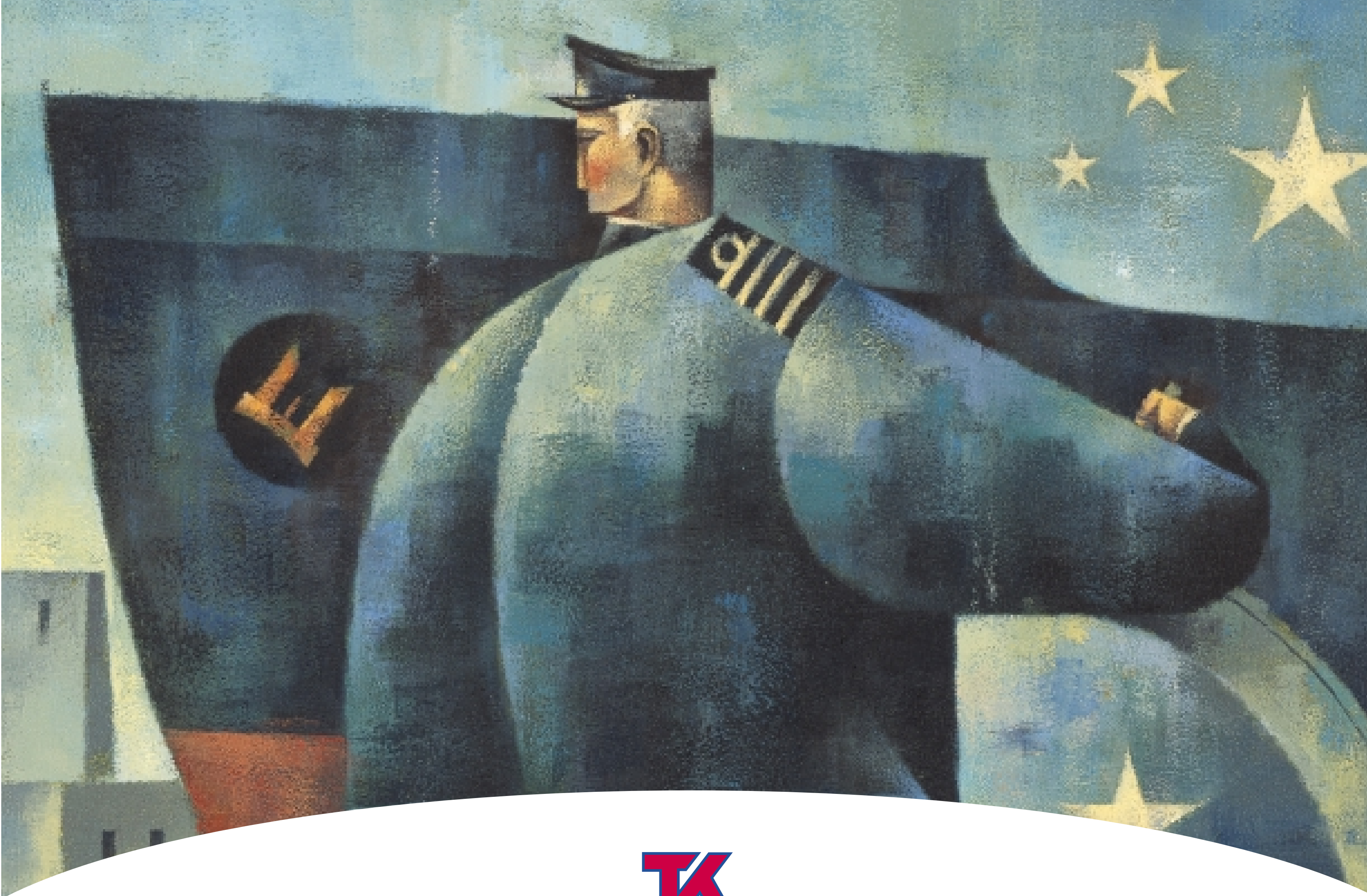


RAISING THE STANDARD

TEEKAY SHIPPING CORPORATION | ANNUAL REPORT 1999

Our Core Purpose:

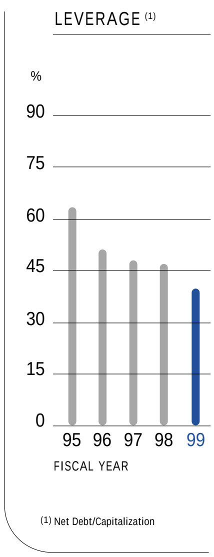
To be the first choice of our customers in the shipping industry; and to uphold the 'Teekay Standard' as a respected symbol of quality. In fulfilling this purpose, we will create enduring value for our shareholders.

Teekay Shipping Corporation's Annual General Meeting will take place on August 31, 1999 at 10:00 am at the Royal Automobile Club, 89 Pall Mall, London, England.

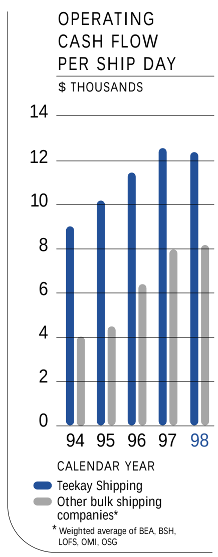
Our Core Values:

- Professionalism, reliability and integrity
- Safety, quality and pollution prevention
- Responsiveness and creativity toward customers' needs
- Loyalty to employees
- Competitive and entrepreneurial spirit
- Continuous self-improvement

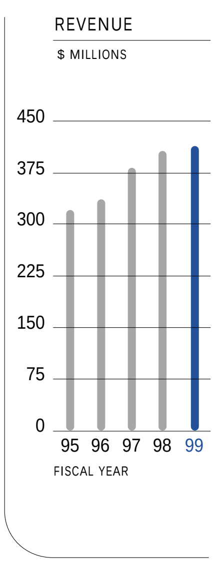
CONTENTS



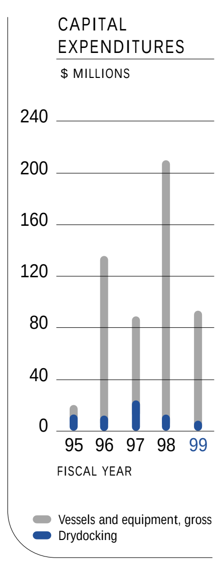
LEVERAGE (1)
%
90
75
60
45
30
15
0
95 96 97 98 99
FISCAL YEAR
(1) Net Debt/Capitalization



OPERATING CASH FLOW PER SHIP DAY
$ THOUSANDS
14
12
10
8
6
4
2
0
94 95 96 97 98
CALENDAR YEAR
Teekay Shipping
Other bulk shipping companies*
* Weighted average of BEA, BSH, LOFS, OMI, OSG



REVENUE
$ MILLIONS
450
375
300
225
150
75
0
95 96 97 98 99
FISCAL YEAR

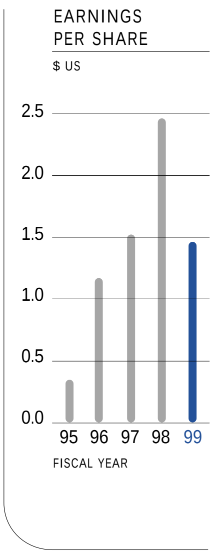


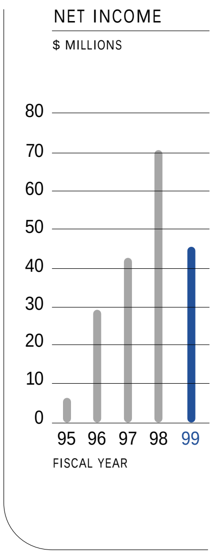
CAPITAL EXPENDITURES
$ MILLIONS
240
200
160
120
80
40
0
95 96 97 98 99
FISCAL YEAR
Vessels and equipment, gross
Drydocking

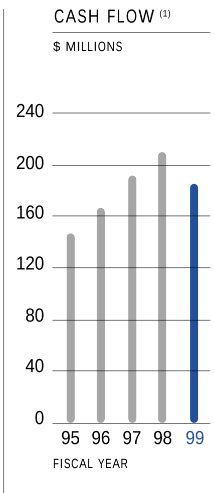
CORPORATE PROFILE

Teekay Shipping Corporation owns and operates the world's largest fleet of medium-sized (Aframax) oil tankers. Founded in 1973, the company has earned a reputation for safety and excellence in transporting crude oil and petroleum products for major international oil companies. Teekay employs over 2,700 people worldwide. The Company's Common Stock is listed on the New York Stock Exchange and trades under the symbol "TK".

YEARS ENDED MARCH 31, (in thousands of U.S. dollars)	1999	1998
Income Statement Data		
Net voyage revenues	$ 318,411	$ 305,260
Net income	45,406	70,504
Balance Sheet Data		
Total assets	1,452,220	1,460,183
Total stockholders' equity	777,390	689,455
Per Share Data		
Net income per share	1.46	2.46
Weighted average shares outstanding (thousands)	31,063	28,655
Other Financial Data		
EBITDA	186,069	209,582
Net debt to capitalization (%)	39.6	46.9
Capital expenditures:		
Vessel purchases, gross	85,445	197,199
Drydocking	7,213	12,409
Total Operating cash flow per ship per day	11,171	12,682







(1) Earnings before interest, taxes, depreciation and amortization (EBITDA)

Leading the way

THIS PAST YEAR WE EXPERIENCED DRAMATIC GROWTH THROUGH THE ACQUISITION OF BONA SHIPHOLDING. WE ALSO RESTRUCTURED THE ORGANIZATION TO MANAGE THIS GROWTH EFFICIENTLY AND PROFITABLY.

CHAIRMAN'S MESSAGE TO SHAREHOLDERS

Axel Karlshoej
CHAIRMAN OF THE BOARD OF DIRECTORS

For over 25 years, Teekay has earned a reputation for excellence in all aspects of its operation. We are fortunate to have people at every level of the Company who believe in the highest standards of professionalism and are committed to ensuring that we live up to those standards each and every day.

Our core values underline the high standards we are renowned for and guide every decision we make. They began with my brother, Torben Karlshoej, the founder of Teekay, forming the core of his vision. Today this vision is stronger than ever.

Last year we stated the Company's intention to grow and our commitment to the operational change that would facilitate it. This year we began fulfilling that commitment, capitalizing on a substantial growth opportunity by acquiring Bona Shipholding. This transaction has extensively increased the scope of our operations in the Atlantic Basin. We also implemented a new team-oriented, more customer-driven structure in the marine operations area, designed to optimize our manpower, efficiency and financial performance.

THE COMBINATION OF THIS YEAR'S EVENTS HAS SET THE STAGE FOR TEEKAY TO PLAY A LEADING ROLE IN THE TANKER MARKET FOR THE NEXT CENTURY.

Either one of these events would have been a notable accomplishment within a single year. The combination of both has set the stage for us to consolidate our position as a leader in the world tanker industry.

