Teekay Shipping

Financial Strategy

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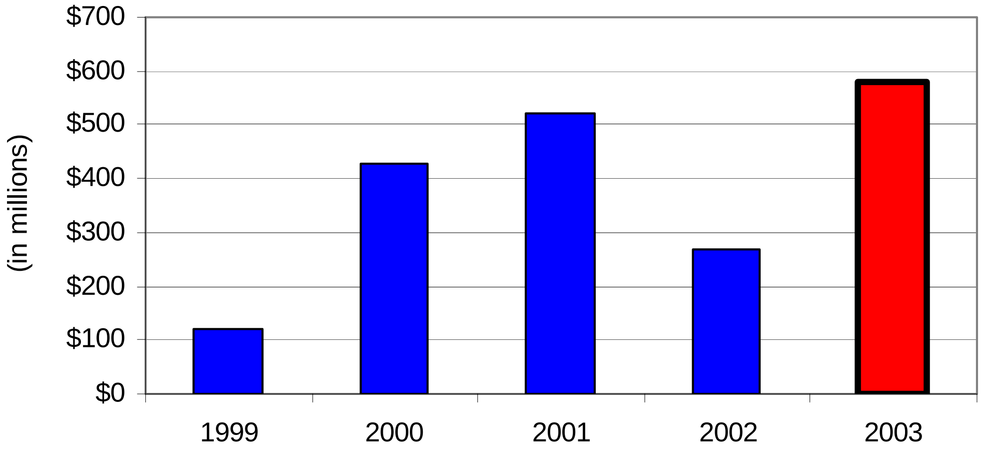
May 13th 2004

Forward Looking Statements

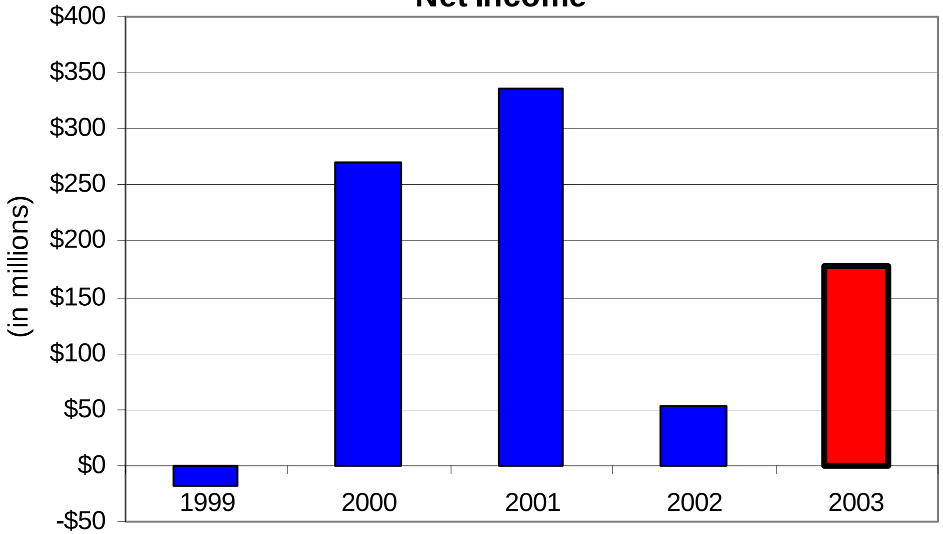
This document contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding Teekay's growth prospects and strategy; tanker market fundamentals, including the balance of supply and demand in the tanker market, and spot tanker charter rates; applicable industry regulations and their effect on the size of the world tanker fleet; anticipated annualized cash flow from vessel operations from the Company's fixed-rate segment; newbuilding delivery dates, and the commencement of service under long-term contracts; the impact of the Tapias acquisition on Teekay's future cash flow from vessel operations and strategic position; the growth prospects of the LNG shipping sector and the joint venture with Tapias shareholders. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in production of or demand for oil, petroleum products, and LNG either generally or in particular regions; greater or less than anticipated levels of tanker newbuilding orders or greater or less than anticipated rates of tanker scrapping; changes in trading patterns significantly impacting overall tanker tonnage requirements; the rate of growth of the long-term fixed-rate contract segment of our business; potential inability of Teekay to integrate Tapias successfully; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; shipyard production delays; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil; and other factors discussed in Teekay's filings from time to time with the SEC, including its Report on Form 20-F for the year ended December 31, 2003.

