

Teekay Shipping



Teekay: The Midstream Oil Services Provider

January 2004



NYSE: TK

www.teekay.com



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 anticipated EBITDA associated valuation multiple for the Company's long-term fixed-rate contract segment, the valuation of the Company, tanker charter rates, and the balance of supply and demand in the crude tanker market. 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 and petroleum products, 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; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil, and the possibility that past performance is not reflective of future performance.



Teekay Shipping Highlights

- **We transport over 10% of the world's seaborne crude oil**
- **The largest crude oil tanker company measured by market capitalization, enterprise value, and fleet size**
- **Growing fixed-rate business = Growing cash generating power – approximately \$8.85 mid-cycle CEPS* equating to \$4.10 EPS*, upon delivery of new vessels on order in 2004**
- **Forecasted 2004 Free Cash Flow of \$7.65** per share or a Free Cash Flow yield of approximately 12.3%****
- **We ship more oil per year than BP and ChevronTexaco combined produce in a year**

* Based on 42m shares. CEPS = EPS + depreciation expense per share

** Based on analyst projections for 2004. FCF per share = EBITDA-net interest-principal payments-maintenance capex+JV income



This is Teekay

- **World's largest medium-size spot tanker franchise**
- **World's largest shuttle tanker operator – North Sea / Brazil**
- **Proven track record of accretive acquisitions**
- **High return organic growth**
 - 15 vessels on order
 - 11 vessels delivered in last 13 months
- **Attractively priced given positive market dynamics and large fixed-rate contract portfolio**



Teekay 5 Years Ago

Teekay circa 1998

- 43 ships owned, 3 chartered-in
- Predominantly regional spot market operator
- \$3m long-term fixed-rate cash flows
- 8 offices worldwide
- 47% leverage
- \$541m market capitalization
- \$186m total liquidity
- mid-cycle EPS of \$1.26 per share
- BV per share of \$23.94
- P&L B/E over \$15,000 per day
- 2 newbuildings on order

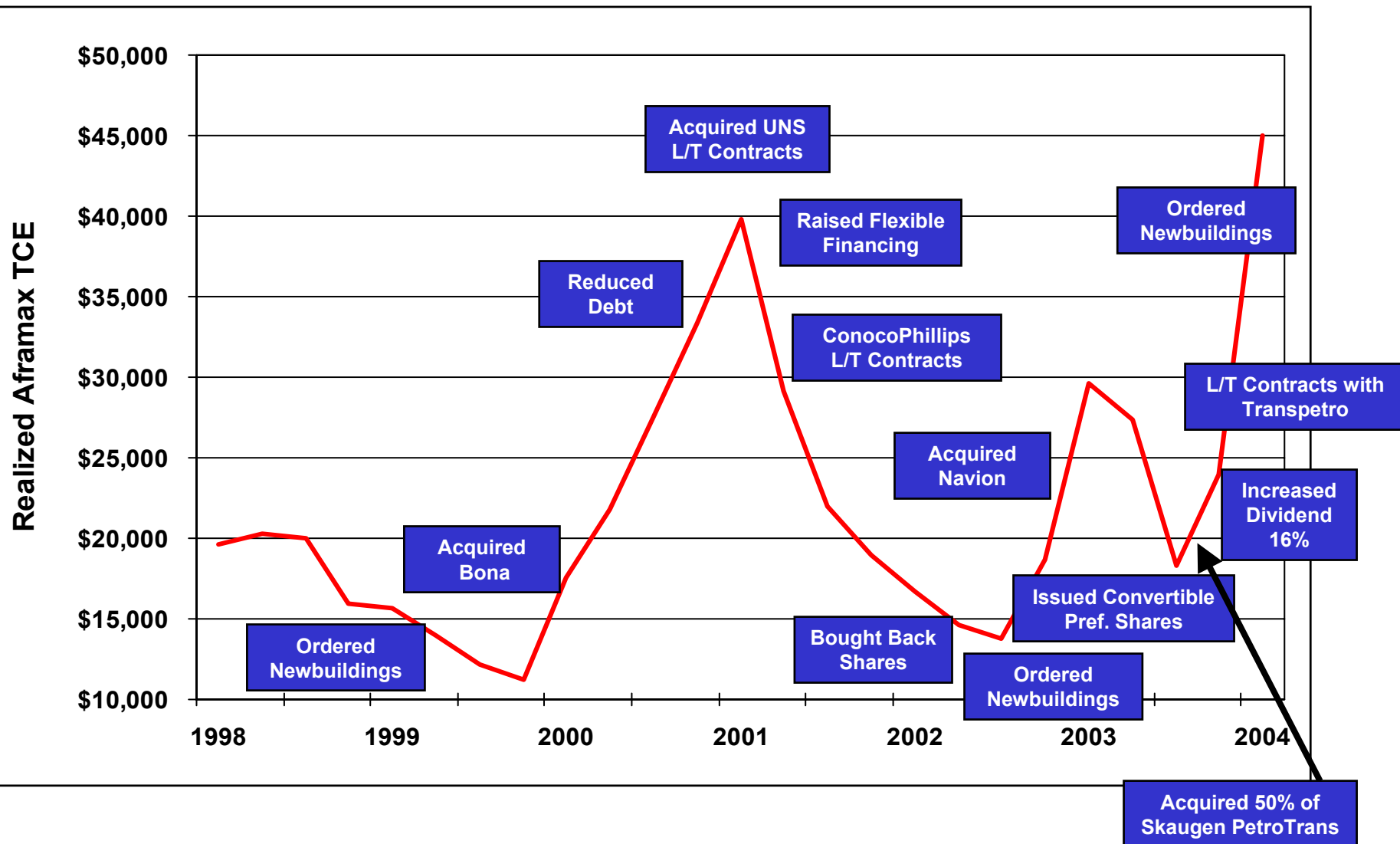


- **Teekay was a price taker in a highly fragmented and cyclical commodity business**



Traditional price taking ship owner

Actively Managing the Cycle to Increase Shareholder Value





Successful Acquisition Strategy

- **Bona Shipholding Acquisition (1999) - \$450 million**
 - Significant entry into Atlantic Aframax trades
 - World leadership in Aframax market
- **Ugland Nordic Shipping (UNS) Acquisition (2001) - \$780 million**
 - Strategic beachhead into shuttle tanker market
- **ConocoPhillips Contract (2001) - \$250 million**
 - Five long-term profitable contracts
 - Builds strategic link to key customer
- **Navion Acquisition (2002) - \$800 million**
 - Consolidation and world leadership of shuttle tanker market
 - Cargo contract base allows broadening of presence in crude and refined markets
 - Further evolution as an integrated logistics provider
- **Skaugen PetroTrans (SPT) Joint Venture (2003) - \$25 million**
 - Formed a 50% joint venture with the leading ship-to-ship transfer franchise in the Gulf of Mexico
 - SPT currently handles about 1.4 million barrels a day or approx. 14% of US oil imports



Teekay's Transformation Strategy of 1999

- **Increase size of spot fleet**
 - Teekay needed to further increase scale, capacity, flexibility and utilization but still had to time the market to achieve goals
- **Build a direct customer sales force**
 - Service offerings stress customer service and innovative contracts
 - Reduce reliance on broker network
- **Build a fixed rate business to help smooth out the tanker market cycles**
- **Improve project management capabilities**

**Result would be the Transformation of Teekay into a
Midstream Seaborne Oil Services Provider**



Increase Size and Scope of Aframax Fleet

- **Acquired Bona in 1999 for \$450 million in cash and stock**
 - High quality fleet consisting of 26 ships concentrated in the Atlantic basin
- **Acquired Navion's conventional tanker business**
 - Broadened our service offerings into related market segments: VLCC, Suezmax and Product Tankers
 - Right of first refusal to carry all of Statoil's oil cargoes
- **Benefits of a global fleet**
 - Scale and flexibility: Bona's existing market penetration in the Atlantic compliments Teekay's existing Pacific fleet
 - Utilization: Increased fleet size gives Teekay the ability to undertake COAs, first refusal contracts and achieve triangulation
 - Size: bulk buying discounts and use of sister vessels reduces operating costs and allows for more efficient scheduling



Spot Segment: Economies of Scale

- **Allows us to service customers and offer innovative contracts on a global basis**
- **Obtain repeat business because of customer focus**
- **Leader in commercial and marine operations:**
 - HSEQ focus
 - One of only two shipping companies to achieve ISO 9001-for Quality, ISO 14001-for Environment, OHSAS 18001-for Occupational Health and Safety and ISM Code on a fully integrated basis
 - Project capability, built organizational capability
 - Leverage customer trust: examples