I have been proud to serve the Company since 1992 and have felt privileged to be part of this exciting time of change. Throughout these past 7 years, I have devoted my time to ensuring my brother's vision for the Company remains intact. Today Teekay is in good hands, is financially strong and is making significant strides in growth and market leadership. I have now decided to step down as Chairman of the Board at the end of my term in August of 1999, so that I can devote more attention to the increasing demands of my own company, Nordic Industries. I will, however, continue to serve as a director and Chairman Emeritus of Teekay and take a keen and personal interest in everything the Company does.

My successor will be Mr. Sean Day, who joined the Board of Directors in September of 1998. His reputation in the shipping industry, his qualifications and his experience make him an ideal successor for the role of Chairman.

It is an honour to be part of a dynamic company that has accomplished so much in its history. I know my brother Torben would wish to express his appreciation to employees, management and shareholders, for making his vision a reality and Teekay a symbol of excellence throughout the industry.

Axel Karlshoej
CHAIRMAN OF THE BOARD
JUNE, 1999

Raising the Standard

WE HAVE ALWAYS MEASURED OURSELVES AGAINST THE HIGHEST STANDARD IN THE SHIPPING INDUSTRY – OUR OWN. THIS YEAR WE RAISED THAT STANDARD AGAIN.

PRESIDENT'S REPORT TO SHAREHOLDERS

Bjorn Moller

PRESIDENT AND CHIEF EXECUTIVE OFFICER

They say that success arises when opportunity meets with planning. I am pleased to report that fiscal 1999 was a very successful year for Teekay in this respect. Despite a downturn in the tanker market, we were able to position ourselves to significantly increase our upside potential when the market recovers.

We continued to develop our business in accordance with our long term strategic plan, taking advantage of an opportunity to assimilate a major competitor in a market in which we wanted to grow. We also succeeded in realigning our operational systems to accommodate our growth plans and improve customer service, as well as our organizational efficiency. These efforts were devoted to 'raising the standard', as we say in Teekay.

A YEAR OF MAJOR GROWTH

In 1999, we engineered one of the most noteworthy mergers ever in the tanker sector, combining the world's third largest Aframax tanker fleet with ours. In one move we became 3 times larger than our nearest competitor, increasing our share of the global Aframax market to approximately 11%. For Teekay, the transaction represents a large asset acquisition at a price which reflects current depressed vessel market values. We have essentially made a big move in the low part of the cycle.

Teekay was in a prime position to facilitate the merger, thanks to last June's $69 million equity offering, the ability to use our stock as a valuable currency and the years spent delevering our balance sheet. As a result, despite the size of this transaction, we have preserved our financial flexibility.

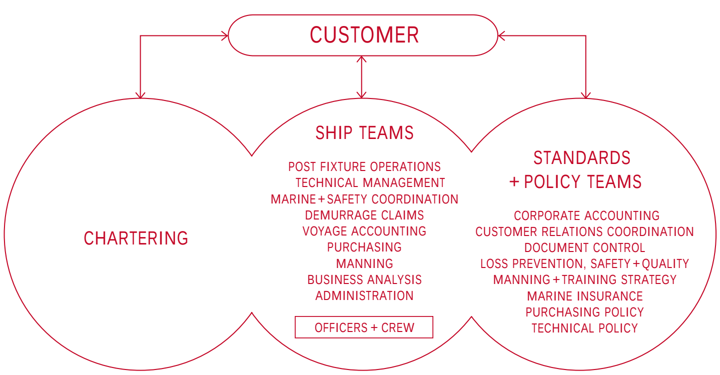
At the same time, we also accomplished our goal of establishing a leading market presence in another geographic market. Bona Shipholding's strengths as an Atlantic Basin carrier strategically complemented our Indo-Pacific operations. Their strong customer base and equally modern Aframax tanker fleet gave us an immediate size and scope in the Atlantic which we could otherwise have only achieved after many years of organic growth.

Our increased Atlantic presence has already yielded beneficial results in the form of several important new contracts with leading oil companies.

SYNERGY

The word 'synergy' is an important one to us. Not only does it describe the effect of reduced costs and improved revenues arising from the combination of Teekay and Bona, it is also the project name given to a major organizational restructuring effort which we completed this year.

SHIP TEAMS WORK IN TANDEM WITH CHARTERING AND WITH THE STANDARDS + POLICY TEAMS.



'Project Synergy' represents a fundamental restructuring of Teekay's marine operations activities. These were previously organized by separate functional areas, but are now realigned to business processes ensuring optimal fleet operations through ship teams and standards and policy teams.

We have divided the fleet into smaller units with all aspects of their operation managed by a cross-functional ship team. The alignment extends all the way to the ships themselves with senior officers included in the teams. These smaller operational units will provide faster, more responsive and better coordinated service to our customers, thanks to improved communication and streamlined systems.

The standards and policy teams fulfill several critical functions: they act as a centre of expertise to our ship teams; they ensure a high, uniform standard of operation across the teams; and they drive continuous improvement in every area of our operations.

Most of the past year was devoted to extensive planning and training in preparation for this reorganization which took effect June 1st, 1999. We are already seeing early signs indicating the enormous improvement potential of this new organizational landscape.

THE BONA ACQUISITION WAS A SIGNIFICANT STRATEGIC MOVE; IT WILL ENABLE US TO EMERGE FROM THIS DOWNTURN A STRONGER SHIPPING COMPANY WITH GREATER EARNINGS POWER.

CONTINUOUS IMPROVEMENT

The spirit of continuous improvement is one that drives Teekay at every level. Within our new structure it is easier for employees to suggest improvements and they are empowered to effect positive change. During the year we increased staffing levels, providing more resources to drive a number of specific improvements.

For example, we have created a customer relations department whose role is to ensure that all employees are focused on monitoring customer satisfaction levels, listening to customer input and immediately addressing areas for improvement.

We are substantially upgrading our information technology to ensure we have the efficient, robust systems required to manage a large global organization.

Most recently, we were involved in the launch of an innovative marine purchasing cooperative known as MARCAS. In partnership with 2 other major shipping entities, MARCAS will have a cumulative buying power of 250 ships, effectively reducing costs on a number of materials and services. It is anticipated that cost efficiencies will continue to grow, through the gradual increase in membership of MARCAS and the widening scope of services provided to the organization's members.

We are planning to step up the pace of new initiatives this year with project teams pursuing improvement opportunities across the entire company.

A DIFFICULT TANKER MARKET

During fiscal 1999 we witnessed a major cyclical downturn in the world tanker market. Teekay's net income for the year dropped to $45.4 million from $70.5 million in the previous year. Our operating cash flow per ship day declined from $12,682 in fiscal 1998 to $11,171 this year.

The integration of our Australian operation has proceeded well during the past year. Our 4 ships operating under long term contracts in this region generated average cash flow of $14,509 per ship day.

Tight cost controls and effective voyage management have traditionally enabled us to outperform our competitors, realizing consistently higher average cash flow per ship day relative to the industry. While we are satisfied that we were able to maintain this advantage in fiscal 1999, we will continue to strive for greater efficiency in the future.

CROSS FUNCTIONAL TEAMS FACILITATE OUR GROWTH AND PROVIDE CONTINUOUS IMPROVEMENT IN SERVICE DELIVERY AND COST EFFICIENCY.

We expect the tanker market to remain difficult in the near term. Rates are likely to remain under pressure from a combination of slower oil demand growth and a heavy newbuilding delivery schedule.

However, looking further ahead, fundamentals appear to be moving in a positive direction in the medium term. Global oil consumption is expected to grow faster in 1999 than in 1998. In addition, signs are that we will see a continued shift in the market share of oil production towards the Middle East producing countries; a favourable trend which means longer average voyage length and greater tanker demand per barrel of oil. Low freight rates have resulted in a dramatic slowdown in the pace of new tanker ordering and are causing an acceleration in the scrapping of aging tankers. These factors combine to set the scene for a recovery in the world tanker market supply / demand balance.

REALIZING THE VISION

This has been an energizing year for Teekay. We have made great strides in realizing our vision of the Company's future. The combination of our substantial growth and our organizational streamlining will be the foundation upon which Teekay will continue to compete successfully, well into the new century. We firmly believe these initiatives will translate into increased earnings for our shareholders and long term sustainability in the tanker market.

I would like to thank the management team and all Teekay employees for their unfailing commitment to continuous improvement and operational excellence. I would also like to welcome our many new colleagues from Bona Shipholding. Our challenge in the years to come is to keep our focus on the Company's vision and to ensure we never waver in our efforts to raise the standard.

Bjorn Moller
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
JUNE, 1999


YEO

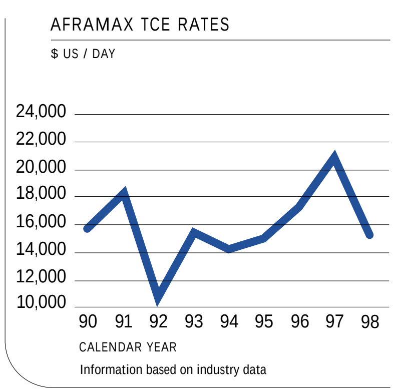
Supply + Demand Dynamics

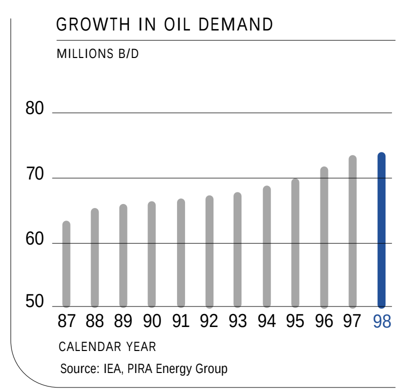
A SHARP ACCELERATION IN THE RATE OF SCRAPPING COMBINED WITH IMPROVING TANKER DEMAND FUNDAMENTALS SUGGEST POSITIVE FREIGHT RATE DEVELOPMENTS OVER THE MEDIUM TERM.

WORLD OIL DEMAND DEVELOPMENTS

Oil demand fell in 1998 in many of the Asian countries which had led oil consumption growth for most of the past decade. This caused world oil consumption to grow by only 0.7% in 1998, compared to growth of at least 1.5% during each of the 3 previous years. In response to low oil consumption growth and the resulting decline in the price of oil, the OPEC countries cut back production, reducing the demand for oil transportation. This contributed to a decline in freight rates in the fall of 1998 and during the first half of 1999.

During 1999, oil consumption growth has resumed in most Asian countries. As a result, the International Energy Agency (IEA) is forecasting that world oil consumption will increase 1.5% in 1999 and that consumption in the fourth quarter of 1999 will be 2.4% higher than the same quarter in 1998. Long run tanker demand is influenced by changes in consumption, therefore, the strong oil consumption growth forecast for 1999 should positively affect tanker demand.