2003 Produced Record Cash Flow for Teekay

Cash Flow from Vessel Operations

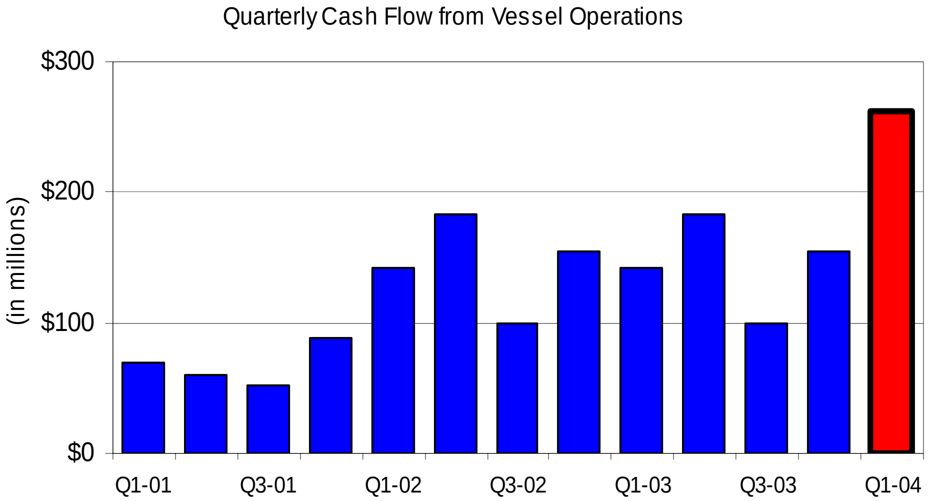


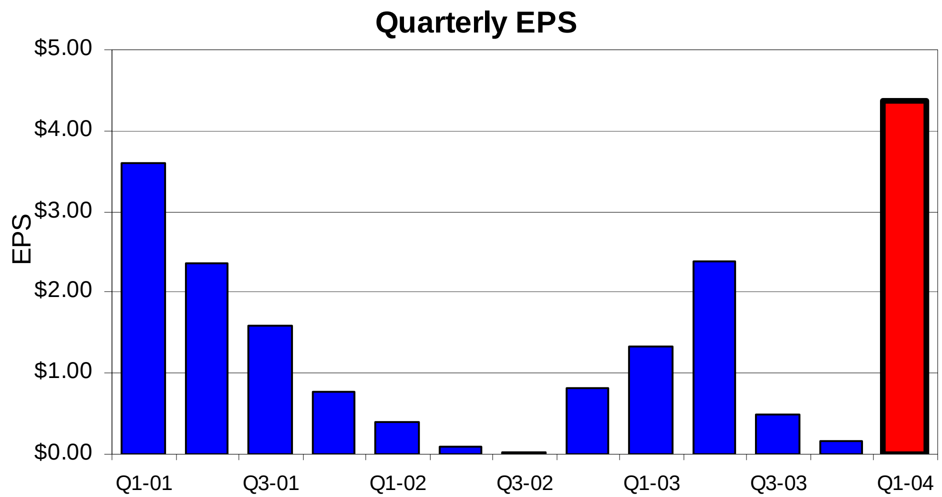
Net Income



- Record Cash Flow from Vessel Operations
- Capital expenditures in 2003 of approx. $1.1 billion
- Maintained liquidity and flexibility
- Increased dividend 16% to $1.00 per share

Q1 2004: A Record Quarter for Teekay





- **Record earnings of $189 million or $4.37 per share**
- **Record cash flow from vessel operations from <u>both</u> segments:**
  - **Spot Tanker segment: $192 million**
  - **Fixed-rate segment: $70.3 million**
- **Balance Sheet delevered to pre-Navion acquisition level**
- **Stock Split 2:1, effective May 17, 2004**
- **Acquired Naviera F. Tapias for $1.35 billion, largest acquisition in Teekay's history**
  - **Cash portion of purchase price fully funded with cash flow generated in the first quarter of 2004**
  - **Leverage expected to rise from 35% to 48%**

Financial Strategy Supports Corporate Strategy

Corporate Strategy

- To be the Premier Provider of Marine Services to the Oil and Gas Industry

Financial Strategy

- Maintain financial strength and flexibility
- Reduce Weighted Average Cost of Capital
- Disciplined growth strategy
- Access to a broad range of capital

Financial Strength and Flexibility

Strong Balance Sheet

Pro Forma for Tapias acquisition	($ millions)
Cash	304
Debt	2,350
Net Debt	2,046
Shareholders Equity	1,921
Total Capitalization	3,967

	2001	2002	2003	Q1 2004 * **
Net Debt / CFVO	1.4	3.1	2.3	2.3
Net Debt to Cap.	34%	37%	40%	48%

Liquidity

at Mar. 31, 2004	($ millions)
Total Revolving Credit Facilities	872
Undrawn Revolving Credit Facilities	482
Cash	304
Total cash and undrawn lines	786

Credit Ratings

	Secured	Unsecured
Moody's	Ba1	Ba2
S&P	BB+	BB-

*** Adjusted for Tapias acquisition** ****Last Twelve Months**

Total Fixed Charges Covered by Fixed Rate Cash Flow Alone

Fixed Charges Coverage from Fixed-rate Segment in 2005

in $ millions

Projected 2005 CFVO - Fixed - rate Segment Only				$ 400.0 *	(A)
Projected 2005 Fixed Charges					
Net Interest Payments	$	120.0	*		
Principal Payments	$	210.0	*		
Drydock Costs	$	20.0	*	$ 350.0	(B)
Fixed-rate CFVO/ Total Fixed Charges				1.14 X	= A / B