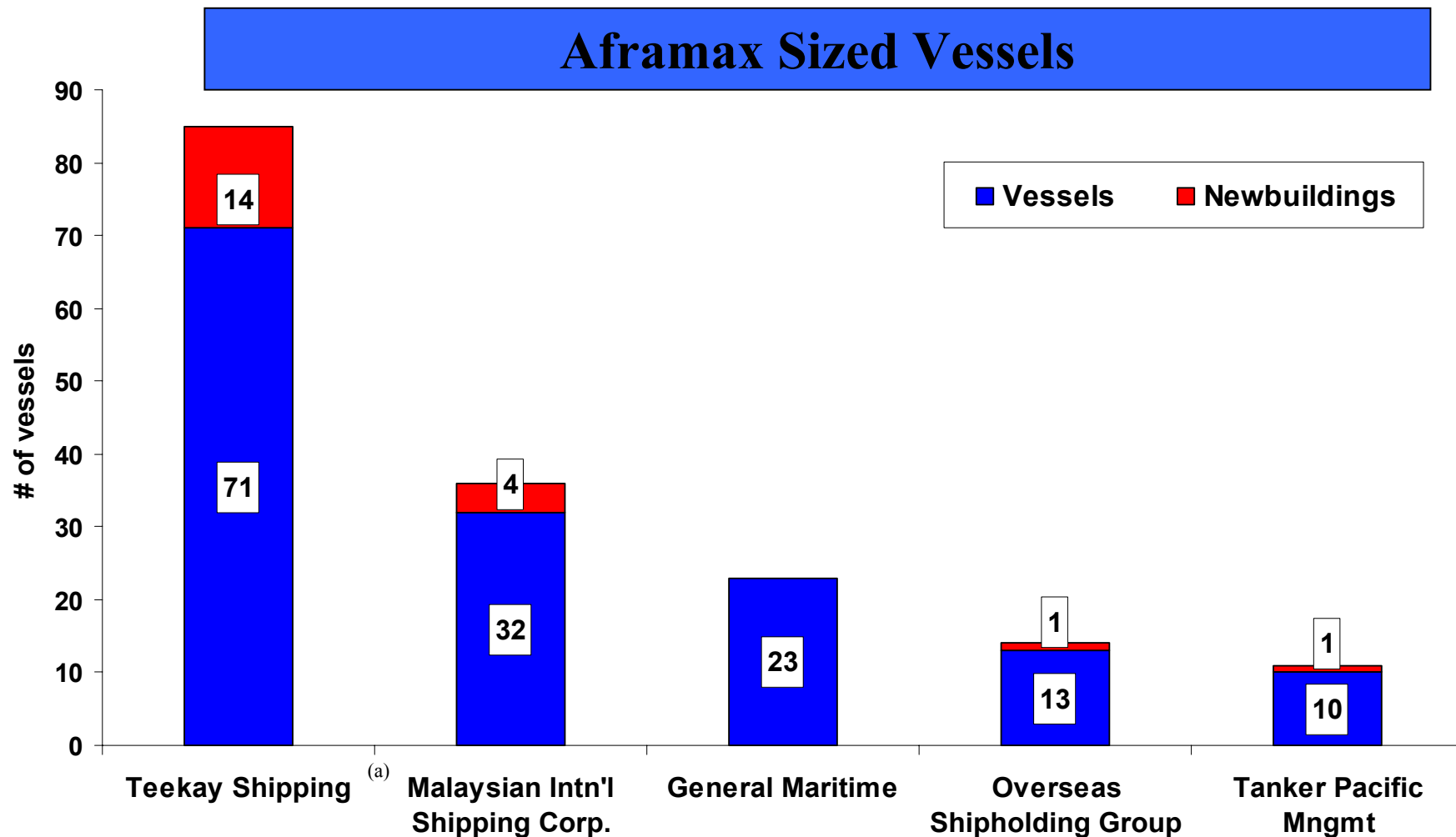


ConocoPhillips

- **Achieve triangulation of cargoes**



World's Largest Operator of Medium-Sized Tankers



(a) Includes owned and in-chartered vessels, newbuildings on order, OBO's and 3 FSO vessels



Spot Segment: Results to Date

- Transformed from a regional operator to the only real global mid-size tanker operator
- Built a strategic contract portfolio in the conventional market with strong customer relationships
- Leading consolidator in a fragmented industry
- Increasingly chartering-in ships to cover growing contract requirements
- Used the cycle to our benefit – through a series of accretive acquisitions we have broadened our service offerings and increased our profitability by increasing our operating leverage



Teekay's Transformation Strategy in 1999

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Pre-eminent Market Position

- **Unique, direct to customer sales force comprised of both business development and chartering professionals**
- **Biggest portfolio of strategic contracts with blue chip customers featuring backhaul cargoes**
- **Largest spot operator of medium-sized tankers**
 - 58 owned vessels*
 - 14 chartered-in vessels
 - 4 commercially managed vessels
- **Uniform, interchangeable fleet**

*Includes newbuild vessels on order

**High Capacity Utilization + Scale =
Unique Competitive Advantage**



Blue Chip Customer Base



ChevronTexaco

ConocoPhillips

ExxonMobil

 **bhpbilliton**



 **STATOIL**



Lyondell 


WOODSIDE
AUSTRALIAN ENERGY



Apache
ENERGY

TOTAL FINA ELF



Teekay's Transformation Strategy in 1999

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Result would be the Transformation of Teekay into a Midstream Seaborne Oil Services Provider



The World Leader in Offshore Loading

- **Approximately half of Teekay's capital is now invested in "floating pipelines"**
 - Navion - the leading offshore loading logistics provider
 - UNS - the leading shuttle tanker time-charter entity
 - Significant long-term stable cash flow
 - High profitability





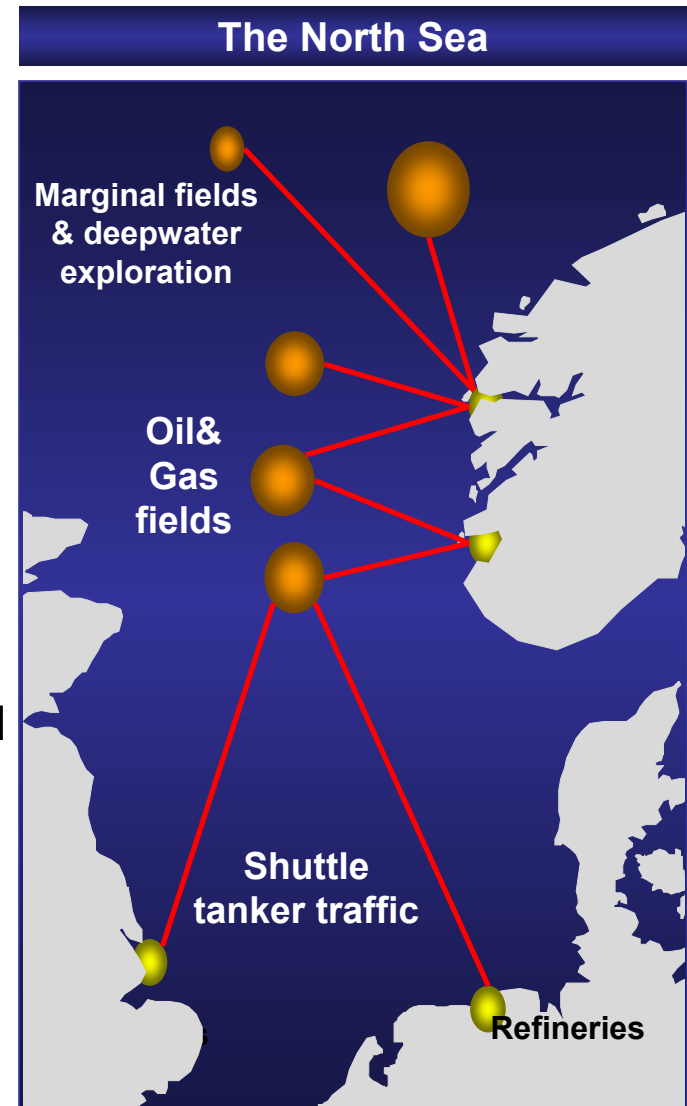
Attractive Market Characteristics

■ Barriers to Entry

- No spot market
- No speculative newbuilding ordering
- Operational know-how is critical
- Economies of scale required for efficient scheduling
- Sophisticated technology

■ Low Threat of Substitution

- Viewed as integral part of the offshore oil production system
- Pipelines are costly and less viable for deepwater production
- New, smaller marginal fields are well suited to shuttle transportation