TANKER FLEET GROWTH

Orders for new tankers increased sharply during 1997 and 1998. This was a result of the anticipated need to replace a large number of aging vessels in the world tanker fleet coupled with a decline in new vessel prices, particularly those offered by Korean shipyards. The delivery of some of these vessels in 1998 resulted in the Aframax fleet rising by 4.5% at the end of 1998 over the previous year.

In 1999, the pace of new tanker ordering has slowed in response to the weak tanker market. Coupled with the rapid delivery rate of tankers already on order, this has resulted in the Aframax tanker orderbook falling from a peak in May 1998 of 10.0 mdwt, or 19.4% of the Aframax tanker fleet, to 6.3 mdwt, or 11.5% of the Aframax tanker fleet one year later. For the remaining Aframaxes currently on order, half are scheduled for delivery by March 2000.

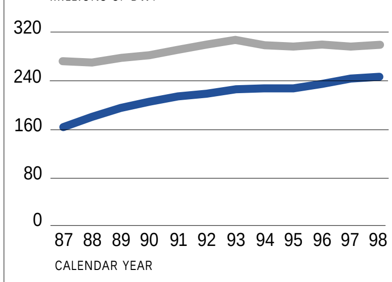
The rate of tanker scrapping so far in 1999 is twice that in 1998, and scrapping is running at its highest annualized level since the mid-1980's. The main factors which affect the decision to scrap are: the cost of maintaining a vessel, which increases with age; and the freight revenue earned, which decreases as the vessel approaches the end of it's useful life.

Most crude oil tankers and virtually all Aframax tankers trading internationally are being scrapped prior to reaching 25 years of age, as a combined result of the current low freight rate environment and increasingly stringent environmental regulations. This is significant because 83.2 mdwt, or 27.6% of the current world tanker fleet will reach 25 years of age in the next 4 years.

The current low freight rate environment favours a continued high rate of scrapping and discourages newbuilding orders which implies a reversal of the tanker fleet growth experienced in the past few years.

TANKER SUPPLY/DEMAND BALANCE

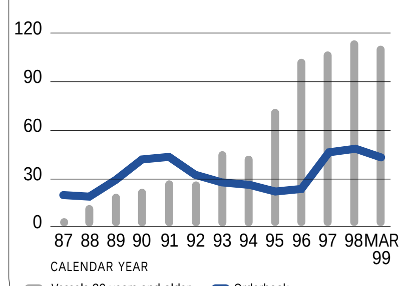
MILLIONS OF DWT



Source: Maritime Strategies Int., Clarkson

ORDERBOOK vs. AGING FLEET

MILLIONS OF DWT.



Information based on industry data

Expanding the Fleet

FLEET PROFILE
AS OF JUNE 1999

THE TEEKAY FLEET IS NOW 3 TIMES AS LARGE AS ITS NEAREST COMPETITOR. WITH THE ADDITION OF BONA'S ATLANTIC-BASED VESSELS WE HAVE A TRULY GLOBAL REACH.

NAME	TYPE	DWT	YEAR BUILT
ONOMICHI CLASS			
Hamane Spirit	Double Hull	105,300	1997
Poul Spirit	Double Hull	105,300	1995
Torben Spirit	Double Hull	98,600	1994
Mayon Spirit	Double Hull	98,600	1992
Luzon Spirit	Double Hull	98,600	1992
Leyte Spirit	Double Hull	98,600	1992
Samar Spirit	Double Hull	98,600	1992
Palmstar Thistle	Single Hull	100,200	1991
Palmstar Lotus	Single Hull	100,200	1991
Teekay Spirit	Single Hull	100,200	1991
Palmstar Cherry	Single Hull	100,200	1990
Onozo Spirit	Single Hull	100,200	1990
Palmstar Poppy	Single Hull	100,200	1990
Palmstar Rose	Single Hull	100,200	1990
Palmstar Orchid	Single Hull	100,200	1989
HYUNDAI CLASS			
Gotland Spirit	Double Hull	95,400	1995
Falster Spirit	Double Hull	95,400	1995
Sotra Spirit	Double Hull	95,400	1995
Ulsan Spirit	Single Hull	106,700	1990
Shilla Spirit	Single Hull	106,700	1990
Pioneer Spirit	Single Hull	106,700	1988
Pacific Spirit	Single Hull	106,700	1988
Dampier Spirit (FSO)	Single Hull	106,700	1988
Namsan Spirit	Single Hull	106,700	1988
Mersey Spirit	Double Sides	94,700	1986
Clyde Spirit	Double Sides	94,700	1985
IMABARI CLASS			
Nassau Spirit	Double Hull	107,000	1998
Senang Spirit	Double Hull	95,700	1994
Sebarok Spirit	Double Hull	95,700	1993
Seraya Spirit	Double Sides	97,300	1992
Seafalcon ⚐	Double Sides	97,300	1990
Alliance Spirit	Double Sides	97,300	1989
Sentosa Spirit	Double Sides	97,300	1989
Semakau Spirit	Double Sides	97,300	1988
Seletar Spirit	Double Sides	97,300	1987
Sudong Spirit	Double Sides	97,300	1987
Singapore Spirit	Double Sides	97,300	1987
OTHER AFRAMAX			
Silver Paradise ⚐	Double Hull	105,200	1998
Seabridge ⚐	Double Hull	105,200	1996
Torres Spirit	Single Hull	96,000	1990
Seamaster ⚐	Single Hull	101,000	1990
Hakuyou Maru ⚐	Single Hull	93,000	1987
Cook Spirit	Single Hull	91,500	1987
Magellan Spirit	Double Sides	95,000	1985
Bornes	Double Sides	88,900	1990
Mendana Spirit	Single Hull	81,700	1980

⚐ Time-chartered-in

(FSO) Floating storage and off-take vessel

* Newbuildings on order

NAME	TYPE	DWT	YEAR BUILT
MITSUI CLASS			
Shetland Spirit	Double Hull	106,200	1994
Orkney Spirit	Double Hull	106,200	1993
MITSUBISHI CLASS			
Kyushu Spirit	Double Sides	95,600	1991
Koyagi Spirit	Single Hull	96,000	1989
Sabine Spirit	Double Sides	84,800	1989
Hudson Spirit	Double Sides	84,800	1988
Columbia Spirit	Double Sides	84,800	1988
GDYNIA CLASS			
Shannon Spirit	Single Hull	99,300	1987
Clare Spirit	Single Hull	99,300	1986
SAMSUNG CLASS			
Kanata Spirit	Double Hull	113,000	1999*
Kareela Spirit	Double Hull	113,000	1999*
Kiowa Spirit	Double Hull	113,000	1999
Koa Spirit	Double Hull	113,000	1999
Kyeema Spirit	Double Hull	113,000	1999
OIL/BULK/ORE (OBO) CARRIERS			
Victoria Spirit	Double Hull	103,200	1993
Vancouver Spirit	Double Hull	103,200	1992
Teekay Forum	Double Bottom	78,500	1983
Teekay Fulmar	Double Bottom	78,500	1983
Teekay Fountain	Double Bottom	78,500	1982
Teekay Fortuna	Double Bottom	78,500	1982
Teekay Freighter	Double Bottom	75,400	1982
Teekay Foam	Double Bottom	78,500	1981
Teekay Favour	Double Bottom	82,500	1981
Teekay Fair	Double Hull	75,500	1981
OTHER SIZE TANKERS			
Musashi Spirit	Single Hull	280,700	1993
Inago	Double Sides	159,800	1993
Erati	Double Sides	159,700	1992
Palmerston	Double Bottom	36,700	1989
Barrington	Double Hull	33,300	1989
Scotland	Double Sides	40,800	1982

Preserving our Resources

EVERY COMPANY POLICY AND PROCEDURE IS DESIGNED TO SAFEGUARD OUR PERSONNEL AND PROTECT THE ENVIRONMENT. EFFECTIVE SHIP MANAGEMENT CANNOT BE ACHIEVED WITHOUT THESE PRINCIPLES.

SAFETY AND THE ENVIRONMENT

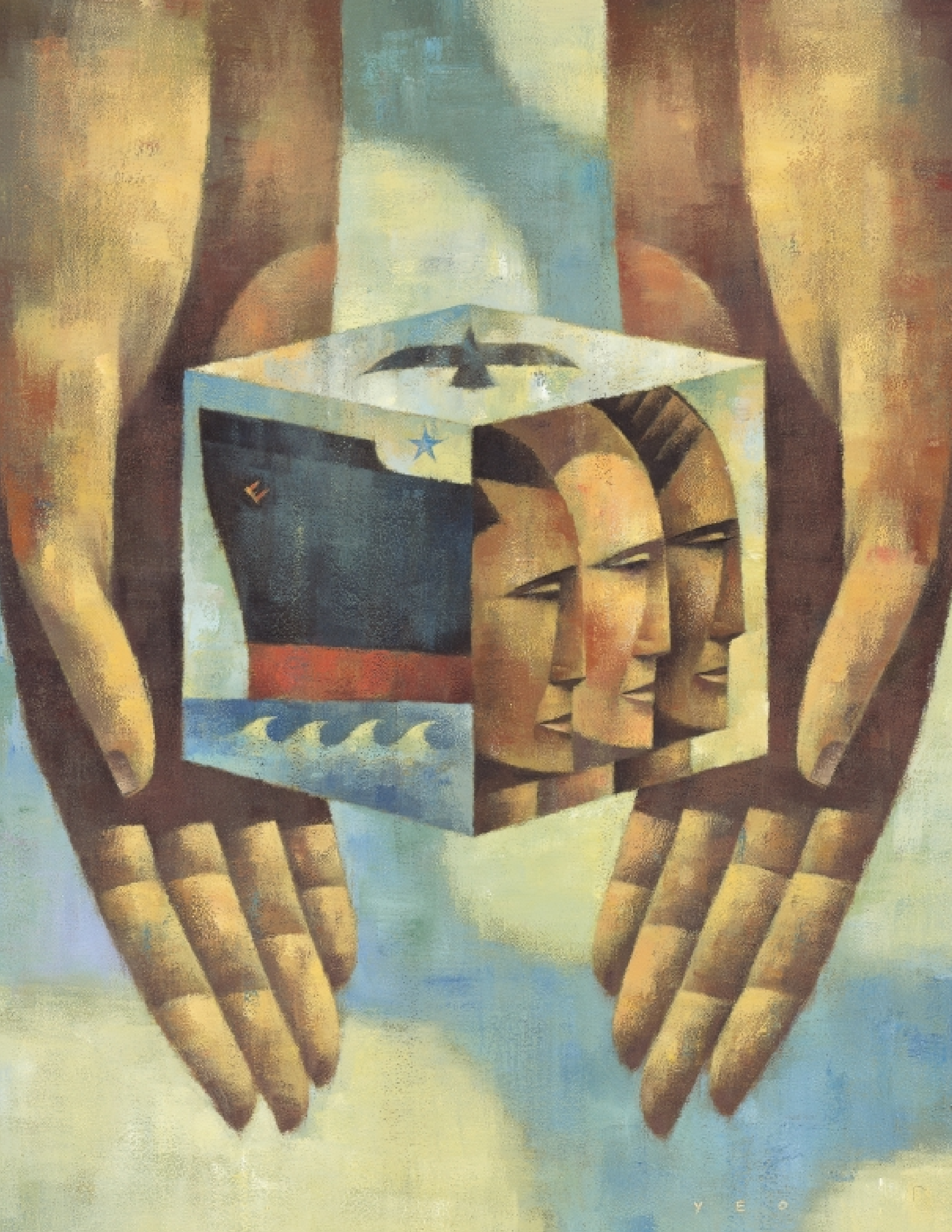
Teekay's standards are acknowledged to be above and beyond those required by regulation. We have always taken pride in our proactive commitment to safety processes throughout the company — for employees, vessels, cargo and equipment.