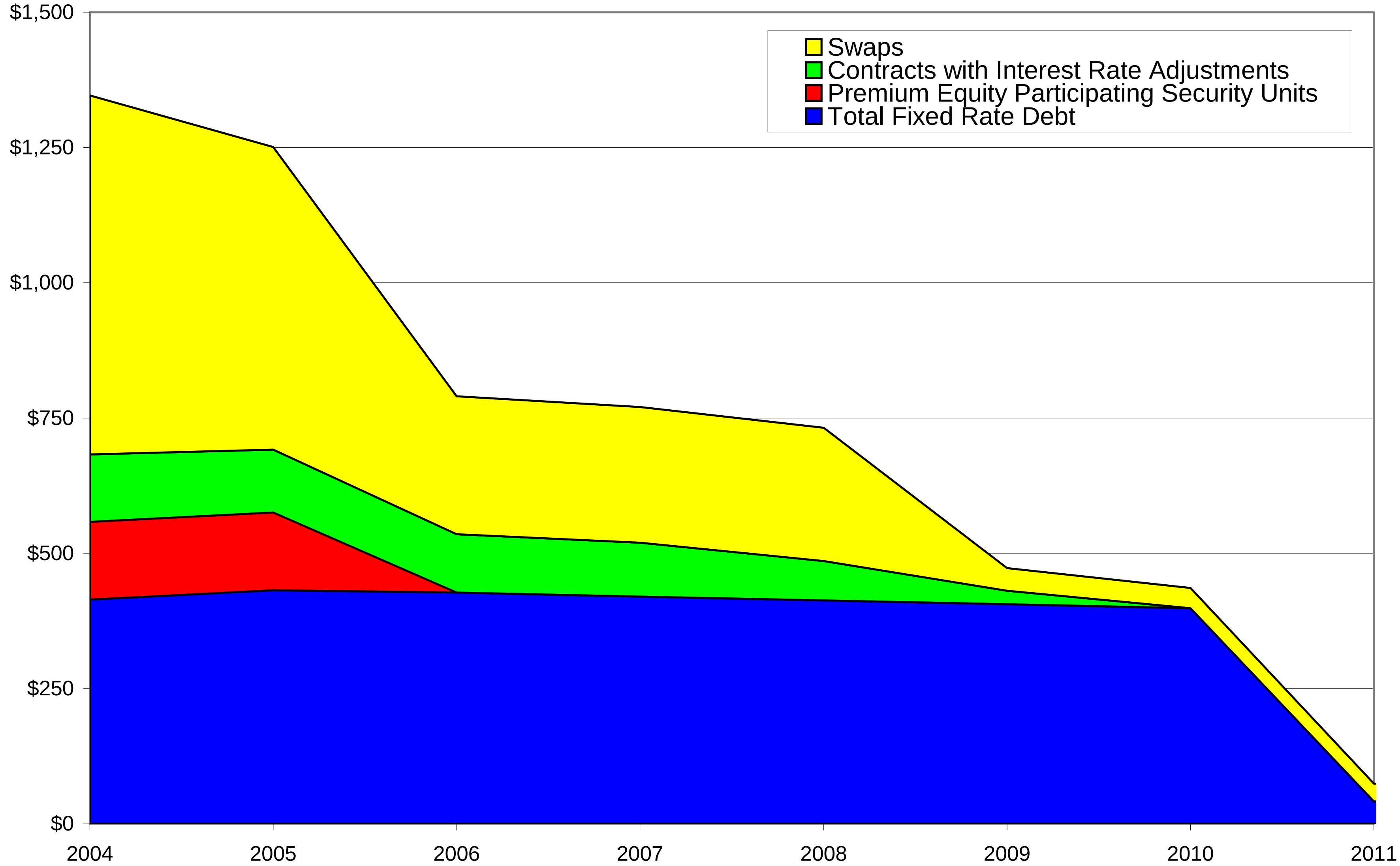
* Source: Company estimate

CFVO = Cash Flow from Vessel Operations

Lowering Weighted Average Cost of Capital

- **Kexim**
  - Fixed-rate loans 4-5%
- **Bank Loan Spreads**
  - Under LIBOR + 100 bps
- **Financing of Fixed-Rate Contract Business**
  - Up to 100% gearing
  - Non-recourse
  - Long duration financings

Interest Rate Exposure



Disciplined Growth Strategy

	Spot	Fixed-Rate	
		Medium-Term	Long-Term
Typical Shipping Assets	Conventional Tankers	Conventional Tankers Shuttle Tankers Offshore Installations	Liquefied Natural Gas Carriers
Target Leverage Range	0-40%	up to 75%	up to 90%
Critical Investment Criteria	mid-cycle IRR > WACC and accretive to earnings	IRR > WACC	IRR > WACC
		accretive to earnings	accretive to earnings
	counter-cyclical	ROE 15% to 25%	ROE 15% to 25%

Tapias: Low-Risk Long Term Contracts

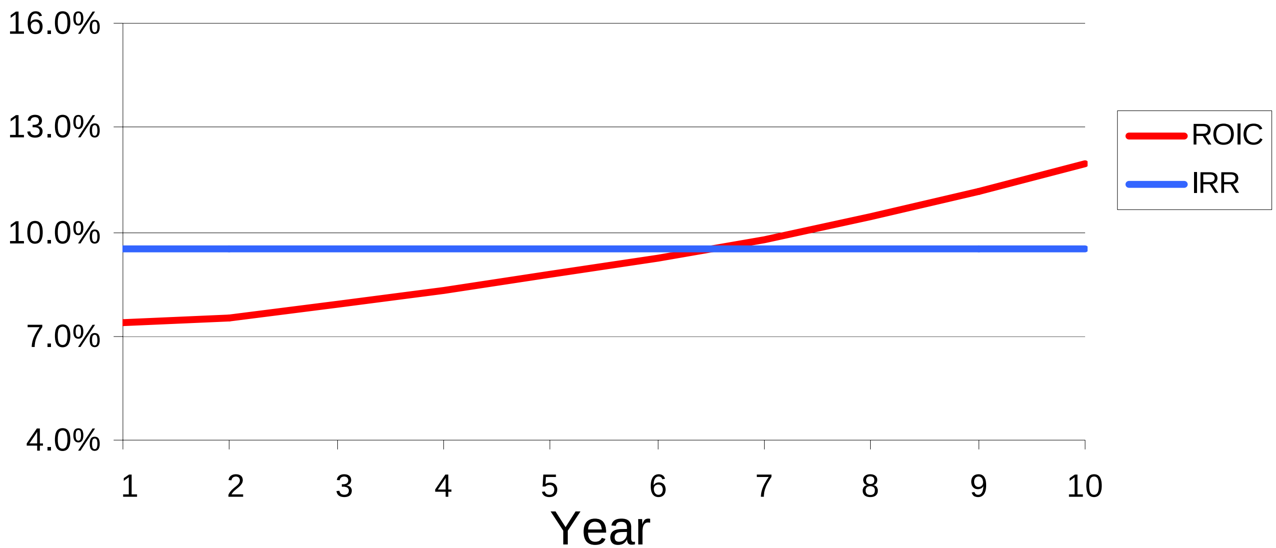
- Contracts include cost escalations, “locking in” our cash flows
- Loss of hire insurance in place on contracts
- Interest Rates:
  - hedged to match duration of charter terms or;
  - “flow through” to the charter party
- Long repayment profile of principal matches revenue stream
- Non-recourse debt
- Limited/Punitive termination rights
- High credit quality customers

Teekay Fixed-rate Segment Returns Analysis

Teekay's existing and projected fixed-rate contract fleet is projected to have a cash-on-cash return of over 13%

Q1 2004		
	Capital Invested	**ROIC**
Spot Tanker Segment	$1.15 billion	57%
Fixed-rate Segment	$1.84 billion	8%

Fixed-rate Segment ROIC Increasing



Example of one of Teekay's long-term fixed-rate contracts

Financial Strategy for Cash Generated

1. Delever the Balance Sheet

- Net debt to capitalization expected to rise to approx. 48% with inclusion of Tapias debt
- Over $500 million in newbuild commitments for 2004 and 2005, $190 million still unfinanced