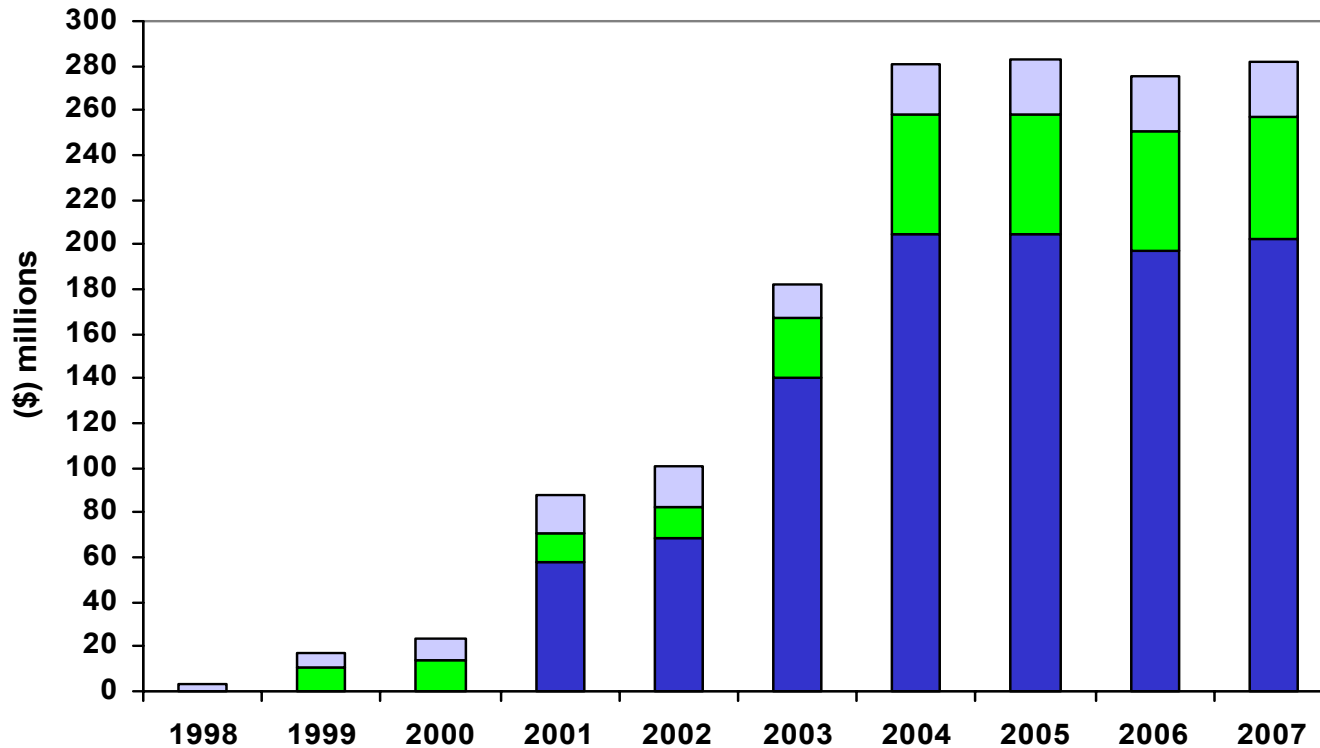
Significant Growth Potential in Offshore Oil

- **Rapid growth in deepwater exploration**
 - BP has indicated its intention to spend over \$15 billion over the next 10 years finding and producing new energy supplies
- **Upside in core North Sea market**
 - Improving extraction technology
 - Tax incentives
 - New discoveries
- **Upside in core Brazil market**
 - Teekay will have 6 shuttle tankers on long term contract with Transpetro by mid-2004
 - Production profile favors Shuttle Tanker technology
 - Transpetro's Shuttle Tanker fleet is aging
- **Potential areas for further growth**
 - East coast of Canada
 - Gulf of Mexico



Predictable & Stable Earnings

EBITDA from Fixed-rate Long-term Contracts



■ Shuttle Tankers ■ Fixed Rate Conventional Tankers ■ Offshore

■ Average ROE > 20%

■ Average contract length approximately 7 years



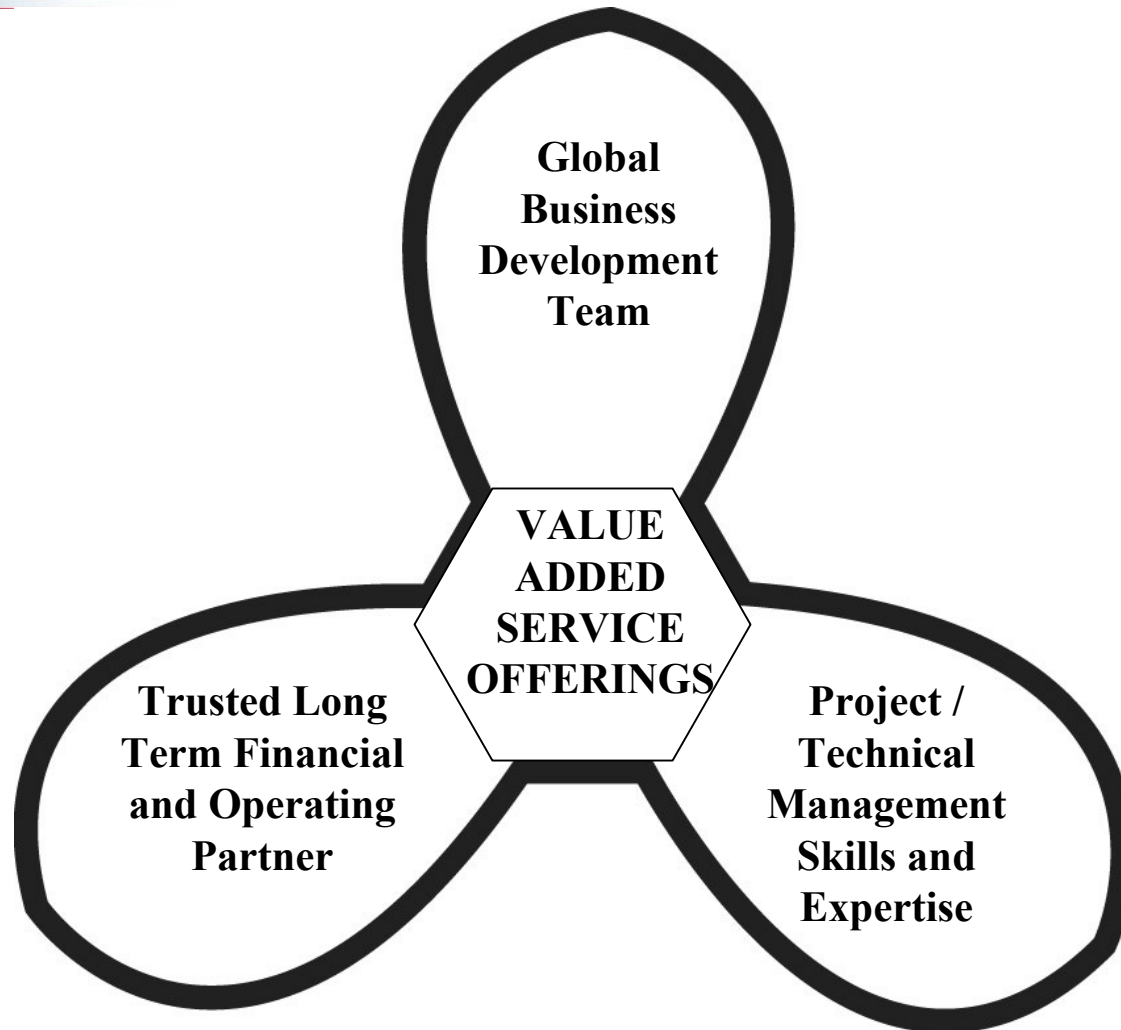
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Result would be the Transformation of Teekay into a Midstream Seaborne Oil Services Provider



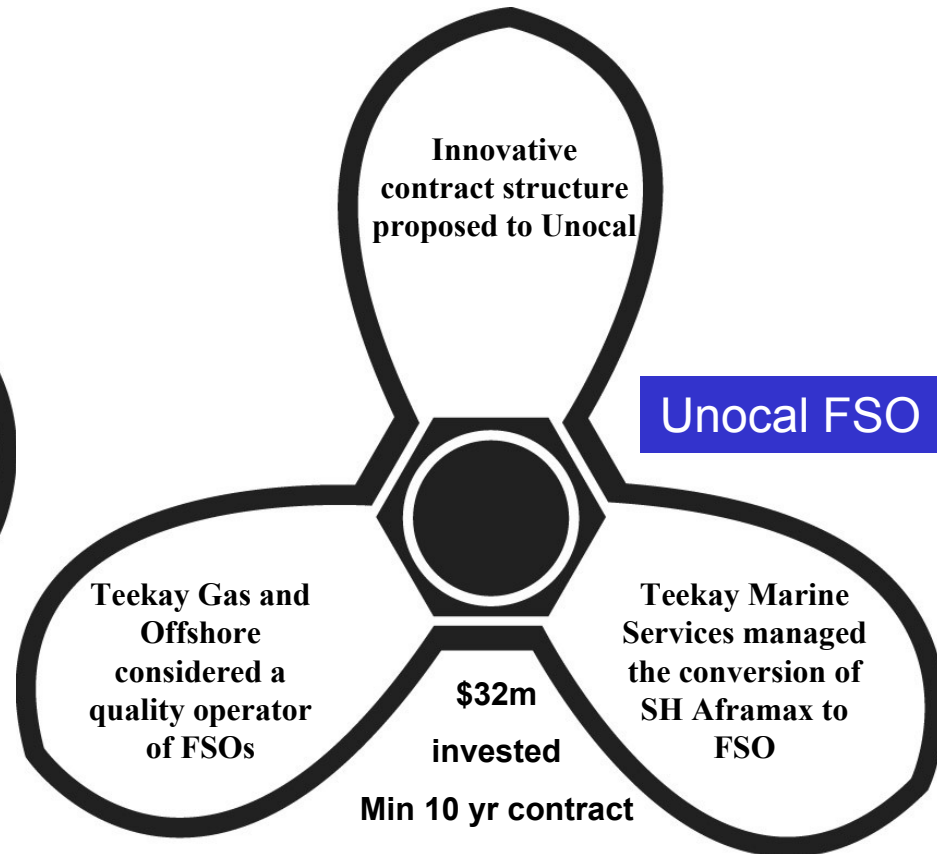
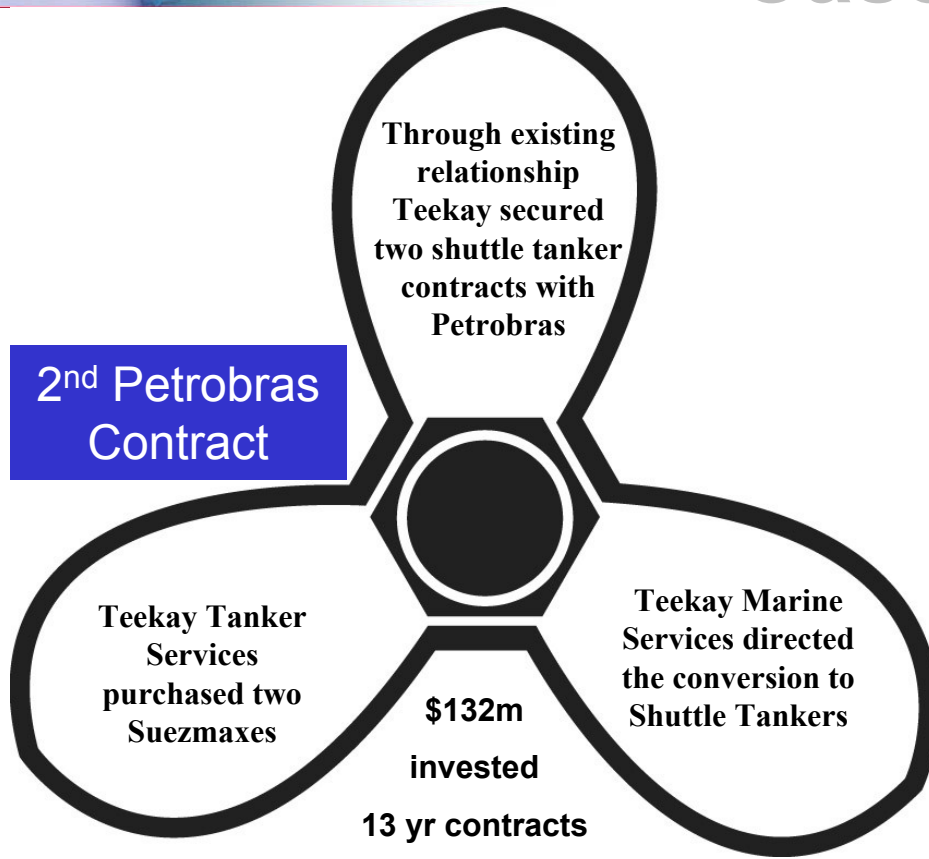
Teekay's Software Proposition