Our Safety Management System ensures that proper procedures are in place for our employees in the event of any emergency and every tanker adheres to this system. Simulated oil spill response drills are conducted regularly to sharpen incident command team response times, should they ever be put to the test.

This year we continued to improve and refine our safety, environmental protection and quality measures, as we moved forward on plans established by our Loss Prevention department.

Safety not only protects employees and the environment, it simply makes good business sense. To operate responsibly strengthens the company's profile in the industry and is ultimately reflected in its financial performance.

An excellent safety record enables the Teekay fleet to obtain cost-effective insurance coverage with the world's leading insurance pools. Since insurance costs are based on risk, our proactive approach to assessing the performance of procedures, personnel and vessels gives us a distinct advantage in securing excellent ship and liability coverage.


Y E O

Pursuing the Vision

We have achieved industry leadership by establishing and adhering to high standards but we must ensure that complacency never creeps in. We must continuously develop services to meet the changing needs of our customers and we must constantly improve to stay ahead of our competition and regulatory requirements.

Financial Review

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis contains comments regarding the acquisition of Bona Shipholding Ltd. as of June 10, 1999.

GENERAL

The Company is a leading provider of international crude oil and petroleum product transportation services to major oil companies, oil traders and government agencies, principally in the region from the Red Sea to the U.S. West Coast. The Company's current operating fleet consists of 50 vessels, including 46 Aframax oil tankers and O/B/O carriers (including two newbuildings on order and five vessels time-chartered-in), three smaller oil tankers, and one VLCC, for a total cargo-carrying capacity of approximately 5.0 million tonnes. The two newbuilding Aframax tankers are scheduled for delivery in July and September 1999, respectively.

During fiscal 1999, approximately 58% of the Company's net voyage revenue was derived from spot voyages. The balance of the Company's revenue is generated primarily by two other modes of employment: time-charters, whereby vessels are chartered to customers for a fixed period; and contracts of affreightment ("COAs"), whereby the Company carries an agreed quantity of cargo for a customer over a specified trade route within a specified period of time. In fiscal 1999, 12% of net voyage revenues was generated by time-charters and COAs priced on a spot market basis. In the aggregate, approximately 70% of the Company's net voyage revenue during fiscal 1999 was derived from spot voyages or time-charters and COAs priced on a spot market basis, with the remaining 30% being derived from fixed-rate time-charters and COAs. This dependence on the spot market, which is within industry norms, contributes to the volatility of the Company's revenues, cash flow from operations, and net income.

Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. Additionally, tanker markets have historically exhibited seasonal variations in charter rates. Tanker markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns which tend to disrupt vessel scheduling.

In December 1997, the Company acquired two vessels and related shore support services from an Australian affiliate of Caltex Petroleum. These two tankers, together with one of the Company's existing Aframax tankers, have been time-chartered to the Caltex affiliate in connection with the Company's provision of Caltex's oil transportation requirements formerly provided by that affiliate. The Company has converted one of its existing vessels to a floating storage and off-loading vessel, which is sharing crews with the vessels employed in the Caltex arrangement (together with the other three vessels involved in this arrangement, the "Australian Vessels"). Vessel operating expenses for the Australian Vessels are substantially higher than those for the rest of the Company's fleet, primarily as a result of higher costs associated with employing an Australian crew. The time-charter rates for the Australian Vessels are correspondingly higher to compensate for these increased costs. During fiscal 1999, the Australian Vessels earned net voyage revenues and an average TCE rate of $38.2 million and $26,329, respectively, and incurred vessel operating expenses of $14.9 million, or $10,173 on a per ship per day basis. In comparison, during fiscal 1998, the Australian Vessels earned net voyage revenues and an average TCE rate of $8.4 million and $25,347, respectively, and incurred vessel operating expenses of $3.2 million, or $10,276 on a per ship per day basis. The results of the Australian Vessels are included in the Company's Consolidated Financial Statements included herein.

ACQUISITION OF BONA SHIPHOLDING LTD.

On March 26, 1999, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Bona Shipholding Ltd. ("Bona") under which Teekay will acquire Bona for a combination of cash and shares. Bona owns and operates a fleet of 26 Aframax oil tankers and O/B/Os engaged in transportation of oil, oil products, and dry bulk commodities, primarily in the Atlantic region. Shares of Bona Common Stock ("Bona Shares") are listed on the Oslo Stock Exchange.

For the year ended December 31, 1998, Bona earned net voyage revenues of $148.9 million resulting in income from vessel operations of $32.3 million and net income of $16.6 million. As at December 31, 1998, Bona's shareholders' equity was $254.9 million, total assets were $623.5 million, and total debt was $356.0 million. In December 1998, Bona entered into a $500.0 million credit facility, syndicated among a group of 15 leading international shipping banks. The loan has a two-year drawdown period and will be repaid over an eight-year period thereafter.

As the global oil industry is undergoing consolidation, tanker companies are serving fewer but significantly larger customers who require their shipping partners to provide more flexible and cost competitive services on a global basis. The proposed transaction will create a combined entity which operates 81 vessels and which will be able to offer a global service to oil companies, oil traders, and government agencies by combining Teekay's position in the Indo-Pacific basin with Bona's Atlantic presence. The combined entity will be the largest operator in the Aframax segment and will be approximately three times larger than its nearest competitor in that segment. Management believes that the combined entity will benefit from economies of scale and that cost savings can be realized through a reduction in combined overhead costs, increased purchasing power, and other operational efficiencies.

Under the terms of the Amalgamation Agreement, Teekay will purchase all of the outstanding Bona Shares (approximately 18.9 million shares) for total consideration of approximately $137.0 million. Bona shareholders have the right to elect to receive for each Bona Share either $7.00 cash or 0.485 shares of Teekay Common Stock ("Teekay Shares"). Under the terms of the Amalgamation Agreement, 70% of Bona Shareholders elected to receive consideration in the form of Teekay Shares (totalling approximately 6.4 million Teekay Shares) and the remaining Bona Shareholders will receive cash consideration totalling approximately $39.9 million. Teekay will also assume Bona's debt of approximately $314.0 million net of cash acquired. The transaction is expected to be completed by mid-June 1999.

The acquisition of Bona will be accounted for using the purchase method of accounting at closing. It is not anticipated that this transaction will result in the recording of any goodwill.

RESULTS OF OPERATIONS

Bulk shipping industry freight rates are commonly measured at the net voyage revenue level in terms of "time-charter equivalent" (or "TCE") rates, defined as voyage revenues less voyage expenses (excluding commissions), divided by voyage ship-days for the round-trip voyage. Voyage revenues and voyage expenses are a function of the type of charter, either spot charter or time-charter, and port, canal and fuel costs depending on the trade route upon which a vessel is sailing, in addition to being a function of the level of shipping freight rates. For this reason, shipowners base economic decisions regarding the deployment of their vessels upon anticipated TCE rates, and industry analysts typically measure bulk shipping freight rates in terms of TCE rates. Therefore, the discussion of revenue below focuses on net voyage revenue and TCE rates.

FISCAL 1999 vs. FISCAL 1998 Aframax TCE rates on the Gulf-East routes declined in October 1998 and remained at this lower level for the balance of fiscal 1999 due to an increase in tanker supply in conjunction with stable tanker demand. In the near-term, the Company believes that TCE rates will remain weak as a result of low tanker demand growth, oil production cutbacks, and the large number of newbuilding tankers that are expected to be delivered over the next nine months. As a result of the Company's dependence on the tanker spot market, any decline in Aframax TCE rates will reduce the Company's revenues and earnings.

Operating results for the past two years generally reflect a cyclical peak in average TCE rates in fiscal 1998 followed by a decline in TCE rates experienced by the Company's fleet during the second half of fiscal 1999 and growth in the size of the Company's fleet. In addition, the fiscal 1999 results include a full year of results from the four Australian Vessels whereas the fiscal 1998 results only include approximately three months of results from three of the Australian Vessels, which have higher operating expenses and earn correspondingly higher TCE rates. The Company sold two of its older Aframax tankers during the fiscal year ended March 31, 1999 and added four newer Aframax tankers (including three time-chartered-in vessels) to its fleet during the same period. As a result, the Company's average fleet size increased by two vessels, or 8.9%, in fiscal 1999 compared to fiscal 1998, following an earlier increase of two vessels, or 4.9%, in fiscal 1998.

Net voyage revenues increased 4.3% to $318.4 million in fiscal 1999 from $305.3 million in fiscal 1998, reflecting the increase in the Company's fleet size and higher TCE rates earned on the Australian Vessels, partially offset by lower spot TCE rates. The Company's average overall TCE rate in fiscal 1999, excluding the Australian Vessels, was down 8.4% to $19,576 from $21,373 in fiscal 1998.

Vessel operating expenses increased 19.7% to $84.4 million in fiscal 1999 from $70.5 million in fiscal 1998, mainly as a result of higher crewing costs associated with the Australian Vessels and an adjustment to crew wage rates and salaries effective April 1, 1998.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (cont'd)

Time-charter hire expense was $29.7 million in fiscal 1999, up from $10.6 million in fiscal 1998, as the number of vessels time-chartered-in by the Company increased to five in fiscal 1999 from two in fiscal 1998.

Depreciation and amortization expense decreased by 1.3% to $93.7 million in fiscal 1999 from $94.9 million in fiscal 1998, primarily as a result of lower amortization of drydocking costs during the current year due to fewer scheduled drydockings compared to the previous fiscal year. Depreciation and amortization expense included amortization of drydocking costs of $8.6 million and $11.7 million in fiscal years 1999 and 1998, respectively.

General and administrative expenses rose 16.1% to $25.0 million in fiscal 1999 from $21.5 million in fiscal 1998, primarily as a result of the hiring of additional personnel in connection with the expansion of the Company's operations, particularly in Australia. The fiscal 1999 results include the Australian Vessels for the full year in comparison to three months in fiscal 1998 for three of the Australian Vessels.

Income from vessel operations decreased 20.4% to $85.6 million in fiscal 1999 from $107.6 million in fiscal 1998, due largely to the decline in TCE rates.