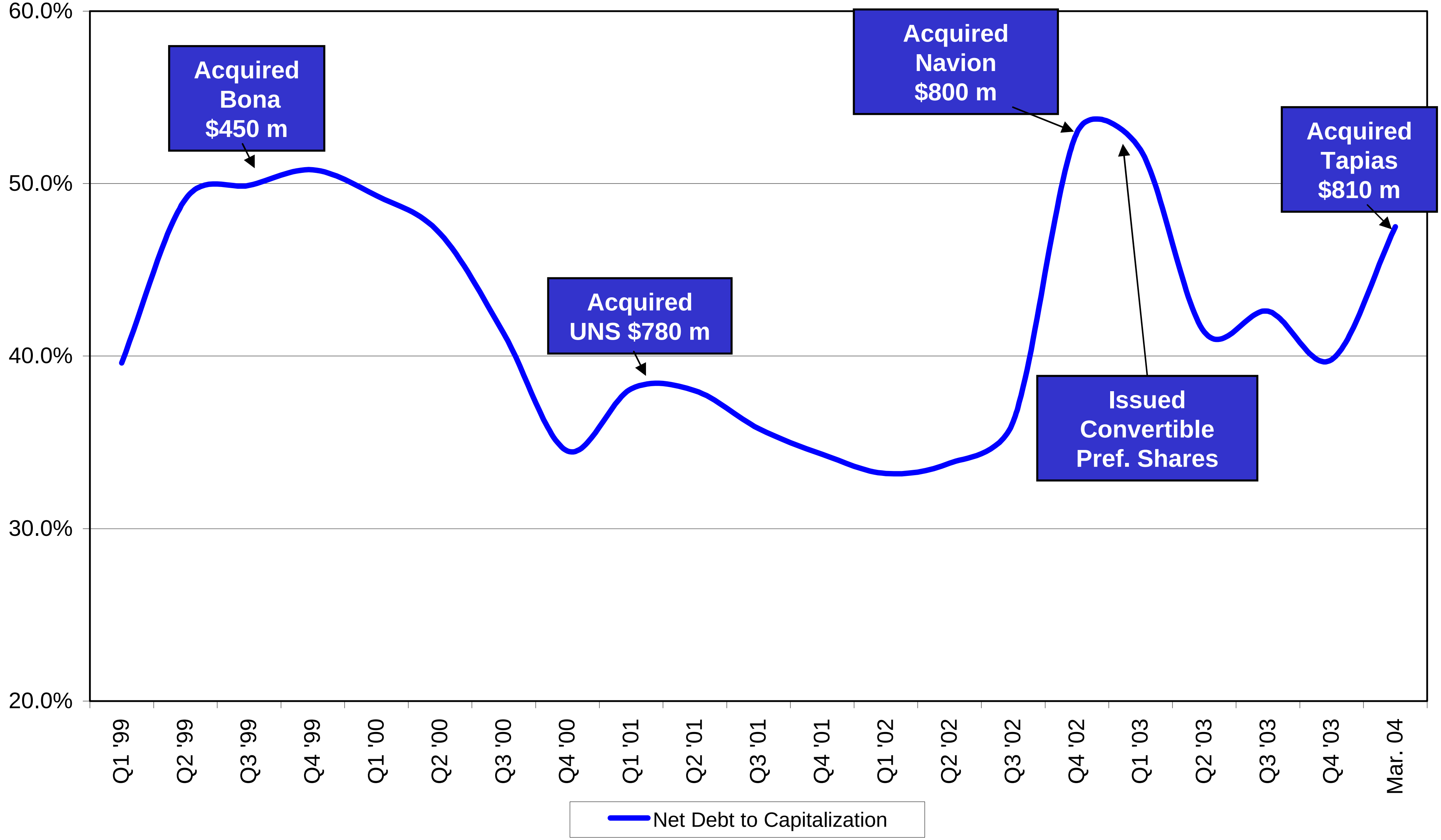
2. Fund profitable growth

- Maintain sufficient liquidity to take advantage of growth opportunities
- Acquisitions and organic growth
- Historically, good stewards of capital

3. Return Cash to Shareholders

- Stock buy-backs
- Dividend increases
  - Recently increased dividend 16% to $1.00 per share

Acquisitions De-levered Quickly



Note: Acquisitions of UNS, Navion and Tapias are proforma results as at time of their announcement.

Broad Access to Capital Sources

- Bank Loans
- Export Credit Agencies
  - Kexim
- Bond Market
- Sale / Leasebacks
  - KG’s
  - Shipowners
- Equity and Equity-linked
- In-chartering

Teekay Valuation Metric

In millions (except per share data)
Balance Sheet data as at March, 2004 (adj. for Tapias)

FIXED-RATE SEGMENT

Fixed-rate segment CFVO *	315
Multiple **	x 10
Total fixed-rate inherent enterprise value	3,150
less: pro rata share of net debt	(1,410)
Equity value of fixed-rate business	1,740
Fully diluted number of shares	43.3
Fixed-rate segment equity value / share	**$40.18**

SPOT SEGMENT

Book value of spot fleet + JVs	1,294
Multiple ***	x 1.5
Total spot-rate adjusted book value	1,941
less: pro rata share of net debt	(834)
Equity value of spot business	1,107
Fully diluted number of shares	43.3
Spot segment equity value / share	**$25.58**

LNG SEGMENT

LNG fixed-rate CFVO	80
Multiple ****	x 12
Total Enterprise value	960
less: pro rata share of net debt	(519)
Equity value of LNG business	441
Fully diluted number of shares	43.3
LNG segment equity value / share	**$10.19**

* Commencing Q2-2005 annualized
** Based on inherent MLP multiples
*** Based on avg. book value multiple of peers

**** Based on avg. multiple of LNG co.'s

$75.95
Combined Teekay Equity value per share

- Teekay presently undervalued at $61 using even using conservative assumptions. Analysis also excludes ‘in the money’ portion of newbuilds of $150 million and value of in-chartered fleet.

