demand in 2002 due to a weak global economy and oil production cuts by OPEC. Our significant operating leverage meant that this cyclical downturn had a large impact on our financial results with our net income declining to $53 million or $1.33 per share, down from $336.5 million or $8.31 per share in 2001. However, our results for the year did demonstrate how our steadily growing fixed rate business continued to raise the floor under our earnings, allowing us to remain profitable even during the lows of the tanker cycle.

Since we can influence neither the timing nor the magnitude of the shipping cycles, we focus instead on using our strong financial position to grow Teekay's earnings power through these cycles. We did this in 2002 through a combination of counter-cyclical investments in our large spot-trading tanker business and increases in our portfolio of long-term, profitable contract business. Having increased our financial flexibility during the previous years' strong tanker market we brought the strength of our balance sheet to bear by entering into commitments for profitable new transactions worth more than $1 billion.

The investment highlight of the year was undoubtedly our agreement in December to acquire Navion from Statoil for $800 million. This transaction, which was completed in April 2003, represents a major breakthrough for Teekay. It positions us as a integral link in the logistics chain of Statoil, one of the world's largest shippers of oil, and a number of other major oil companies. Navion's position as the world leader in fixed-rate offshore loading contracts is expected to increase our annual earnings by approximately $1.00 per share. In addition, Navion holds a long-term right-of-first-refusal contract to provide transportation for all of Statoil's crude oil and petroleum products. In support of this arrangement, Navion operates a large, modern fleet of in-chartered tankers, ranging from smaller product tankers to VLCC's. The addition of this fleet has increased our operating leverage and broadened the scope of service we offer to our customers.

In 2002, UNS, our shuttle tanker subsidiary in Sandefjord, Norway continued to build its inventory of long-term business. This included a major new contract in Brazil for two modern Suezmax shuttle tankers, which are expected to produce attractive returns on equity over the 15-year term of the project.

In September we embarked on a fleet renewal program for our spot tanker fleet. We entered into contracts for a series of high specification Aframax tankers at a time when prices had reached their lowest level in more than a decade and ahead of a subsequent upturn in ship prices by year's end. During the early part of 2003 we exercised favourably priced options to extend this program to eight ships. All told, Teekay's current newbuilding program comprises 15 ships.

Our track record of pursuing a disciplined, value creating growth strategy shows up in our steadily increasing earning power. By 2004, we project that our annual earnings in a typical mid-cycle Aframax tanker market should rise to approximately $4.60 per share, more than three times the corresponding figure of $1.50 in 1999. Peak earnings are expected to increase to approximately $11.00 per share from $6.00 per share in 1999.

2002 will be remembered for the *"Prestige"* accident and the resulting intense scrutiny of the tanker industry. This incident again highlights the need for a constant focus on high operational standards in health, safety and the environment. At Teekay, our target is not to merely meet the regulatory standards of our industry, which tend to be reactive. We recognize the overwhelming priority that our customers place on responsible practices and, as a consequence, we continually strive to set new standards of excellence through our significant investments in people, systems and processes. It is gratifying to observe these efforts pay off through increased differentiation from our competitors and the emergence of a Teekay brand.

In 2003, we celebrate Teekay's 30^{th} anniversary. From the outset, our late founder, Torben Karlshoej, had an unalterable vision of Teekay as a world leader in the shipping industry. Today we live this vision by being our customers' first choice, allowing us to reach a position as the carrier of more than 10% of the world's sea-borne oil. We have achieved this milestone by building on the strengths of our people, our operations, our financial position and our customer service.

In closing, I thank Teekay employees around the world for their hard work and dedication; our Board of Directors for their guidance; our customers for their loyal support; and our shareholders for their continued confidence in our Company.

FORWARD-LOOKING STATEMENTS

This Report to the Shareholders of Teekay Shipping Corporation contains certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and the Company's operations, performance and financial condition, including, in particular, statements regarding: Aframax TCE rates and the market outlook in the near-term; tanker supply and demand; supply and demand for oil; future capital expenditures; the Company's growth strategy and measures to implement such strategy; the Company's competitive strengths; the Company's acquisition of UNS and benefits that my be realized in connection therewith and future success of the Company. Words such as "expects," "intends," "plans," "believes," "anticipates," "estimates" and variations of such words and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to: changes in production of or demand for oil and petroleum products, either generally or in particular regions; changes in the offshore production of oil; the cyclical nature of the tanker industry and its dependence on oil markets; the supply of tankers available to meet the demand for transportation of petroleum products; charterers' preference for modern tankers; greater than anticipated levels of tanker newbuilding orders or less than anticipated rates of tanker scrapping; changes in trading patterns significantly impacting overall tanker tonnage requirements; changes in typical seasonal variations in tanker charter rates; the Company's dependence on spot oil voyages; competitive factors in the markets in which the Company operates; environmental and other regulation including the imposition of freight taxes and income taxes; the Company's potential inability to achieve and manage growth; risks associated with operations outside the United States; the potential inability of the Company to generate internal cash flow and obtain additional debt or equity financing to fund capital expenditures; and other factors detailed from time to time in the Company's periodic reports filed with the U.S. Securities and Exchange Commission. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.