Interest expense decreased by 20.4% to $44.8 million in fiscal 1999 from $56.3 million in fiscal 1998, reflecting the reduction in the Company's total debt and lower average interest rates on debt borrowings. In June 1998, the Company completed a public offering of its Common Stock resulting in net proceeds to the Company of approximately $69.0 million. These net proceeds, together with other funds, were applied in August 1998 to redeem the Company's outstanding 9 5/8% First Preferred Ship Mortgage Notes (the "9 5/8% Notes").

Other income of $5.5 million in fiscal 1999 consisted primarily of $7.1 million in gains on the sale of two vessels, offset partially by $1.9 million in income taxes related to the Australian Vessels. Other income of $11.2 million in fiscal 1998 consisted primarily of gains on the sale of vessels.

As a result of the foregoing factors, net income was $45.4 million in fiscal 1999, compared to net income of $70.5 million in fiscal 1998. Net income for fiscal 1999 included an extraordinary loss of $7.3 million arising from the redemption of the 9 5/8% Notes and gains on asset sales of $7.1 million. Net income for fiscal 1998 included $14.4 million in gains on asset sales.

FISCAL 1998 vs. FISCAL 1997 Operating results for fiscal 1998 compared to those for fiscal 1997 reflected the improvement in average TCE rates experienced by the Company's fleet during that period, as well as the increase in the size of the Company's fleet. The Company's average fleet size increased by two vessels or 4.9% in fiscal 1998 compared to fiscal 1997.

Net voyage revenues increased 8.9% to $305.3 million in fiscal 1998 from $280.2 million in fiscal 1997, reflecting a combination of improvement in TCE rates and an increase in the Company's fleet size. The Company's average TCE rate in fiscal 1998, excluding the Australian Vessels, was up 5.0% to $21,373 from $21,356 in fiscal 1997, in part due to lower bunker fuel prices.

In spite of the increase in fleet size, vessel operating expenses decreased 2.9% to $70.5 million in fiscal 1998 from $72.6 million in fiscal 1997, primarily as a result of a reduction in insurance premiums as well as more favourable foreign exchange rates between the U.S. dollar and certain Asian currencies, particularly the Japanese yen and the Korean won, for spare parts and supplies purchased during the latter half of fiscal 1998.

Time-charter hire expense was $10.6 million in fiscal 1998, up from $3.5 million in fiscal 1997, as a result of two vessels time-chartered-in by the Company during fiscal 1998 as compared to only one vessel time-chartered-in during part of fiscal 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (cont'd)

Depreciation and amortization expense increased by 4.6% to $94.9 million in fiscal 1998 from $90.7 million in fiscal 1997, as a result of the increase in the average size of the Company's owned fleet, an increase in the average cost base of the fleet resulting from the replacement of some of the Company's older vessels with newer vessels, and an increase in the number of scheduled drydockings during the fiscal years 1998 and 1997. Depreciation and amortization expense included amortization of drydocking costs of $11.7 million and $10.9 million in fiscal years 1998 and 1997, respectively.

General and administrative expenses rose 12.1% to $21.5 million in fiscal 1998 from $19.2 million in fiscal 1997, primarily as a result of the cost of compliance with increasingly stringent tanker industry regulations, increases in senior management compensation, and the start-up cost and additional ongoing personnel and facility costs associated with expanding the Company's Australian office in December 1997.

Income from vessel operations increased 14.2% to $107.6 million in fiscal 1998 from $94.3 million in fiscal 1997, due to improved TCE rates and relatively stable costs.

Interest expense decreased by 7.4% to $56.3 million in fiscal 1998 from $60.8 million in fiscal 1997, reflecting the reduction in the Company's average debt balance and a lower average interest rate on debt borrowings. Interest income of $7.9 million in fiscal 1998 and $6.4 million in fiscal 1997, largely reflected increasing cash balances, offset in fiscal 1997 by lower interest rates.

Other income of $11.2 million in fiscal 1998 consisted primarily of $14.4 million in gains on the sale of three vessels, offset partially by $3.5 million in losses related to the prepayment of debt. Other income of $2.8 million in fiscal 1997 consisted primarily of gains on the sale of vessels.

As a result of the foregoing factors, the Company's net income was $70.5 million in fiscal 1998, which included $14.4 million in gains on asset sales. In comparison, the Company's net income was $42.6 million in fiscal 1997, which included $2.7 million in gains on assets sales.

The following table illustrates the relationship between fleet size (measured in ship-days), TCE performance, and operating results per calendar ship-day. To facilitate comparison to the prior years' results, unless otherwise indicated, the figures in the table below exclude the results from the Company's Australian Vessels.

	YEARS ENDED MARCH 31,		
	1999	1998	1997
International Fleet:			
Average number of ships	43	42	41
Total calendar ship-days	15,612	15,341	14,937
Revenue generating ship-days (A)	14,647	14,229	14,071
Net voyage revenue before commissions (B) (000s)	$286,735	$304,115	$286,429
TCE (B/A)	$ 19,576	$ 21,373	$ 20,356
Operating results per calendar ship-day:			
Net voyage revenue	$ 17,950	$ 19,358	$ 18,760
Vessel operating expense	4,969	4,554	4,922
General and administrative expense	1,465	1,375	1,286
Drydocking expense	613	765	733
Operating cash flow per calendar ship-day	$ 10,903	$ 12,664	$ 11,819
Australian Vessels:			
Operating cash flow per calendar ship-day	$ 14,509	$ 13,482	N/A
Total Fleet:			
Operating cash flow per calendar ship-day	$ 11,171	$ 12,682	$ 11,819

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (cont'd)

LIQUIDITY AND CAPITAL RESOURCES

The Company's total liquidity, including cash, marketable securities and undrawn long-term lines of credit, was $143.3 million as at March 31, 1999, down from $186.3 million as at March 31, 1998, and $258.6 million as at March 31, 1997. The decrease in liquidity during fiscal 1999 was primarily the result of the use of cash balances to redeem the Company's 9 5/8% Notes in August 1998, progress payments on the Company's two newbuildings, and the purchase of a new vessel which was paid for using existing cash balances and borrowings under the Company's revolving credit facility (the "Revolver"). The decrease was offset in part by proceeds from the Company's public offering of Common Stock in June 1998, cash flow from operations, and proceeds from the disposition of two older vessels. The Company received net proceeds of approximately $69.0 million in the public offering to redeem the outstanding balance of the 9 5/8% Notes. The redemption resulted in the release of mortgages on the six vessels which collateralized the 9 5/8% Notes, increasing the number of unencumbered vessels in the Company's fleet to thirteen as of March 31, 1999.

Net cash flow from operating activities decreased to $137.7 million in fiscal 1999, compared to $161.1 million in fiscal 1998, and $139.2 million in fiscal 1997. This primarily reflects the change in TCE rates during these periods.

Scheduled debt repayments were $50.6 million during fiscal 1999, compared to $33.9 million in fiscal 1998 and $16.0 million in fiscal 1997. The increase in fiscal 1999 was mainly a result of a $25.0 million sinking fund payment on the 9 5/8% Notes in July 1998. In addition to scheduled debt repayments, the Company prepaid long-term debt of $268.0 million in fiscal 1999, primarily representing the repurchase of the 9 5/8% Notes and prepayments of the Revolver.

Dividends declared during fiscal 1999 were $26.6 million, or $0.86 per share, of which $26.2 million was paid in cash and the remainder was paid in the form of shares of Common Stock issued under the Company's dividend reinvestment plan.

Two vessels were sold in fiscal 1999, resulting in net proceeds of $23.4 million compared to net proceeds of $33.9 million in fiscal 1998 from the sale of three vessels. In fiscal 1997, the Company sold its only 50%-owned vessel, resulting in net proceeds of $6.4 million which the Company received in the early part of fiscal 1998.

During fiscal 1999, the Company incurred capital expenditures for vessels and equipment of $85.4 million, consisting mainly of payments made towards the two newbuilding double-hull Aframax tankers scheduled for delivery in July and September of 1999, costs related to the conversion of a tanker into a floating storage and off-loading vessel, and the purchase of a second-hand Aframax tanker. The Company intends to pay for the remaining cost of approximately $15.6 million for the two newbuilding vessels by using existing cash balances, borrowings under the Revolver, or other debt financing. Cash expenditures for drydocking were $11.7 million in fiscal 1999 compared to $18.4 million in fiscal 1998 and $16.6 million in fiscal 1997. The previous two fiscal years reflected a larger than usual number of scheduled drydockings.

To finance the acquisition of Bona, the Company will use existing cash balances to fund the cash portion of the total purchase price of approximately $39.9 million and will issue shares of Common Stock for the remaining portion (approximately 6.4 million Teekay Shares). Teekay will also assume approximately $314.0 million of Bona's debt net of cash acquired. As at March 31, 1999, the Company's net debt to capitalization was 39.6%. After the completion of the Bona acquisition, the combined entity's net debt to capitalization will increase to approximately 50%. (See "–Acquisition of Bona Shipholding Ltd.")

As part of its growth strategy, the Company will continue to consider strategic opportunities, including the acquisition of additional vessels and the expansion into new markets. The Company may choose to pursue such opportunities through internal growth, joint ventures, or business acquisitions. The Company intends to finance any future acquisitions through various sources of capital, including internally generated cash flow, existing credit lines, additional debt borrowings, and the issuance of additional shares of capital stock.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (cont'd)

MARKET RATE RISKS

The Company is exposed to market risk from foreign currency and changes in interest rate fluctuations. The Company uses interest rate swaps and forward foreign currency contracts to manage these risks, but does not use financial instruments for trading or speculative purposes.

INTEREST RATE RISK

The Company invests its cash and marketable securities in financial instruments with maturities of less than three months within the parameters of its investment policy and guidelines. The majority of instruments pay a fixed rate of return which are subject to fluctuations in market values due to changes in market interest rates.

The Company uses interest rate swaps to manage the impact of interest rate changes on earnings and cash flows. The differential to be paid or received under these swap agreements is accrued as interest rates change and is recognized as an adjustment to interest expense. Premiums and receipts, if any, are recognized as adjustments to interest expense over the lives of the individual contracts.

FOREIGN EXCHANGE RATE RISK

The international tanker industry's functional currency is the U.S. dollar. Virtually all of the Company's revenues and most of its operating costs are in U.S. dollars. The Company incurs certain operating expenses, drydocking, and overhead costs in foreign currencies, the most significant of which are Japanese yen, Singapore dollars, Canadian dollars, and Australian dollars. During fiscal 1999, approximately 15% of vessel and voyage costs, overhead and drydock expenditures were denominated in these currencies. However, the Company has the ability to shift its purchase of goods and services from one country to another and, thus, from one currency to another, on relatively short notice.

The Company enters into forward contracts as a hedge against changes in certain foreign exchange rates. Market value gains and losses are deferred and recognized during the period in which the hedged transaction is recorded in the accounts.