Share Value Matrix

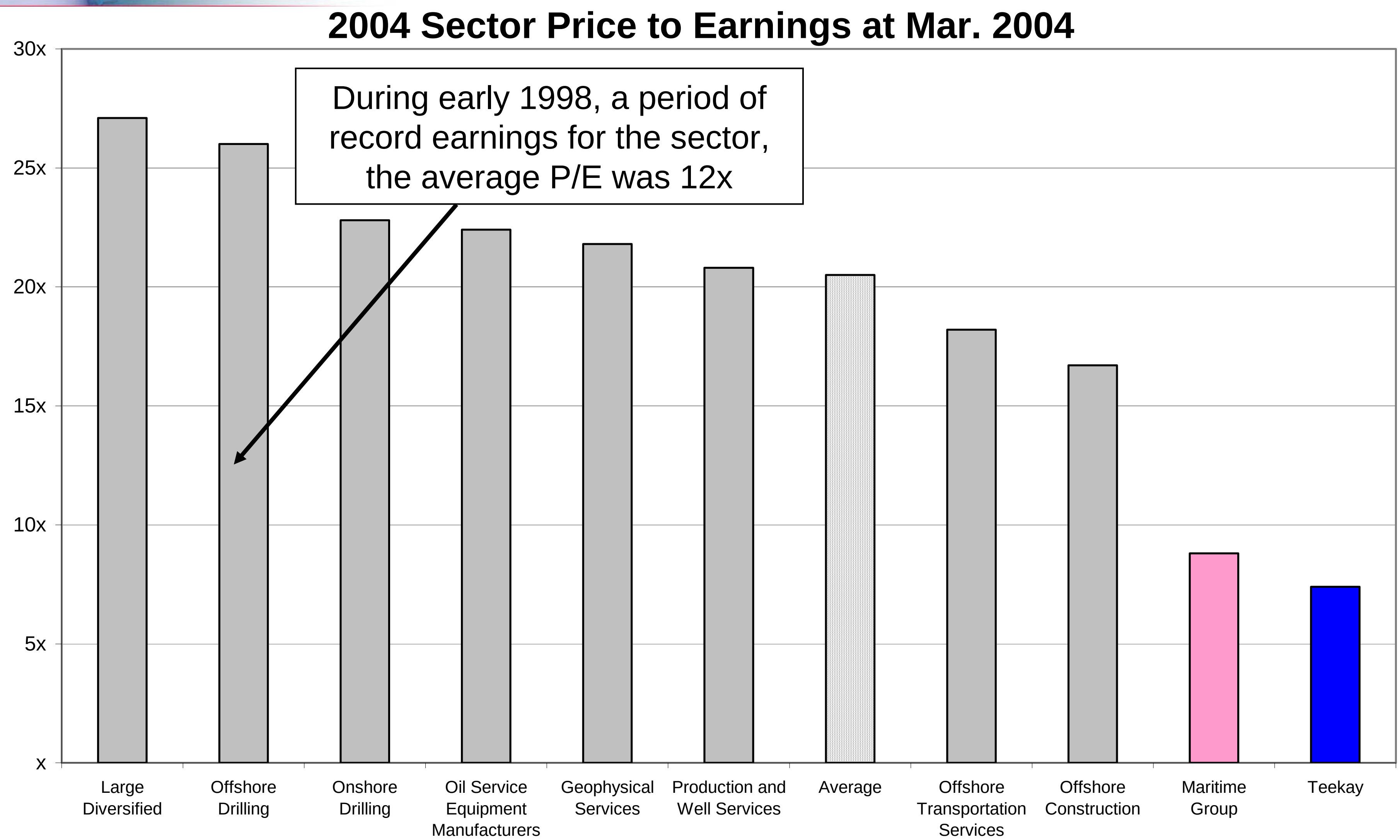
*

Stock Price Matrix		Multiple of Spot Book Value 1.0x	1.1x	1.2x	1.3x	1.4x	1.5x	1.6x	1.7x
Fixed Rate Segment CFVO Multiple	9	53.72	56.71	59.70	62.68	65.67	68.66	71.65	74.64
	10	60.99	63.98	66.97	69.96	72.95	75.93	78.92	81.91
	11	68.27	71.26	74.25	77.23	80.22	83.21	86.20	89.19