**Teekay's integrated structure creates
value in excess of its hardware**



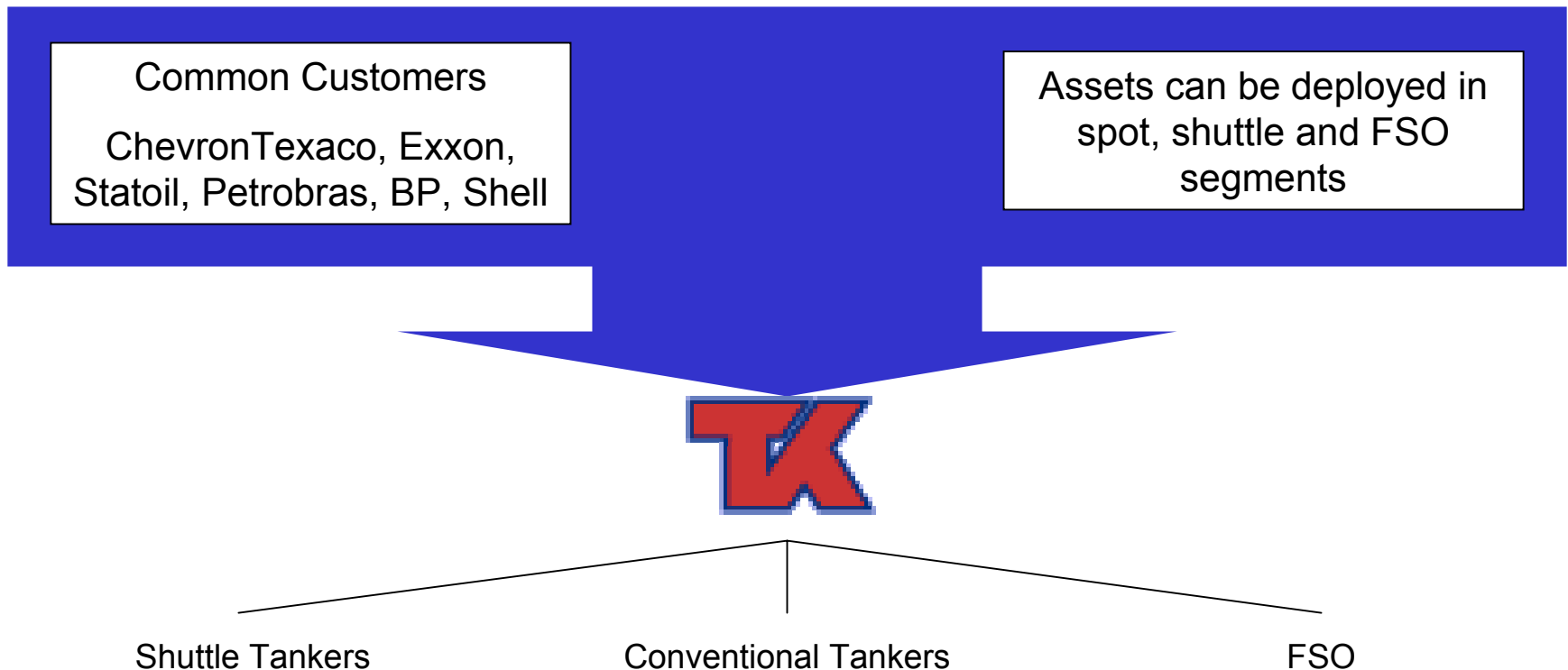
Teekay's Software Proposition Case Studies





Complementary Businesses Create Synergies

- SPT Lightering using Teekay Aframaxes
- Shuttle tankers can trade in the Spot market
- Conversion of older Aframaxes into FSOs





The Transformation of Teekay



1998

**Regional Leader in
Mid-size Tankers**

- 45 ships



2004

**World Leader in
Marine Oil Transportation**

- 157 ships carrying over 10% of the world's sea borne oil trade



Teekay Today

Teekay circa 1998

- 43 ships owned, 3 chartered-in
- Predominantly spot market operator
- \$3 million long-term fixed-rate cash flows
- 8 offices worldwide
- 47% leverage
- \$0.54 billion market capitalization
- 28.8 million shares outstanding
- \$186 million total liquidity
- mid-cycle EPS of \$1.26 per share
- BV per share of \$23.94
- P&L B/E over \$15,000 per day
- 2 newbuildings on order



Teekay today

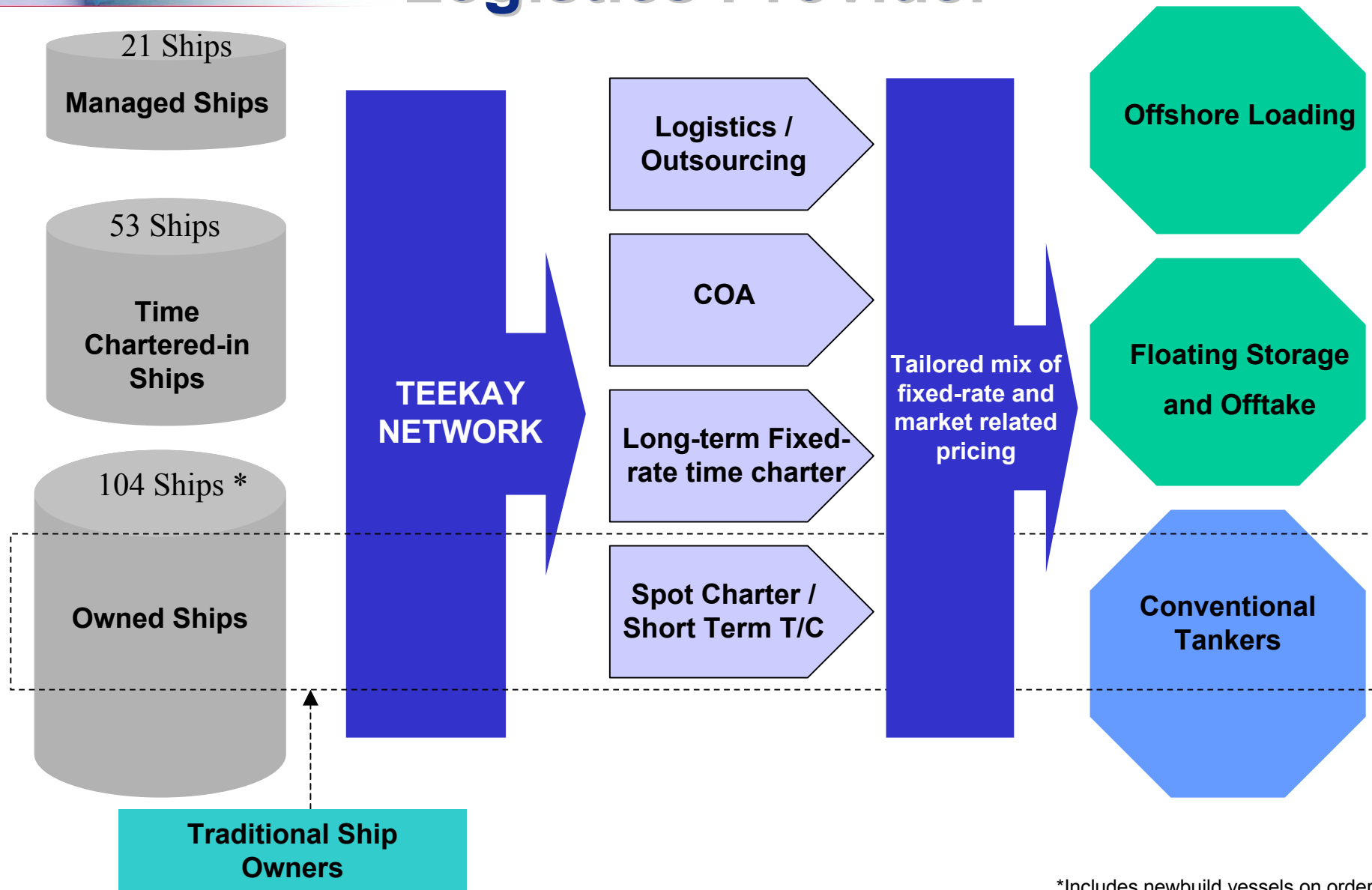
- 89 ships owned, 53 chartered-in, 18 managed
- Balanced mix of spot / fixed-rate business
- \$285 million in long-term fixed-rate cash flows by late 2004
- 16 offices worldwide
- 42% leverage
- \$2.6 billion market capitalization
- 40.4 million shares outstanding
- \$697 million total liquidity
- mid-cycle EPS of \$4.10 per share
- BV per share of approx. \$39.00
- P&L B/E approx. \$13,000 per day
- 15 newbuildings on order