	CONTRACT	CARRYING AMOUNT		FAIR
(IN USD 000'S)	AMOUNT	ASSET	LIABILITY	VALUE
MARCH 31, 1999				
FX Forward Contracts	$ 2,905	$ –	$ –	$ (22)
Debt	641,719	-	641,719	637,219
MARCH 31, 1998				
FX Forward Contracts	$ 10,225	$ –	$ –	$ 339
Interest Rate Swap Agreements				
– net receivable (payable) position	150,000	–	–	176
Debt	725,369	–	725,369	737,785

YEAR 2000 COMPLIANCE

The Company relies on computer systems, software, databases, third party electronic data interchange interfaces and embedded processors to operate its business. Some of these applications may be unable to appropriately interpret the calendar year 2000 and certain other dates and some level of modification or replacement of such applications or embedded systems will be necessary.

The Company has been actively engaged in systematically addressing the Year 2000 problem since December 1997. A Year 2000 Compliance Task Force comprised of employees from a broad cross section of the Company has been charged with the task of ensuring that the Company achieves Year 2000 compliance. The Task Force includes full-time dedicated Year 2000 staff. The Company expects to be largely Year 2000 compliant by the summer of this year, and to achieve full Year 2000 compliance by mid-November of this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (cont'd)

The Company's Year 2000 compliance project has been divided into several phases.

1. First, the Company completed a business and safety risk analysis to prioritize the efforts of the Year 2000 Task Force. Those areas of the Company's operations that posed the greatest safety risk or were the most important to the survival and continuity of the business were assigned the highest priority.
2. Second, a full inventory of all computer hardware and software applications, and all systems which utilize "embedded chips", both on the ships and in the Company's offices, has been completed. Embedded chips are used, for example, in navigation systems, communication systems, safety and detection systems, and electrical and electro-mechanical control systems on the Company's vessels.
3. Third, a comprehensive audit and test program of information technology and non-information technology systems, such as embedded chips, was developed and is being deployed to ensure seamless operation through all of the dates which have been identified as potentially problematic. These dates include August 22, 1999, September 9, 1999, January 1, 2000, and February 29, 2000. Extensive safe testing has been conducted on vessels and off-line testing will continue later in 1999 during scheduled drydockings. We have requested, and in many cases have received, Certificates of Compliance from the manufacturers of the equipment identified in the inventory phase as possibly containing date sensitive functions. In addition, the Company has completed a "Year 2000 Readiness Survey" with its top customers, lenders, suppliers and other organizations with which it conducts business. This survey has confirmed that our key business partners are aware of the Year 2000 issue and are actively working toward Year 2000 compliance. This "investigation phase" is virtually complete at this time.
4. Fourth, the Company is currently undertaking remedial action with respect to all non-compliant systems and items. Remedial action includes modifying, repairing or replacing systems or items which are of high safety or business criticality, or a "work around" strategy for less critical systems. Testing is occurring concurrently with the remedial action. The Company has completed the majority of this work; however, the Company's two Australian-flagged product tankers must be drydocked to have the remedial work done. The second vessel may not be completed until mid November 1999 due to drydock availability.
5. The final phase consists of preparing contingency plans, vessel placement strategies, and business continuity plans. These plans have been developed and distributed. Final revisions of contingency plans are anticipated to be distributed by the fall of 1999 which include roll-over procedures. These plans have been developed and refined in consultation with our key business partners. Drills are scheduled for the third and fourth quarter of 1999 to ensure that sea and shore staff are competent with contingency instructions.

Although the Company expects to be Year 2000 compliant in a timely manner, no assurance can be given that all of the Company's systems will be Year 2000 compliant or that its customers, lenders, suppliers or the other organizations with which it conducts business will become fully Year 2000 compliant in a timely manner. If the Company does not achieve full compliance in a timely manner or complete its Year 2000 project within its current cost estimates, or if one or more of its key customers, bankers, lenders, suppliers or other organizations with which it does business fails to become fully Year 2000 compliant, the Company's business, financial condition and results of operations could be adversely affected. There are also risks inherent in the Company's operations arising from the potential failure of systems and equipment aboard other vessels sharing navigable waters with the Company's vessels as well as problems which could arise from the malfunction or failure of port and shore-based infrastructure systems.

The Company estimates that it will cost $2.0 million to achieve Year 2000 compliance. The majority of these costs will either be recovered directly from customers of the Company pursuant to contractual arrangements currently in place or represent ongoing equipment upgrades which would have been undertaken regardless of the Year 2000 issues. Based on the findings of the Year 2000 Task Force to date, the Company does not expect Year 2000 compliance costs to have a material adverse effect on the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (cont'd)

FORWARD-LOOKING STATEMENTS

The Company's Annual Report on Form 20-F for the fiscal year ended March 31, 1999 and this Annual Report to Shareholders for 1999 contain 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 in the near-term; tanker supply and demand; supply and demand for oil; the Company's market share in the Indo-Pacific Basin; future capital expenditures, including expenditures for newbuilding vessels; the Company's growth strategy and measures to implement such strategy; the Company's competitive strengths; future success of the Company; the acquisition of Bona and economies of scale, cost savings and other benefits that may be realized in connection with the Bona acquisition; and Year 2000 compliance. 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 including Asia; 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; 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; the Company's dependence on spot oil voyages; competitive factors in the markets in which the Company operates; environmental and other regulation; 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 progress payments on newbuildings; the Company's potential inability to identify embedded processors in a timely manner or to achieve Year 2000 compliance within current cost estimates; the failure of the Company's key business partners to achieve Year 2000 compliance and the subsequent impact on the Company's operating results; the Company's ability to complete the acquisition of Bona and to successfully integrate Bona into the Company's operations; 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.

AUDITORS' REPORT

To the Shareholders of
TEEKAY SHIPPING CORPORATION

We have audited the accompanying consolidated balance sheets of Teekay Shipping Corporation and subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income and retained earnings and cash flows for each of the three years in the period ended March 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Teekay Shipping Corporation and subsidiaries as at March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1999, in conformity with accounting principles generally accepted in the United States.

Nassau, Bahamas,
May 12, 1999

Ernst & Young
Chartered Accountants

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands of U.S. dollars, except per share amounts)

YEARS ENDED MARCH 31,	1999	1998	1997
Net Voyage Revenues			
Voyage revenues	$ 411,922	$ 406,036	$ 382,249
Voyage expenses	93,511	100,776	102,037
Net voyage revenues	318,411	305,260	280,212
Operating Expenses			
Vessel operating expenses	84,397	70,510	72,586
Time-charter hire expense	29,666	10,627	3,461
Depreciation and amortization	93,712	94,941	90,698
General and administrative	25,002	21,542	19,209
	232,777	197,620	185,954
Income From Vessel Operations	85,634	107,640	94,258
Other Items			
Interest expense	(44,797)	(56,269)	(60,810)
Interest income	6,369	7,897	6,358
Other income (note 10)	5,506	11,236	2,824
	(32,922)	(37,136)	(51,628)
Net income before extraordinary loss	52,712	70,504	42,630
Extraordinary loss on bond redemption (note 5)	(7,306)	–	–
Net income	45,406	70,504	42,630
Retained earnings, beginning of the year	428,102	382,178	363,690
	473,508	452,682	406,320
Dividends declared	(26,611)	(24,580)	(24,142)
Retained earnings, end of the year	$ 446,897	$ 428,102	$ 382,178
Basic Earnings per Common Share (notes 1 and 8)			
• Net income before extraordinary loss	$ 1.70	$ 2.46	$ 1.52
• Net income	$ 1.46	$ 2.46	$ 1.52
Diluted Earnings per Common Share (notes 1 and 8)			
• Net income before extraordinary loss	$ 1.70	$ 2.44	$ 1.50
• Net income	$ 1.46	$ 2.44	$ 1.50

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands of U.S. dollars)

AS AT MARCH 31	1999	1998
ASSETS		
Current		
Cash and cash equivalents	$ 118,435	$ 87,953
Marketable securities (note 3)	8,771	13,448
Accounts receivable	22,995	24,327
Prepaid expenses and other assets	16,195	13,786
Total current assets	166,396	139,514
Marketable securities (note 3)	5,050	13,853
Vessels and equipment (notes 1, 5 and 9)		
At cost, less accumulated depreciation of $557,946 (1998 – $500,779)	1,218,916	1,297,883
Advances on newbuilding contracts	55,623	–
Total vessels and equipment	1,274,539	1,297,883
Other assets	6,235	8,933
	$1,452,220	$1,460,183
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	$ 11,926	$ 16,164
Accrued liabilities (note 4)	21,185	29,195
Current portion of long-term debt (note 5)	39,058	52,932
Total current liabilities	72,169	98,291
Long-term debt (note 5)	602,661	672,437
Total liabilities	674,830	770,728
Stockholders' equity		
Capital stock (note 8)	330,493	261,353
Retained earnings	446,897	428,102
Total stockholders' equity	777,390	689,455
	$1,452,220	$1,460,183

Commitments and contingencies (notes 6 and 9)

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

YEARS ENDED MARCH 31,	1999	1998	1997
Cash and cash equivalents provided by (used for)			
OPERATING ACTIVITIES			
Net income	$ 45,406	$ 70,504	$ 42,630
Add (deduct) charges to operations not requiring a payment of cash and cash equivalents:			
Depreciation and amortization	93,712	94,941	90,698
Gain on disposition of assets	(7,117)	(14,392)	–
Loss on bond redemption	7,306	2,175	–
Equity income (net of dividend received: March 31, 1997 – $282)	–	(45)	(2,414)
Other – net	1,218	2,735	2,785
Change in non-cash working capital items related to operating activities (note 11)	(2,817)	5,201	5,459
Net cash flow from operating activities	137,708	161,119	139,158
FINANCING ACTIVITIES			
Proceeds from long-term debt	230,000	208,600	240,000
Scheduled repayments of long-term debt	(50,577)	(33,876)	(16,038)
Prepayments of long-term debt	(268,034)	(150,655)	(250,078)
Net proceeds from issuance of Common Stock	68,751	5,126	1,283
Cash dividends paid	(26,222)	(15,990)	(13,493)
Capitalized loan costs	(690)	(994)	(1,130)
Net cash flow from financing activities	(46,772)	12,211	(39,456)
INVESTING ACTIVITIES			
Expenditures for vessels and equipment	(85,445)	(197,199)	(65,104)
Expenditures for drydocking	(11,749)	(18,376)	(16,559)
Proceeds from disposition of assets	23,435	33,863	–
Net cash flow from investment	–	6,380	(2,296)
Proceeds on sale of available-for-sale securities	13,305	14,854	–
Purchases of available-for-sale securities	–	(42,154)	–
Other	–	(268)	–
Net cash flow from investing activities	(60,454)	(202,900)	(83,959)
Increase (decrease) in cash and cash equivalents	30,482	(29,570)	15,743
Cash and cash equivalents, beginning of the year	87,953	117,523	101,780
Cash and cash equivalents, end of the year	$ 118,435	$ 87,953	$ 117,523

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. They include the accounts of Teekay Shipping Corporation ("Teekay"), which is incoporated under the laws of Liberia, and its wholly owned or controlled subsidiaries (the "Company"). Significant intercompany items and transactions have been eliminated upon consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current period.