Value Gap of ~25% or $15 per share

* Assumes LNG multiple held constant at 12x CFVO

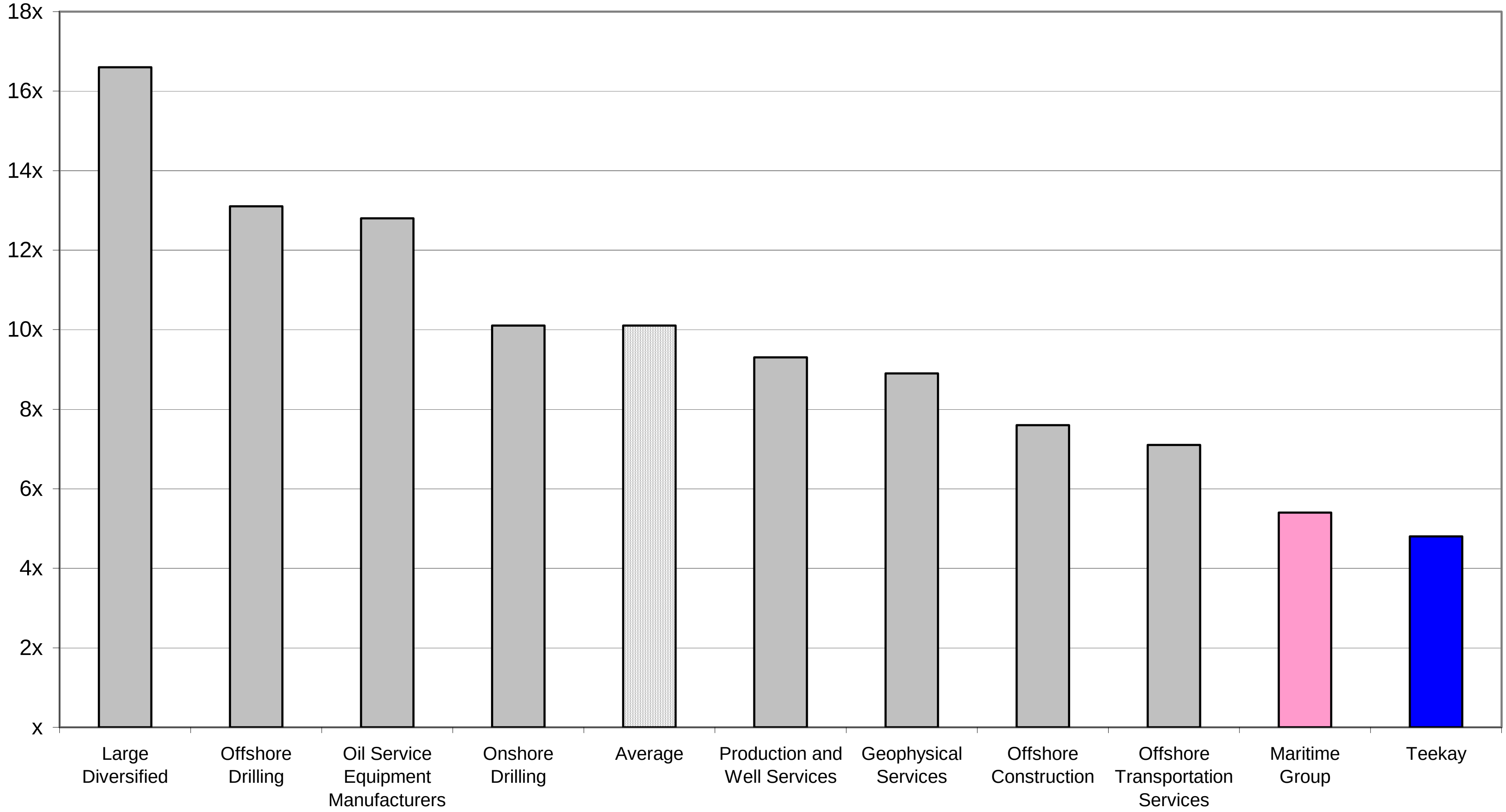
P/E Multiple Comparisons



Source: Jefferies Consolidated Oil Service Monthly – March 2004

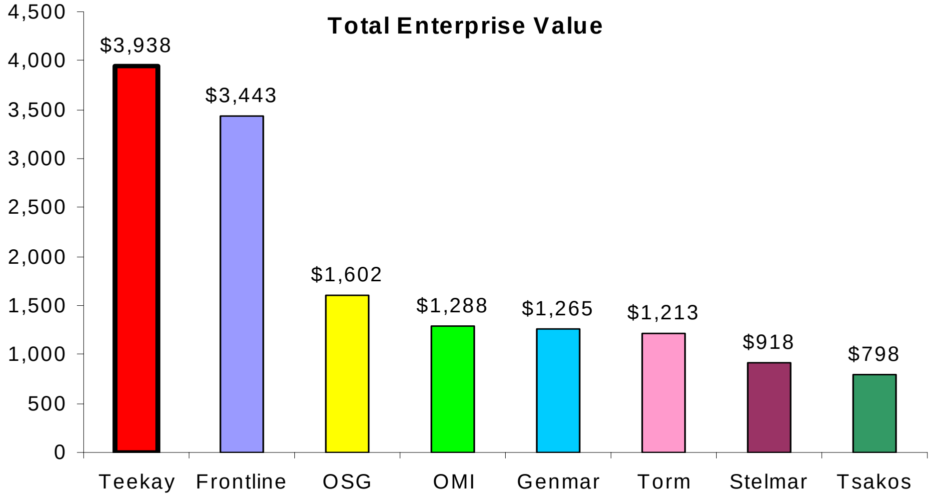
P/Cflow Multiple Comparisons

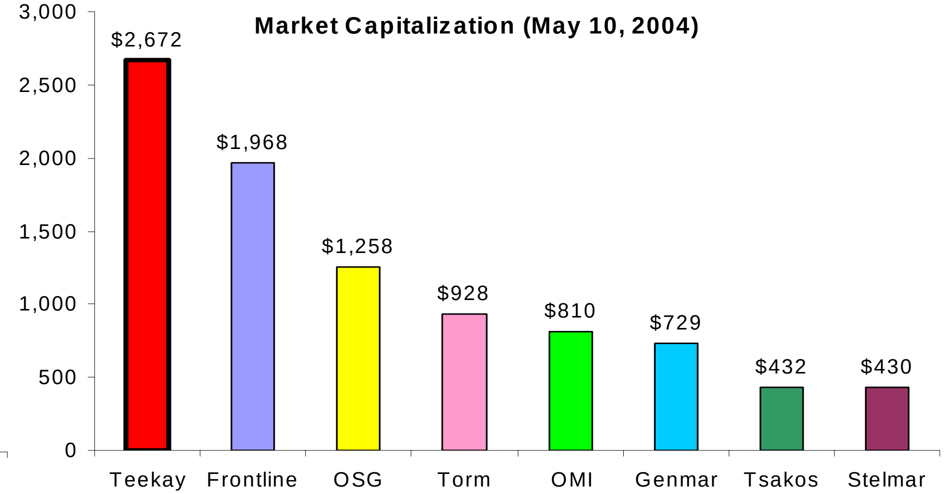
2004 Sector Price to Cashflow at Mar. 2004

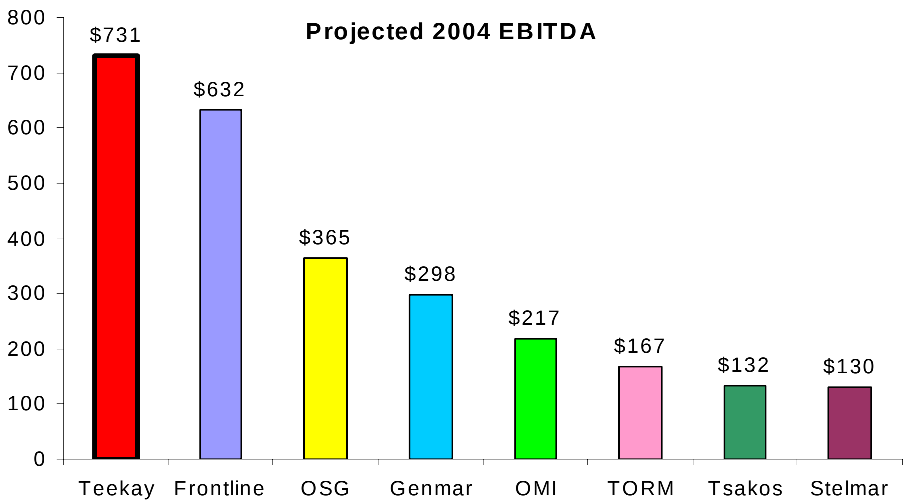


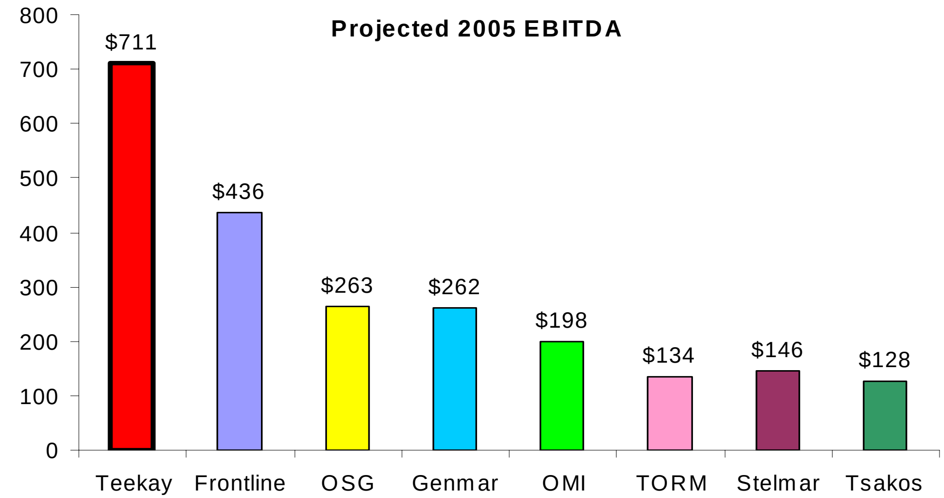
Source: Jefferies Consolidated Oil Service Monthly – March 2004