Traditional price taking ship owner

Integrated Logistics Provider



Teekay is an Integrated Logistics Provider



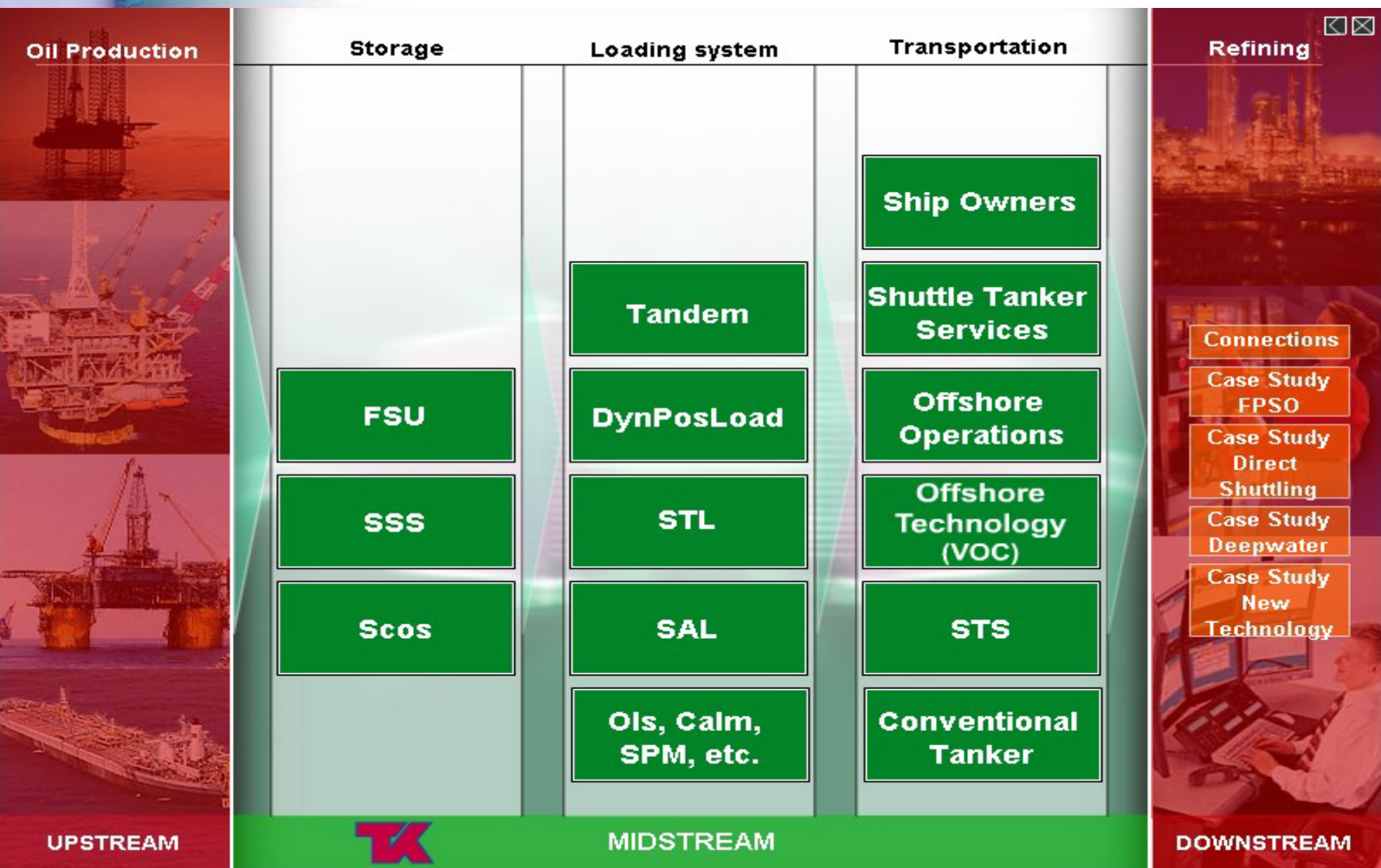


More Than Just a Tanker Company

- **We are now further penetrating our customer's logistics chain:**
 - Have a push/pull strategy with our customers
 - Leader in Push:
 - FSO's – taking worldwide
 - Innovative mooring systems for marginal fields
 - Leader in Pull:
 - Leading shuttle tanker operator – employing shuttle technology in areas outside North Sea (e.g. Brazil and West Africa)
- **Leveraging into related business solutions**
 - V.O.C. Plants
 - Right of first refusal, Navion Chartering JV, small and large refined Product Tankers
- **Others:**
 - SPT is a leader in lightering – operational know-how and complementary assets allow us to extend service offerings to customers and grow business internationally