Reporting currency The consolidated financial statements are stated in U.S. dollars because the Company operates in international shipping markets which utilize the U.S. dollar as the functional currency.

Investment The Company's 50% interest in Viking Consolidated Shipping Corp. ("VCSC") was carried at the Company's original cost plus its proportionate share of the undistributed net income. On March 12, 1997, VCSC sold its one remaining vessel and it is not anticipated that the operating companies of VCSC will have active operations in the near future. The disposal of this vessel and the related gain on sale has been reflected in these consolidated financial statements (see Note 10 – Other Income).

Operating revenues and expenses Voyage revenues and expenses are recognized on the percentage of completion method of accounting. Estimated losses on voyages are provided for in full at the time such losses become evident. The consolidated balance sheets reflect the deferred portion of revenues and expenses applicable to subsequent periods.

Voyage expenses comprise all expenses relating to particular voyages, including bunker fuel expenses, port fees, canal tolls, and brokerage commissions. Vessel operating expenses comprise all expenses relating to the operation of vessels, including crewing, repairs and maintenance, insurance, stores and lubes, and miscellaneous expenses including communications.

Marketable securities The Company's investments in marketable securities are classified as available-for-sale securities and are carried at fair value. Net unrealized gains or losses on available-for-sale securities, if material, are reported as a separate component of stockholders' equity.

Vessels and equipment All pre-delivery costs incurred during the construction of newbuildings, including interest costs, and supervision and technical costs are capitalized. The acquisition cost and all costs incurred to restore used vessel purchases to the standard required to properly service the Company's customers are capitalized. Depreciation is calculated on a straight-line basis over a vessel's useful life from the date a vessel is initially placed in service.

Interest costs capitalized to vessels and equipment for the years ended March 31, 1999, 1998 and 1997 aggregated $3,018,000, $283,000, and $232,000, respectively.

Expenditures incurred during drydocking are capitalized and amortized on a straight-line basis over the period until the next anticipated drydocking. When significant drydocking expenditures recur prior to the expiry of this period, the remaining balance of the original drydocking is expensed in the month of the subsequent drydocking. Drydocking expenses amortized for the years ended March 31, 1999, 1998 and 1997 aggregated $8,583,000, $11,737,000, and $10,941,000, respectively.

Vessels acquired pursuant to bareboat hire purchase agreements are capitalized as capital leases and are amortized over the estimated useful life of the acquired vessel.

Other assets Loan costs, including fees, commissions and legal expenses, are capitalized and amortized over the term of the relevant loan. Amortization of loan costs is included in interest expense.

Interest rate swap agreements The differential to be paid or received, pursuant to interest rate swap agreements, is accrued as interest rates change and is recognized as an adjustment to interest expense. Premiums and receipts, if any, are recognized as adjustments to interest expense over the lives of the individual contracts.

Forward contracts The Company enters into forward contracts as a hedge against changes in certain foreign exchange rates. Market value gains and losses are deferred and recognized during the period in which the hedged transaction is recorded in the accounts.

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

Cash flows Cash interest paid during the years ended March 31, 1999, 1998 and 1997 totalled $48,527,000, $55,141,000, and $57,400,000, respectively.

The Company classifies all highly liquid investments with a maturity date of three months or less when purchased as cash and cash equivalents.

Income taxes The legal jurisdictions of the countries in which Teekay and the majority of its subsidiaries are incorporated do not impose income taxes upon shipping-related activities.

Accounting for Stock-Based Compensation Under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", disclosures of stock-based compensation arrangements with employees are required and companies are encouraged (but not required) to record compensation costs associated with employee stock option awards, based on estimated fair values at the grant dates. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 (APB 25) "Accounting for Stock Issued to Employees" and has disclosed the required pro forma effect on net income and earning per share as if the fair value method of accounting as prescribed in SFAS 123 had been applied (see Note 8 – Capital Stock).

NOTE 2. BUSINESS OPERATIONS

The Company is engaged in the ocean transportation of petroleum cargoes worldwide through the ownership and operation of a fleet of tankers. All of the Company's revenues are earned in international markets.

Three customers, all international oil companies, individually accounted for 12% ($51,411,000), 12% ($50,727,000), and 10% ($42,797,000), respectively, of the Company's consolidated voyage revenues during fiscal 1999. No more than one customer accounted for over 10% of the Company's consolidated voyage revenues during fiscal 1998 or fiscal 1997. The revenues from these customers accounted for 14% ($56,357,000) and 13% ($48,696,000) of the Company's consolidated voyage revenues in fiscal 1998 and fiscal 1997, respectively.

NOTE 3. INVESTMENTS IN MARKETABLE SECURITIES

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	APPROXIMATE MARKET AND CARRYING VALUE
MARCH 31, 1999				
Available-for-sale securities	$13,865	$ –	$ (44)	$13,821
MARCH 31, 1998				
Available for sale securities	27,304	13	(16)	27,301

The cost and approximate market value of available-for-sale securities by contractual maturity, as at March 31, are shown as follows:

	COST	APPROXIMATE MARKET AND CARRYING VALUE
MARCH 31, 1999		
Less than one year	$ 8,771	$ 8,771
Due after one year through five years	5,094	5,050
	$13,865	$13,821
MARCH 31, 1998		
Less than one year	$13,456	$13,448
Due after one year through five years	13,848	13,853
	$27,304	$27,301

NOTE 4. ACCRUED LIABILITIES

MARCH 31	1999	1998
Voyage and vessel	$ 8,768	$ 15,925
Interest	7,552	9,272
Payroll and benefits	4,865	3,998
	$ 21,185	$ 29,195

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

NOTE 5. LONG-TERM DEBT

MARCH 31	1999	1998
Revolving Credit Facility	$169,000	$129,000
First Preferred Ship Mortgage Notes (8.32%) U.S. dollar debt due through 2008	225,000	225,000
First Preferred Ship Mortgage Notes (9 5/8%) U.S. dollar debt due through 2003	–	123,718
Floating rate (1999: LIBOR + 0.50% to 1%; 1998: LIBOR + 0.55% to 1%) U.S. dollar debt due through 2009	247,719	247,651
	641,719	725,369
Less current portion	39,058	52,932
	$602,661	$672,437

The Company has a long-term Revolving Credit Facility (the "Revolver") available which, as at March 31, 1999, provided for borrowings of up to $180.0 million. Interest payments are based on LIBOR (March 31, 1999: 5.00%; March 31, 1998: 5.71%) plus a margin depending on the financial leverage of the Company; at March 31, 1999, the margin was + 0.50%. The amount available under the Revolver reduces by $10.0 million semi-annually with a final balloon reduction in January 2006. The Revolver is collateralized by first priority mortgages granted on eight of the Company's Aframax tankers, together with certain other related collateral, and a guarantee from the Company for all amounts outstanding under the Revolver.

The 8.32% First Preferred Ship Mortgage Notes due February 1, 2008 (the "8.32% Notes") are collateralized by first preferred mortgages on seven of the Company's Aframax tankers, together with certain other related collateral, and are guaranteed by seven subsidiaries of Teekay that own the mortgaged vessels (the "8.32% Notes Guarantor Subsidiaries") to a maximum of 95% of the fair value of their net assets. As at March 31, 1999, the fair value of these net assets approximated $179.0 million. The 8.32% Notes are also subject to a sinking fund, which will retire $45.0 million principal amount of the 8.32% Notes on each February 1, commencing 2004.

Upon the 8.32% Notes achieving Investment Grade Status and subject to certain other conditions, the guarantees of the 8.32% Notes Guarantor Subsidiaries will terminate, all of the collateral securing the obligations of the Company and the 8.32% Notes Guarantor Subsidiaries under the Indenture and the Security Documents will be released (whereupon the Notes will become general unsecured obligations of the Company) and certain covenants under the Indenture will no longer be applicable to the Company.

In August 1998, the Company redeemed the remaining $98.7 million of the 9 5/8% First Preferred Ship Mortgage Notes (the "9 5/8% Notes") which resulted in an extraordinary loss of $7.3 million, or 24 cents per share, for the year ended March 31, 1999. The redemption of the 9 5/8% Notes was financed by a public offering of Common Stock in June 1998 (see Note 8 – Capital Stock) and existing cash balances.

All floating rate loans are collateralized by first preferred mortgages on the vessels to which the loans relate, together with certain other collateral, and guarantees from Teekay.

Among other matters, the long-term debt agreements generally provide for such items as maintenance of certain vessel market value to loan ratios and minimum consolidated financial covenants, prepayment privileges (in some cases with penalties), and restrictions against the incurrence of additional debt and new investments by the individual subsidiaries without prior lender consent. The amount of Restricted Payments, as defined, that the Company can make, including dividends and purchases of its own capital stock, is limited as of March 31, 1999, to $138.8 million.

The aggregate annual long-term debt principal repayments required to be made for the five fiscal years subsequent to March 31, 1999 are $39,058,000 (fiscal 2000), $50,191,000 (fiscal 2001), $50,332,000 (fiscal 2002), $52,481,000 (fiscal 2003), and $139,597,000 (fiscal 2004).

NOTE 6. LEASES

Charters-out Time-charters to third parties of the Company's vessels are accounted for as operating leases. The minimum future revenues to be received on time-charters currently in place are $38,638,000 (fiscal 2000), $38,533,000 (fiscal 2001), $38,533,000 (fiscal 2002), $38,533,000 (fiscal 2003), $38,638,000 (fiscal 2004), and $157,645,000 thereafter.

The minimum future revenues should not be construed to reflect total charter hire revenues for any of the years.

Charters-in Minimum commitments under vessel operating leases are $23,358,000 (fiscal 2000), $11,848,000 (fiscal 2001), and $1,294,000 (fiscal 2002).

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts of all financial instruments approximate fair market value except for the following:

Long-term debt – The fair values of the Company's fixed rate long-term debt are based on either quoted market prices or estimated using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities.

Interest rate swap agreements and foreign exchange contracts – The fair value of interest rate swaps and foreign exchange contracts, used for hedging purposes, is the estimated amount that the Company would receive or pay to terminate the agreements at the reporting date, taking into account current interest rates, the current credit worthiness of the swap counter parties and foreign exchange rates.

The estimated fair value of the Company's financial instruments is as follows:

	MARCH 31, 1999		MARCH 31, 1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash, cash equivalents and marketable securities	$132,256	$132,256	$115,254	$115,254
Long-term debt	641,719	637,219	725,369	737,785
Interest rate swap agreements – net receivable (payable) position	–	–	–	(176)
Foreign currency contracts	–	(22)	–	339

The Company transacts interest rate swap and foreign currency contracts with investment grade rated financial institutions and requires no collateral from these institutions.