Peer Comparisons





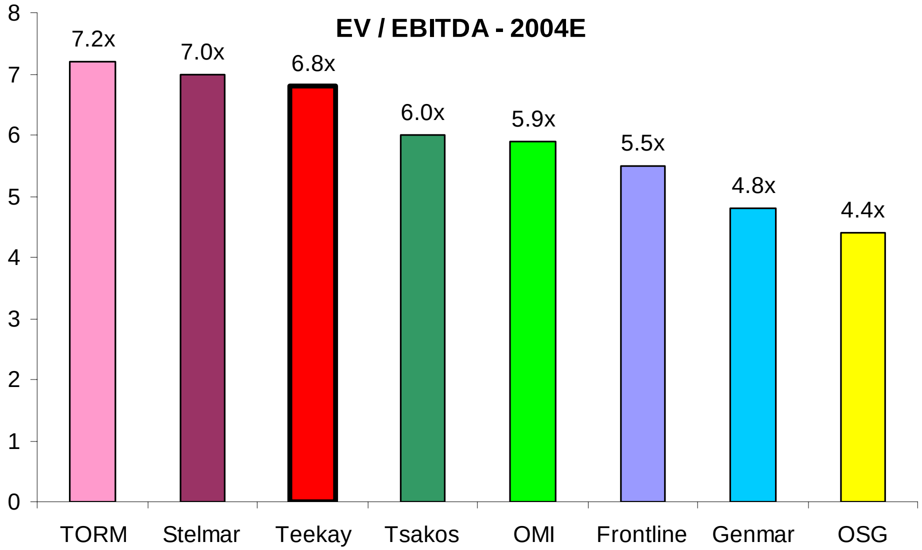


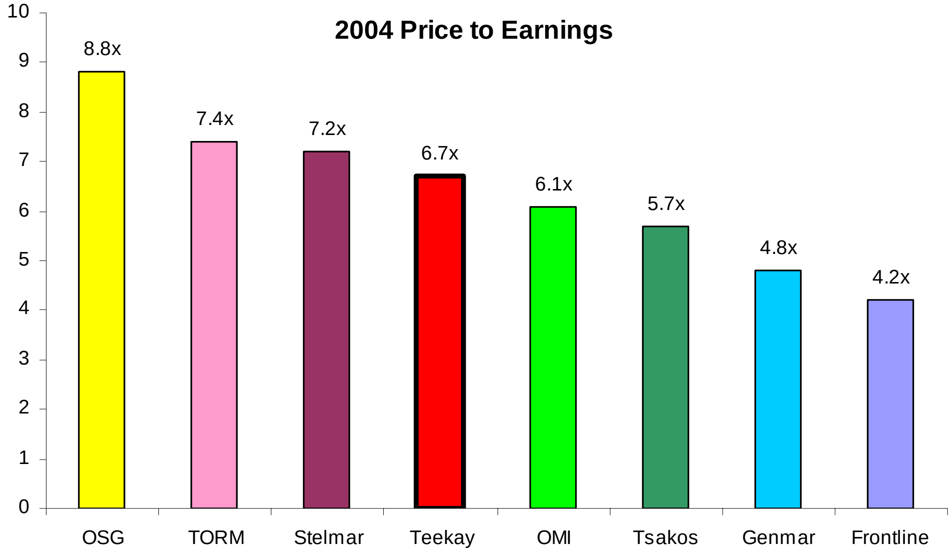


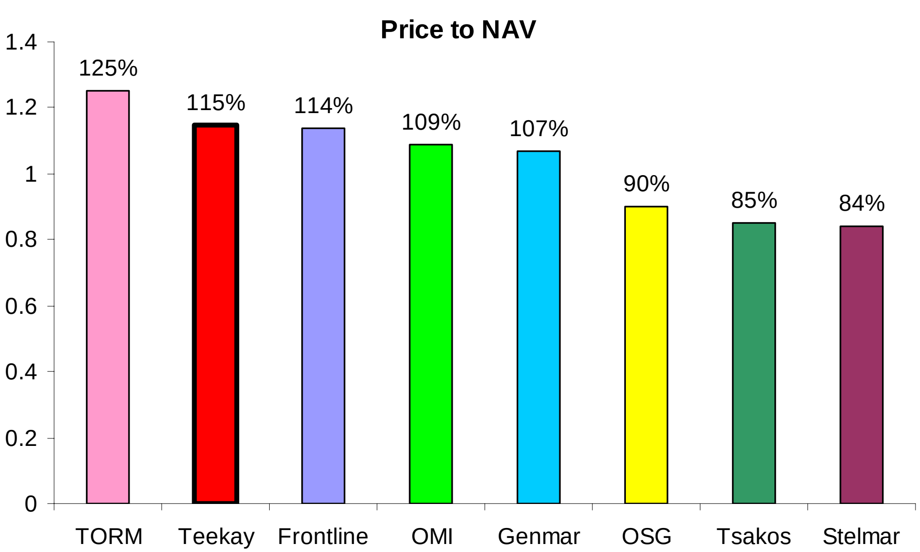
Jefferies Tanker Weekly: May 10, 2004

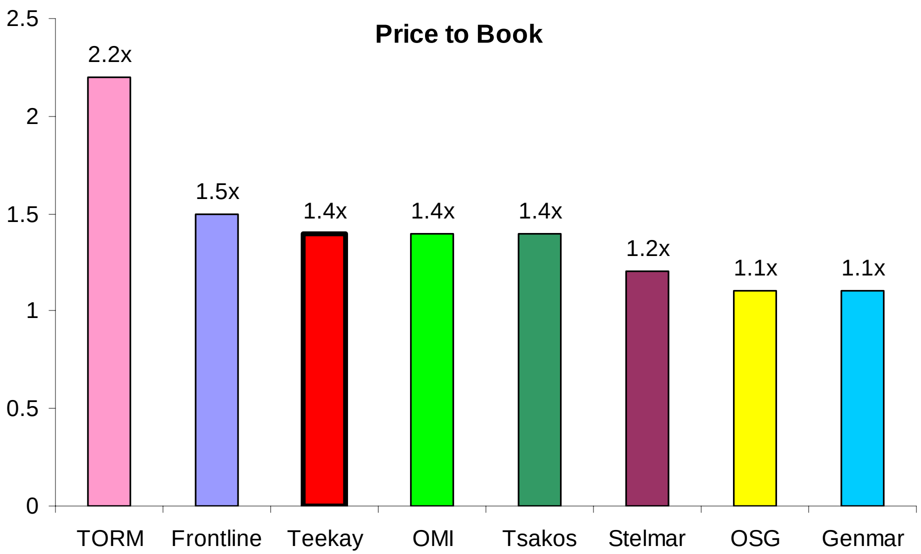
Teekay's shares are presently trading at EBITDA multiples well behind its peers, yet has greater stable long-term cash flows and visibility