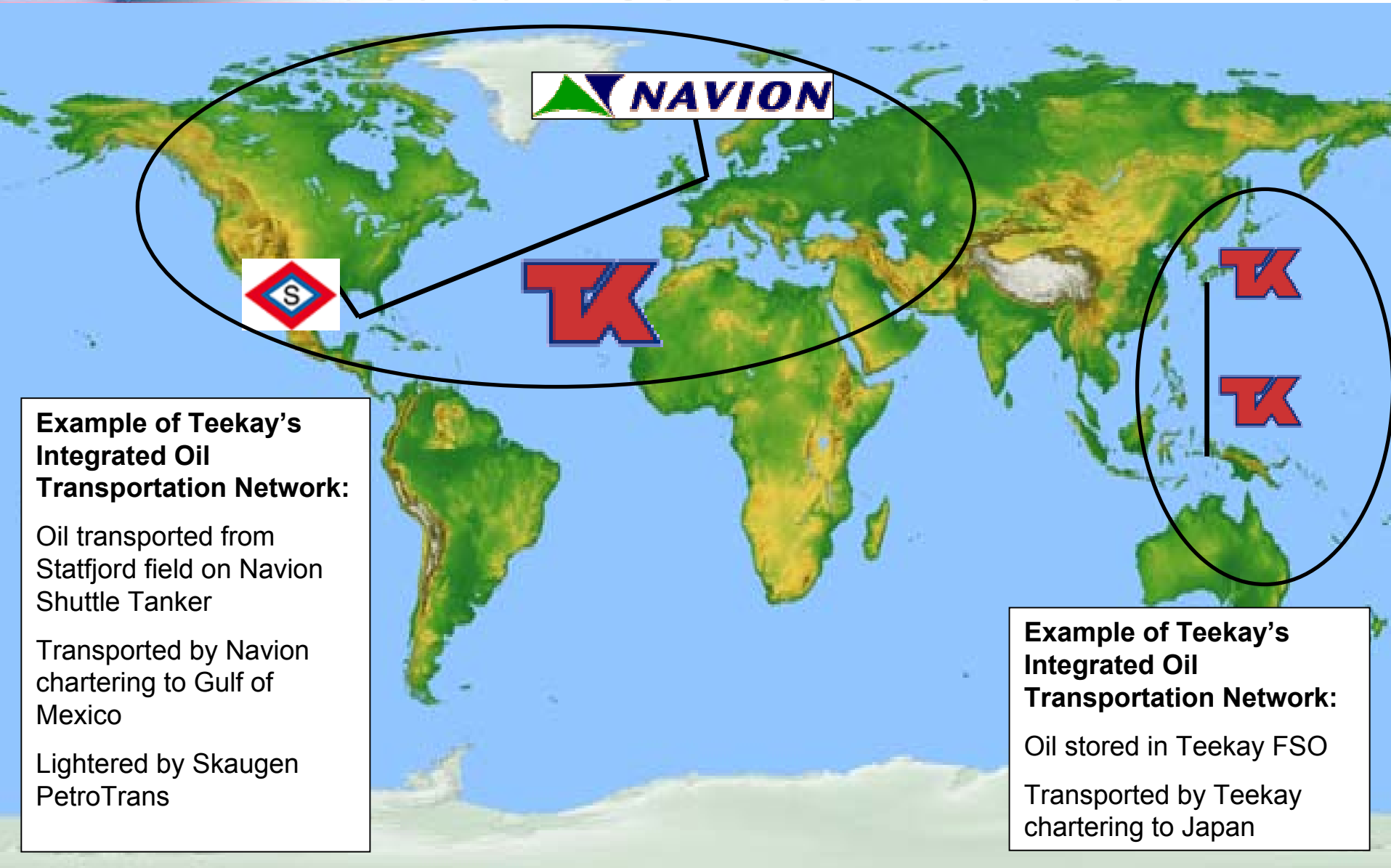


Teekay is a Midstream Seaborne Oil Services Provider



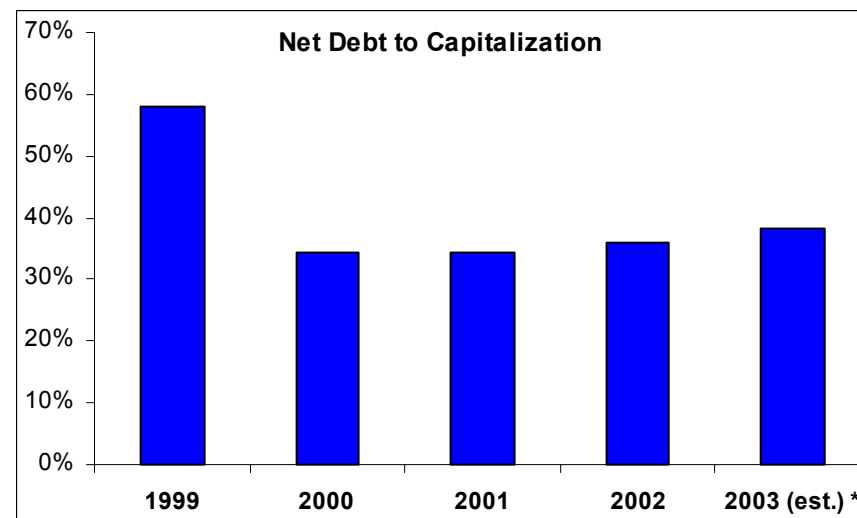
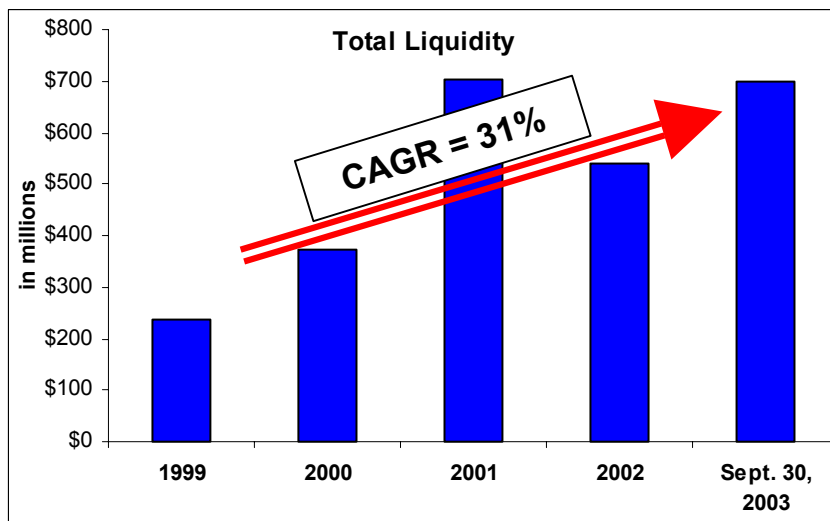
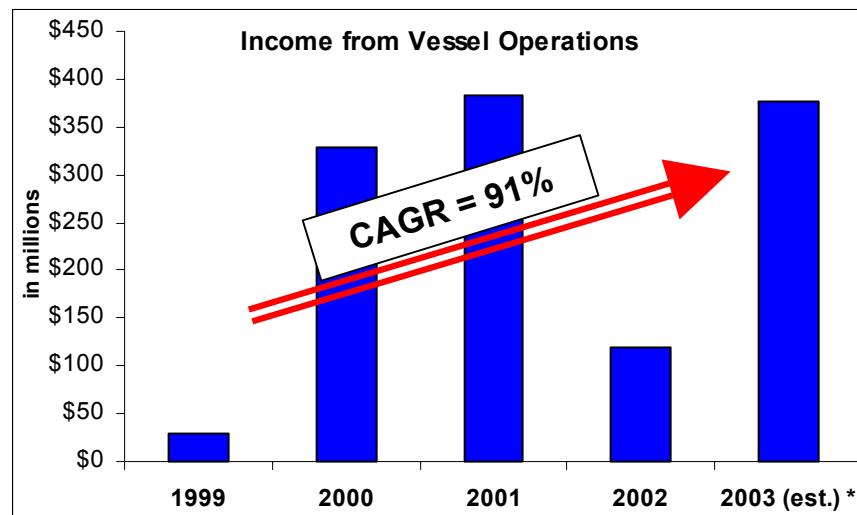
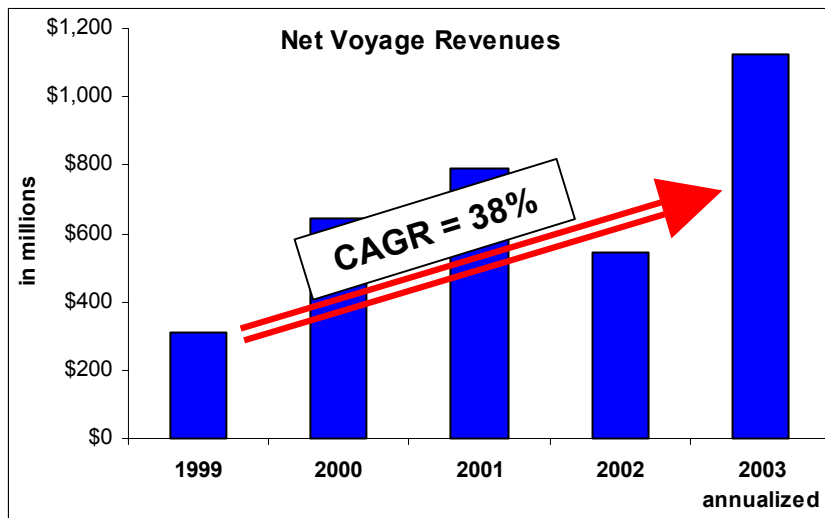