NOTE 8. CAPITAL STOCK

	COMMON STOCK	THOUSANDS OF SHARES
ISSUED AND OUTSTANDING		
Balance March 31, 1996	$235,705	27,904
Reinvested Dividends	10,649	364
Exercise of Stock Options	1,283	60
Balance March 31, 1997	247,637	28,328
Reinvested Dividends	8,590	273
Exercise of Stock Options	5,126	232
Balance March 31, 1998	261,353	28,833
June 15, 1998 Share Offering 2,800,000 shares at $24.7275 per share of Common Stock (net of share issue costs)	68,700	2,800
Reinvested Dividends	389	13
Exercise of Stock Options	51	2
Balance March 31, 1999	$330,493	31,648

In June 1998, the Company sold 2,800,000 shares in a public offering. The Company used the net proceeds from the offering of approximately $69.0 million, together with other funds, to redeem the outstanding 9 5/8% Notes.

In September 1998, the Company's shareholders approved an amendment to the Company's 1995 Stock Option Plan (the "Plan") to increase the number of shares of Common Stock reserved and available for future grants of options under the Plan by an additional 1,800,000 shares. As of March 31, 1999, the Company had reserved 3,641,750 shares of Common Stock for issuance upon exercise of options granted pursuant to the Plan.

During fiscal 1999, 1998 and 1997, the Company granted options under the Plan to acquire up to 573,000, 359,750 and 343,250 shares of Common Stock (the "Grants"), respectively, to certain eligible officers, employees (including senior sea staff), and directors of the Company. The options have a 10-year term and vest equally over four years from the date of grant.

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

A summary of the Company's stock option activity, and related information for the three years ended March 31, 1999 follows:

	1999		1998		1997	
	OPTIONS (000'S)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000'S)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000'S)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding – beginning of year	1,161	$26.66	1,056	$23.40	779	$21.50
Granted	573	26.05	360	33.50	343	27.38
Exercised	(2)	21.50	(232)	22.02	(60)	21.50
Forfeited	(3)	30.44	(23)	30.39	(6)	24.00
Outstanding-end of year	1,729	$26.46	1,161	$26.66	1,056	$23.40
Exercisable at end of year	731	$24.08	565	$22.14	519	$21.50
Weighted-average fair value of options granted during the year (per option)		$ 5.93		$ 8.13		$ 6.72

Exercise prices for the options outstanding as of March 31, 1999 ranged from $21.50 to $33.50. These options have a weighted-average remaining contractual life of 8.0 years.

As the exercise price of the Company's employee stock options equals the market price of underlying stock on the date of grant, no compensation expense is recognized under APB 25.

Had the Company recognized compensation costs for the Grants consistent with the methods recommended by SFAS 123 (see Note 1 – Accounting for Stock-Based Compensation), the Company's net income and earnings per share for those fiscal years would have been stated at the pro forma amounts as follows:

	YEARS ENDED MARCH 31, 1999	1998	1997
NET INCOME:			
As reported	$ 45,406	$ 70,504	$ 42,630
Pro forma	43,715	69,090	40,679
BASIC EARNINGS PER COMMON SHARE:			
As reported	1.46	2.46	1.52
Pro forma	1.41	2.41	1.45
DILUTED EARNINGS PER COMMON SHARE:			
As reported	1.46	2.44	1.50
Pro forma	1.41	2.39	1.44

Basic earnings per share is based upon the following weighted average number of common shares outstanding: 31,063,000 shares for fiscal 1999; 28,655,000 shares for fiscal 1998; and 28,138,000 shares for fiscal 1997. Diluted earnings per share, which gives effect to the aforementioned stock options, is based upon the following weighted average number of common shares outstanding: 31,063,000 shares for fiscal 1999; 28,870,000 shares for fiscal 1998; and 28,339,000 shares for fiscal 1997.

The fair values of the Grants were estimated on the dates of grant using the Black-Scholes option-pricing model with the following assumptions: risk-free average interest rates of 5.40%, 6.29%, and 6.44% for fiscal 1999, fiscal 1998 and fiscal 1997, respectively; dividend yield of 3.0%; expected volatility of 25%; and expected lives of 5 years.

NOTE 9. COMMITMENTS AND CONTINGENCIES

On March 26, 1999, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with Bona Shipholding Ltd. ("Bona") under which Teekay will acquire Bona for a combination of cash and shares. Bona owns and operates a fleet of 26 Aframax oil tankers and oil/bulk/ore carriers engaged in transportation of oil, oil products, and dry bulk commodities, primarily in the Atlantic region. Shares of Bona Common Stock ("Bona Shares") are listed on the Oslo Stock Exchange.

Under the terms of the Amalgamation Agreement, Teekay has offered to purchase all of the outstanding Bona Shares (18,923,774 shares) for total consideration of approximately $136.0 million. Bona shareholders have the right to elect to receive for each Bona Share either $7.00 cash or 0.485 shares of Teekay Common Stock ("Teekay Shares"), provided that the number of Bona Shares to be exchanged for Teekay Shares is greater than 9,461,887 shares but does not exceed 13,246,641 shares (representing 50 percent and 70 percent of the number of issued and outstanding Bona Shares), respectively. Immediately after the completion of the amalgamation, Teekay's capital stock will increase by an amount ranging from $69.7 million (4,589,016 Teekay Shares) to $97.6 million (6,424,621 Teekay Shares), based on the minimum (50%) and maximum (70%) percentage of Bona shareholders who may elect to receive Teekay Shares. Teekay will also assume Bona's debt of approximately $314.0 million net of cash acquired.

(all tabular amounts stated in thousands of U.S. dollars, other than share or per share data)

The acquisition of Bona will be accounted for using the purchase method of accounting at closing. It is not anticipated that this transaction will result in the recording of any goodwill.

The acquisition is subject to approval by Bona shareholders requiring a 75 percent affirmative vote in a shareholder meeting. It is expected that the transaction will be completed by mid-June 1999.

As at March 31, 1999, the Company was committed to foreign exchange contracts for the forward purchase of approximately Japanese yen 100 million and Singapore dollars 3.5 million for U.S. dollars, at an average rate of Japanese yen 119.8 per U.S. dollar and Singapore dollar 1.69 per U.S. dollar, respectively, for the purpose of hedging accounts payable and accrued liabilities.

As at March 31, 1999, the Company was committed to the construction of two newbuilding Aframax vessels for an aggregate contract price of approximately $71.2 million, scheduled for delivery in July and September of 1999. As at March 31, 1999, there had been payments made towards this commitment of approximately $55.6 million.

NOTE 10. OTHER INCOME

	YEARS ENDED MARCH 31,		
	1999	1998	1997
Gain on disposition of assets	$ 7,117	$14,392	$ –
Equity in results of 50% owned company	–	45	2,696
Write off of loan costs due to refinancing	–	(1,308)	–
Loss on extinguishment of debt	–	(2,175)	–
Income taxes – deferred	(1,900)	–	–
Miscellaneous – net	289	282	128
	$ 5,506	$11,236	$ 2,824

For the year ended March 31, 1997, equity in results of the 50% owned company included a $2,732,000 gain on a vessel sale.

NOTE 11. CHANGE IN NON-CASH WORKING CAPITAL ITEMS RELATED TO OPERATING ACTIVITIES

	YEARS ENDED MARCH 31,		
	1999	1998	1997
Accounts receivable	$ 1,332	$ 2,484	$ (1,873)
Prepaid expenses and other assets	(2,409)	880	665
Accounts payable	(4,238)	5,814	4,554
Accrued liabilities	2,498	(3,977)	2,113
	$ (2,817)	$ 5,201	$ 5,459

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION

(U.S. dollars in thousands, except per share and per day data and ratios)

	FISCAL YEAR ENDED MARCH 31, 1999	1998	1997	1996	1995
Income Statement Data:					
Net voyage revenues	$ 318,411	$ 305,260	$ 280,212	$ 245,745	$ 235,009
Income from vessel operations	85,634	107,640	94,258	76,279	52,816
Net income before extraordinary items	52,712	70,504	42,630	29,070	6,368
Extraordinary loss on bond redemption	(7,306)	–	–	–	–
Net income	45,406	70,504	42,630	29,070	6,368
Per Share Data:					
Earnings per share	$ 1.46	$ 2.46	$ 1.52	$ 1.17	$ 0.35
Weighted Average shares outstanding (thousands)	31,063	28,655	28,138	24,837	18,000
Balance Sheet Data (at end of period):					
Total assets	$1,452,220	$1,460,183	$1,372,838	$1,355,301	$1,306,474
Total stockholders' equity	777,390	689,455	629,815	599,395	439,066
Other Financial Data:					
EBITDA	$ 186,069	$ 209,582	$ 191,632	$ 166,233	$ 146,756
Net debt to capitalization (%)	39.6	46.9	48.0	51.0	63.3
Capital expenditures:					
Vessel purchases, gross	$ 85,445	$ 197,199	$ 65,104	$ 123,843	$ 7,465
Drydocking	7,213	12,409	23,124	11,641	11,917
Fleet Data:					
Average number of ships	47	43	41	39	42
Time-charter equivalent (TCE)	$ 19,576	$ 21,373	$ 20,356	$ 18,438	$ 16,552
Total operating cash flow per ship per day	11,171	12,682	11,819	10,613	8,944

Board of Directors

Axel Karlshoej

DIRECTOR AND
CHAIRMAN OF THE BOARD

PRESIDENT OF NORDIC INDUSTRIES

Bjorn Moller

DIRECTOR, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Arthur F. Coady

DIRECTOR, EXECUTIVE
VICE PRESIDENT

C. Sean Day

DIRECTOR

Michael D. Dingman

DIRECTOR

CHAIRMAN AND CHIEF EXECUTIVE
OFFICER OF THE SHIPSTON GROUP
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Morris L. Feder

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DIRECTOR

MANAGING DIRECTOR
OF LEIF HÖEGH (UK) LTD.

Steve G.K. Hsu

DIRECTOR

CHAIRMAN OF OAK MARITIME
(H.K.) INC., LIMITED

Thomas Kuo-Yuen Hsu

DIRECTOR

EXECUTIVE DIRECTOR OF EXPEDO
+ COMPANY (LONDON) LTD.

Corporate Information

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STOCK EXCHANGE LISTING
New York Stock Exchange
Symbol: TK
There were 31.6 million shares outstanding at March 31, 1999.

SHARE PRICE INFORMATION
The following table sets forth the New York Stock Exchange high and low prices of the Company's stock for each quarter during fiscal 1999:

QUARTER ENDED	HIGH	LOW	DIVIDENDS DECLARED (PER SHARE)
June 30, 1998	\$ 30 7/8	\$ 22 9/16	\$ 0.215
September 30, 1998	\$ 25 11/16	\$ 18 1/16	\$ 0.215
December 31, 1998	\$ 19	\$ 15 5/8	\$ 0.215
March 31, 1999	\$ 18 7/8	\$ 14 1/4	\$ 0.215

INVESTOR RELATIONS
A copy of the Company's Annual Report on Form 20-F is available by writing or calling to:

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Design by Chris Dahl Design Communications 1999

PRINTED IN CANADA