Peer Comparisons Continued









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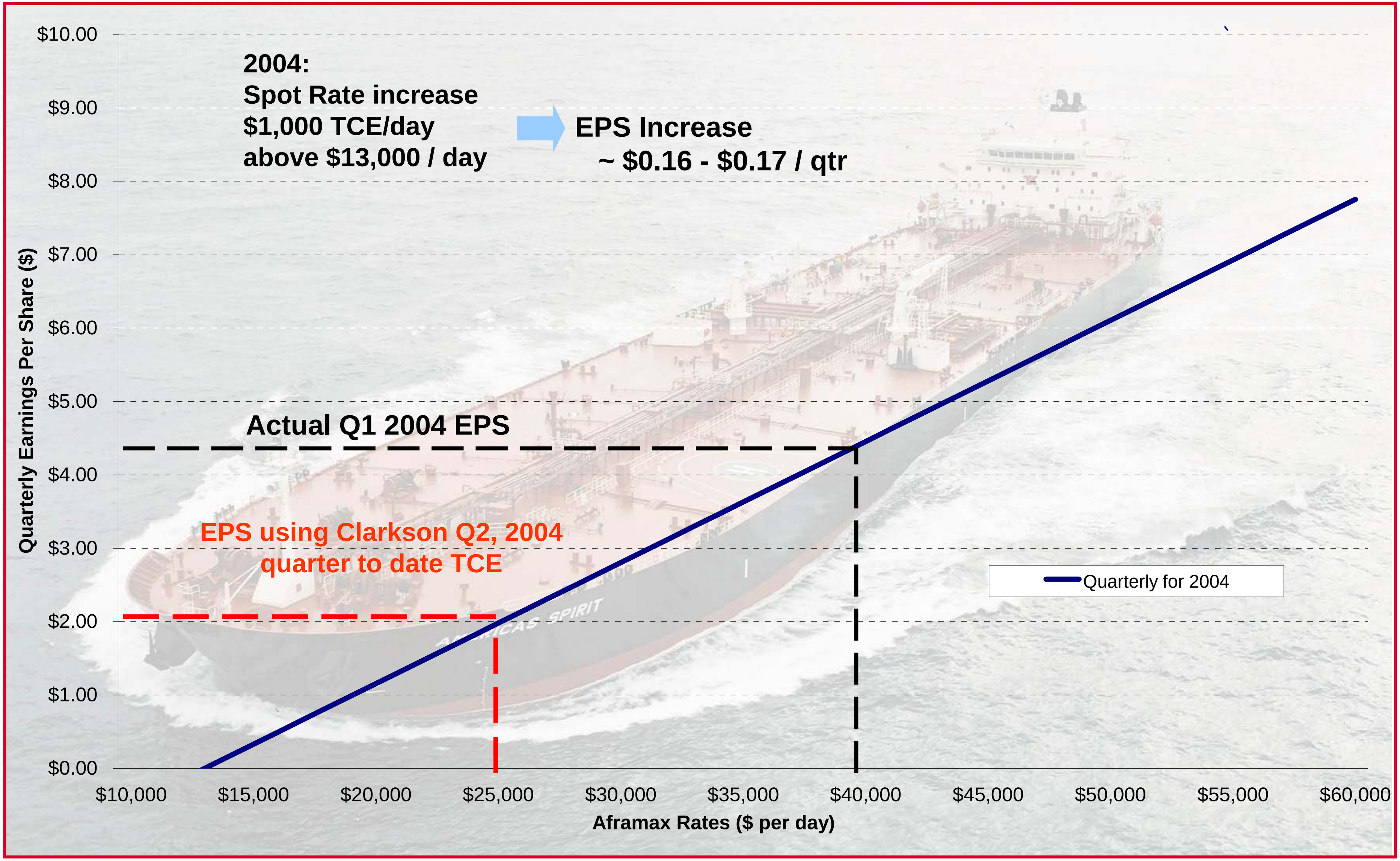
Significant Operating Leverage



Investment Highlights

- An integrated supplier of Midstream oil services, not just a ship owner
- Recent acquisition provides attractive entry into high growth LNG shipping sector
- Financial strength to pursue continued profitable growth
- Positioned to benefit from strong tanker market
- Profitable throughout the cycle; large base of long-term fixed-rate business coupled with significant spot market upside

Appendix – Reconciliation of Cash flow from vessel operations

- **Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense. Cash flow from operations is included because such data is used by certain investors to measure a company's financial performance. Cash flow from operations is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Company's performance required by accounting principles generally accepted in the United States.**
- **The following table reconciles the Company's Income from vessel operations with Cash flow from operations for the periods presented on slides 3 and 4:**

Reconciliation of Cash flow from vessel operations ($000s)	Year Ended Dec. 31, 1999	Year Ended Dec. 31, 2000	Year Ended Dec. 31, 2001	Year Ended Dec. 31, 2002	Year Ended Dec. 31, 2003
Income from vessel operations	28,515	327,675	383,463	119,346	389,736
Depreciation and Amortization	90,325	100,153	136,283	149,296	191,237
Cash flow from vessel operations	118,840	427,828	519,746	268,642	580,973

	2001				2002				2003				2004
Reconciliation of Cash flow from vessel operations ($000s)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Income from vessel operations	155,735	110,340	71,272	46,116	32,813	22,559	15,341	48,633	103,484	133,699	50,276	102,277	208,751
Depreciation and Amortization	27,521	36,100	35,852	36,810	36,078	36,763	37,295	39,160	39,130	49,775	49,885	52,447	53,614
Cash flow from vessel operations	183256	59,322	52,636	87,793	142,614	183,474	100,161	154,724	142,614	183,474	100,161	154,724	262,365