Teekay – Fully Integrated Midstream Services Provider





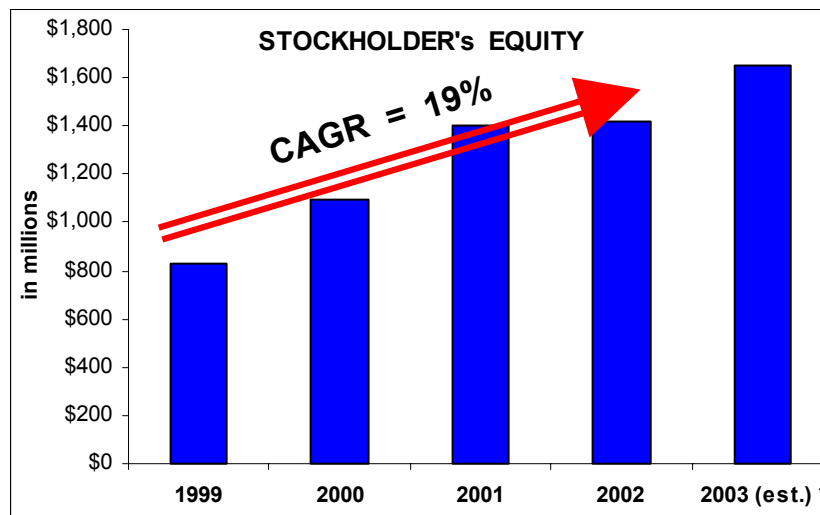
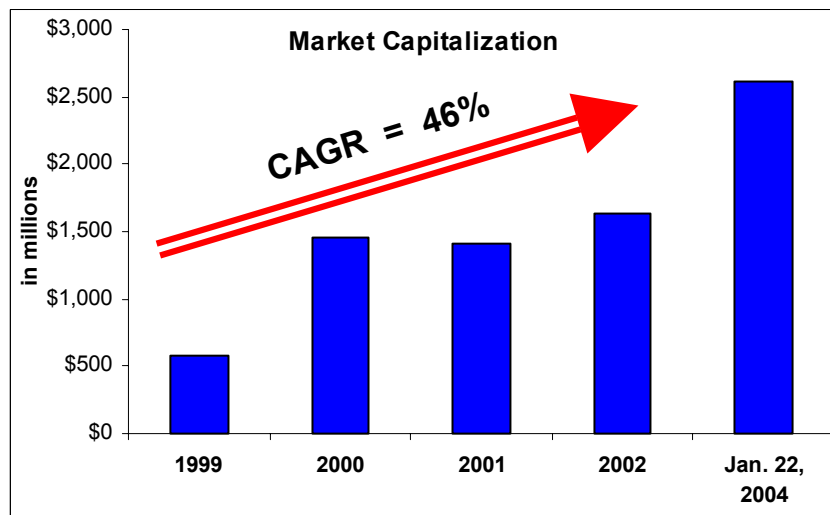
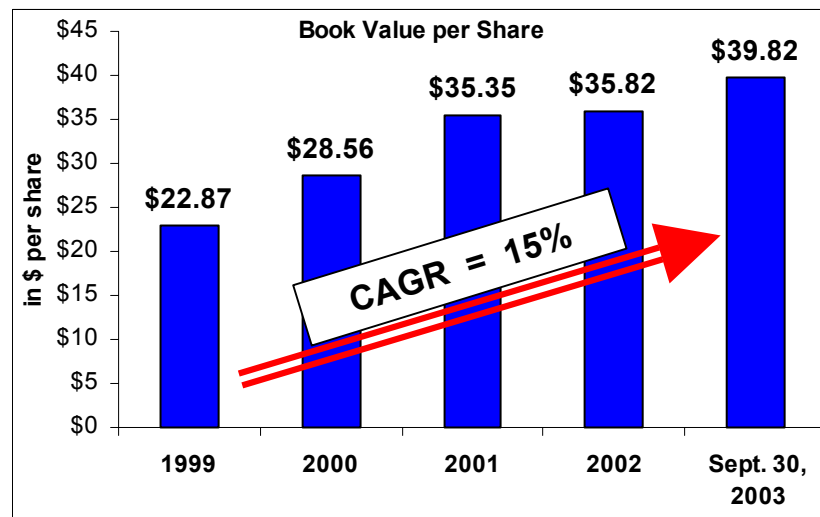
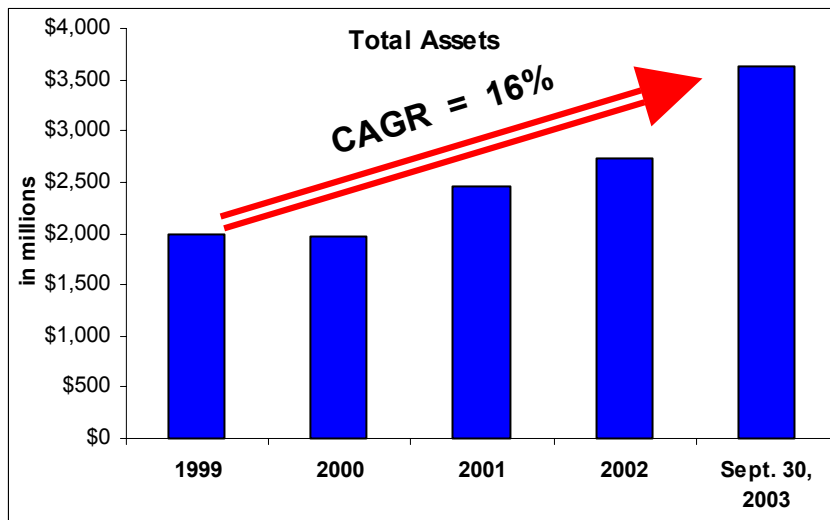
Growth in Revenues and Cash Flow lead to Balance Sheet Flexibility



* 2003 est. based on Q1 to Q3 actual and consensus estimate for Q4



Consistent Balance Sheet and Market Cap. Growth



* 2003 est. based on Q1 to Q3 actual and consensus estimate for Q4



Free Cash Flow Yield

in millions (except per share data)

Free Cash Flow per Share Calculation

Projected EBITDA *	\$	550.3
less: Net Interest payments **	\$	(76.0)
less: Principal payments **	\$	(130.0)
less: Drydock costs **	\$	(35.0)
add: JV Income **	\$	12.0
subtotal: Free Cash Flow	\$	321.3

\$7.65 per share

Cash Flow Yield Calculation

Projected 2004 Free Cash Flow	\$	321.3
Market Capitalization @ \$62/share =	\$	2,604.0

Free Cash Flow Yield = 12.3%

Comparison Yields

2.1%	3 yr Treasury
3.0%	5 yr Treasury
3.6%	7 yr Treasury

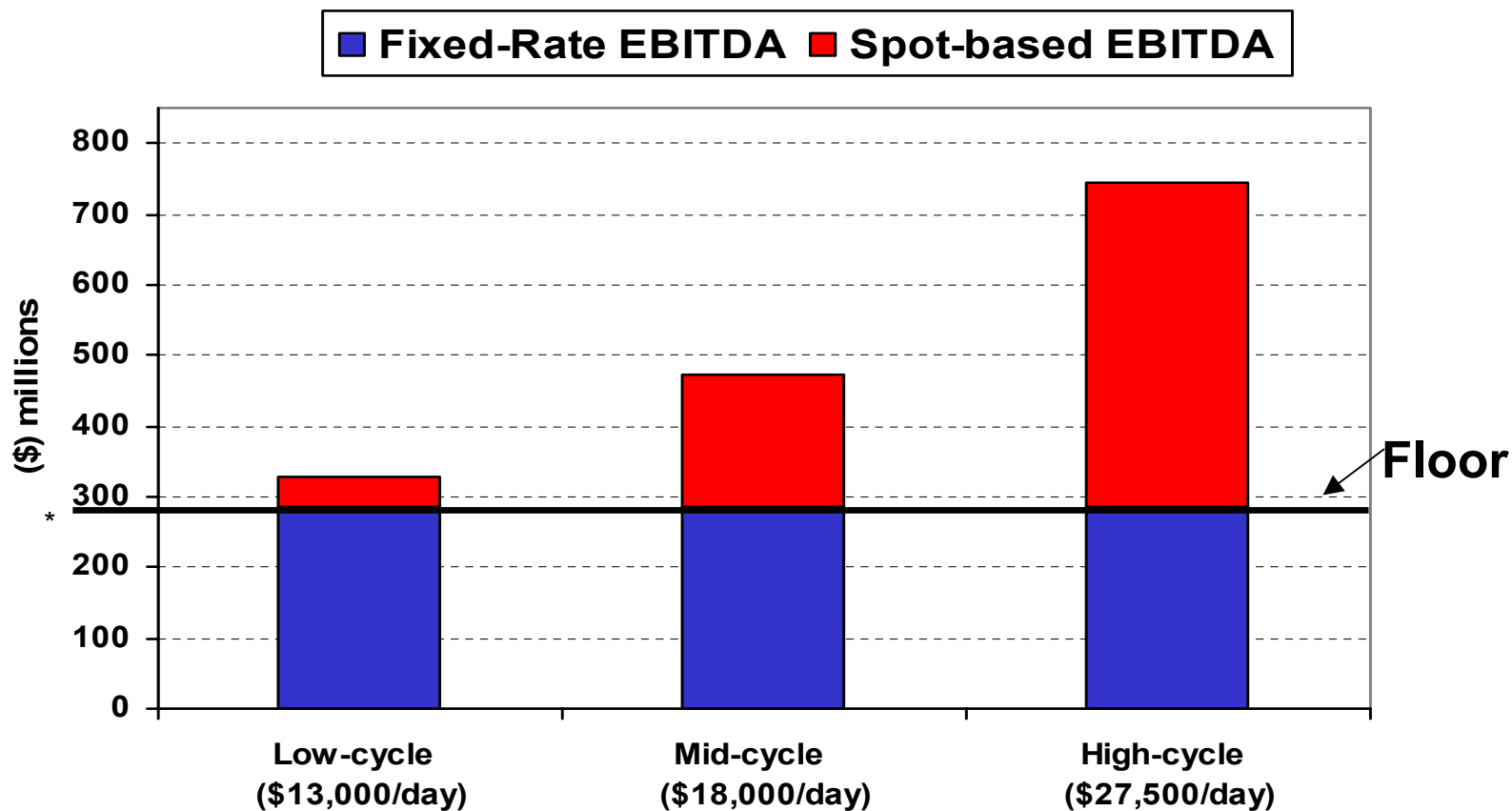
* Analyst projection for 2004

** Company estimate

At 12.3% Teekay's Free Cash Flow yield is 3.5x that of comparable treasury yields



Complementary Businesses Create Cash Floor with No Ceiling



Proforma 2004 EPS

\$0.68

\$4.10

\$10.55

Spot Rate Increase
\$1,000 TCE/day

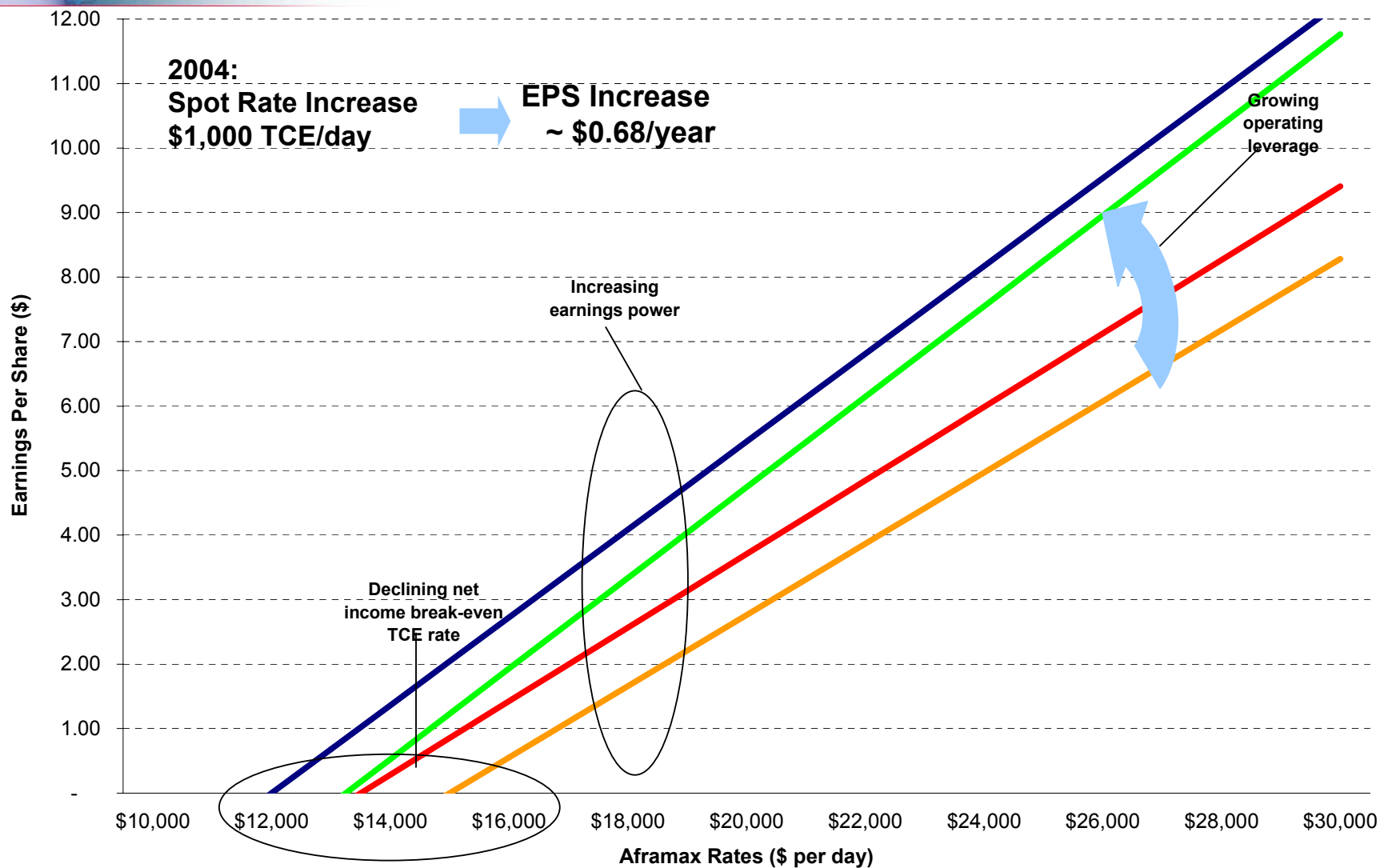


EBITDA Increase
\$30 million annually and
EPS increase by ~ \$0.68

* Proforma 2004 EBITDA annualized



Growing Earnings Power



* Proforma to include most recent transactions





How Should Teekay be Valued?

Historically, tanker companies have been valued based on ‘steel value’ alone. Teekay is an integrated logistics provider, and not just a conventional tanker company



Valuation Method

Multiple of Fixed-Rate EBITDA + Book Value of Spot Fleet

In millions (except per share data)

Balance Sheet data as at Sept 30, 2003

FIXED-RATE SEGMENT

Fixed-rate segment EBITDA *	285
Multiple ***	x 9
Total fixed-rate inherent enterprise value	2,565
less: pro rata share of net debt	(787)
Equity value of fixed-rate business	1,778
Shares outstanding (millions)	42

Fixed-rate segment equity value per share \$42.33

SPOT SEGMENT

Book value of spot fleet + JVs	1,365
Multiple **	x 1.6
Total spot-rate adjusted book value	2,183
less: pro rata share of net debt	(663)
Equity value of spot business	1,520
Shares outstanding (millions)	42

Spot segment equity value per share \$36.20

* Commencing Q3-2004 annualized

** Based on avg. of peer group – see appendix

*** Based on inherent MLP multiples – see appendix

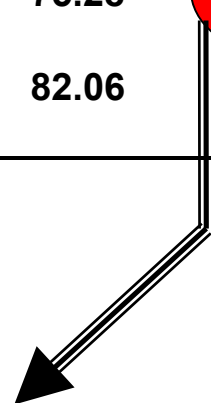
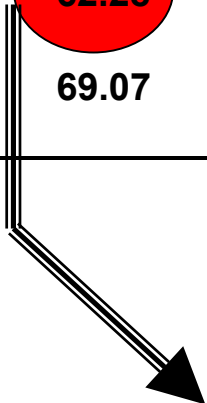
\$78.53
Combined
Teekay Equity
Value per share

At the current stock price of approximately \$62, the market has not yet recognized the value of Teekay's two businesses



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 EBITDA Multiple	8	52.25	55.49	58.74	61.99	65.24	68.49	71.75	75.00
	9	59.03	62.28	65.53	68.78	72.03	75.28	78.54	81.78
	10	65.82	69.07	72.32	75.56	78.81	82.06	85.32	88.57



**Value Gap of ~26%
or \$16.25 per share**



Investment Highlights

- **An integrated supplier of Midstream oil services, not just an owner**
- **Financial strength to pursue continued profitable growth**
- **Profitable throughout the cycle; large base of long-term fixed-rate business coupled with significant spot market upside**
- **Market has not yet recognized the value of the newly transformed Teekay**

Teekay Shipping



Appendix



NYSE: TK

www.teekay.com



Multiple Comparisons

Price to book value multiples for shipping group

Teekay	1.6 x
Frontline	1.7 x
General Maritime	1.3 x
Stelmar Shipping	1.2 x
OMI	1.5 x
Tsakos	1.2 x
Overseas Shipholding Group	1.4 x
TORM	2.5 x
average	1.6 x

Source: Jefferies Tanker Weekly - Jan. 20, 2004

TEV / EBITDA 2004 Multiples

Pipelines & Transportation

Buckeye Partners	13.7 x
Enbridge Energy	12.4 x
Enterprise Products	12.6 x
Kinder Morgan Energy	15.2 x
Norther Border Partners	10.8 x
Magellan Midstream	12.7 x
Pacific Energy Partners	12.9 x
Sunoco Logistics Partners	10.3 x
TEPPCO Partners	13.6 x
Valero	12.1 x
average	12.6 x

Propanes

AmeriGas Partners	9.8 x
Ferrellgas Partners	9.8 x
Star Gas Partners	8.7 x
Suburban Propane	11.0 x
Inergy	7.8 x
average	9.4 x

Source: Citigroup at Jan. 15, 2004



Teekay Fleet Composition

Teekay Shipping Corporation

Fleet List as at Jan. 16, 2004

	Number of Vessels			Total
	Owned Vessels	Chartered-in Vessels	Newbuildings on Order	
Spot Tanker Fleet:				
VLCC's	1	2	-	3
Suezmaxes	1	5	-	6
Aframaxes	43	15	12	70
OBOs	-	5	-	5
Large Product Tankers	-	2	-	2
Small Product Tankers	-	10	-	10
Total Spot Tanker Fleet	45	39	12	96
Long-term Fixed-Rate Contract Fleet:				
Shuttle Tankers	29	13	1	43
Conventional Tankers	8	-	2	10
Floating Storage & Offtake ("FSO") Vessels	3	-	-	3
LPG Carrier	1	4	-	5
Total Long-Term Fixed-Rate Contract Fleet	41	17	3	61
Total	86	56	15	157



Appendix – EBITDA Reconciliation

- EBITDA represents net income (loss) before interest expense, income tax expense, depreciation and amortization expense, minority interest, foreign exchange gains (losses) and gains (losses) on disposition of assets. EBITDA is included because such data is used by certain investors to measure a company's financial performance. EBITDA 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 EBITDA for the periods presented on slide 19:

Reconciliation of EBITDA from fixed-rate long-term contracts (\$000s)	<u>Year Ended</u> <u>December 31, 2000</u>	<u>Year Ended</u> <u>December 31, 2001</u>	<u>Year Ended</u> <u>December 31, 2002</u>
Actual			
Income from vessel operations	16,622	49,615	56,863
Depreciation and Amortization	7,020	37,024	43,889
EBITDA	23,642	86,639	100,752

	<u>Year Ended</u> <u>Dec. 31, 2003</u>	<u>Year Ended</u> <u>Dec. 31, 2004</u>	<u>Year Ended</u> <u>Dec. 31, 2005</u>	<u>Year Ended</u> <u>Dec. 31, 2006</u>	<u>Year Ended</u> <u>Dec. 31, 2007</u>
Projection					
Income from vessel operations	110,000	191,000	190,000	185,000	191,000
Depreciation and Amortization	70,000	90,000	94,000	90,000	90,000
EBITDA	180,000	281,000	284,000	275,000	281,000