

Teekay Shipping



Teekay's Fourth Quarter 2004 Earnings Presentation

Feb.17, 2005





Forward Looking Statements

This release 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: the Company's future growth prospects; tanker market fundamentals, including the balance of supply and demand in the tanker market, tanker utilisation and spot tanker charter rates; the Company's future capital expenditure commitments and the financing requirements for such commitments; proceeds and gain in the first quarter of 2005 relating to the sale of vessels; and the initial public offering of common units of Teekay LNG Partners L.P. 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; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; shipyard production delays; the Company's future capital expenditure requirements; the potential inability to complete the initial public offering of Teekay LNG Partners L.P. as expected; and other factors discussed in Teekay's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2003, and in the Registration Statement of Teekay LNG Partners L.P. on Form F-1. 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.



4th Quarter Highlights

- Best ever 4th quarter result with net income of \$225 million, or \$2.50 per share.
- Result was net of specific items totaling \$51 million; without this deduction the 4th quarter would have been an all time record.
- Record quarterly cash flow from vessel operations (CFVO) of \$329 million.
- Announced three million share buyback program; completed in the 1st quarter of 2005 at an average price \$42.95 per share.
- One LNG and one Suezmax newbuilding delivered onto long term charters.
- Agreed to sell a further eight single hull vessels for delivery in the 1st quarter of 2005.



4th Quarter Highlights (Continued)

- Filed for IPO of Teekay LNG Partners L.P.
 - Formed by Teekay as part of strategy to accelerate expansion in LNG shipping.
 - Initial assets; four LNG carriers and five Suezmax tankers, all on long-term fixed-rate charters.
 - Teekay to retain approximately 75 percent interest in the partnership after the offering.
 - Status : In registration.



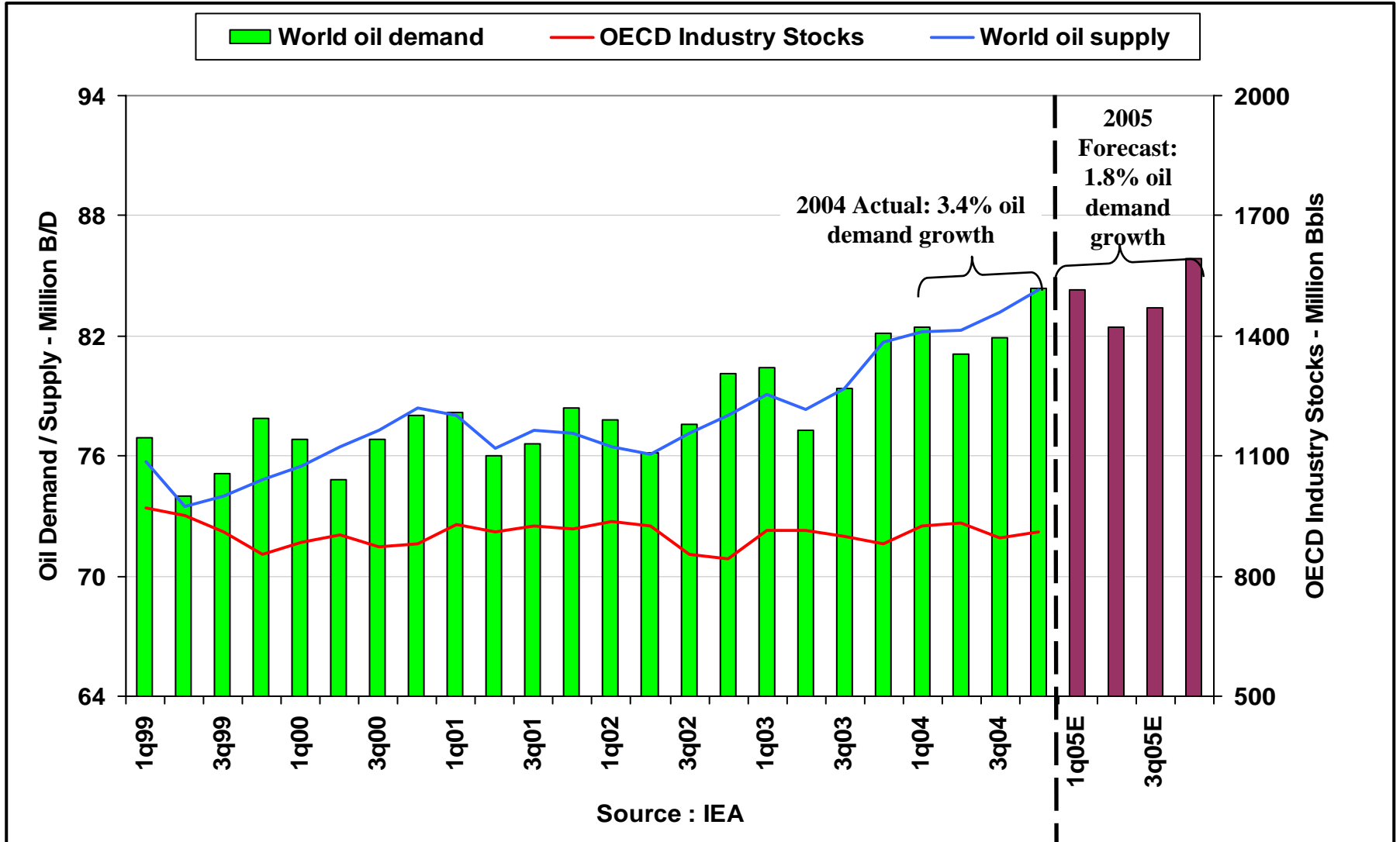
2004 Highlights

- Record net income of \$757 million or \$8.63 per share.
- Highest ever CFVO of \$980 million.
- Strategic entry into LNG sector.
- New investments: \$1.8 billion executed and a further \$700 million committed.
- Conducted further fleet renewal of conventional fleet* during 2004
 - Reduced average age from 6.8 years to 5.1 years
 - Increased double hull percentage from 71% to 89% **
- 2004 gain on sale of vessels and investment in Torm of \$172 million.

* Includes in-chartered fleet ** Proforma for delivery in Q105 of eight single hull ships sold

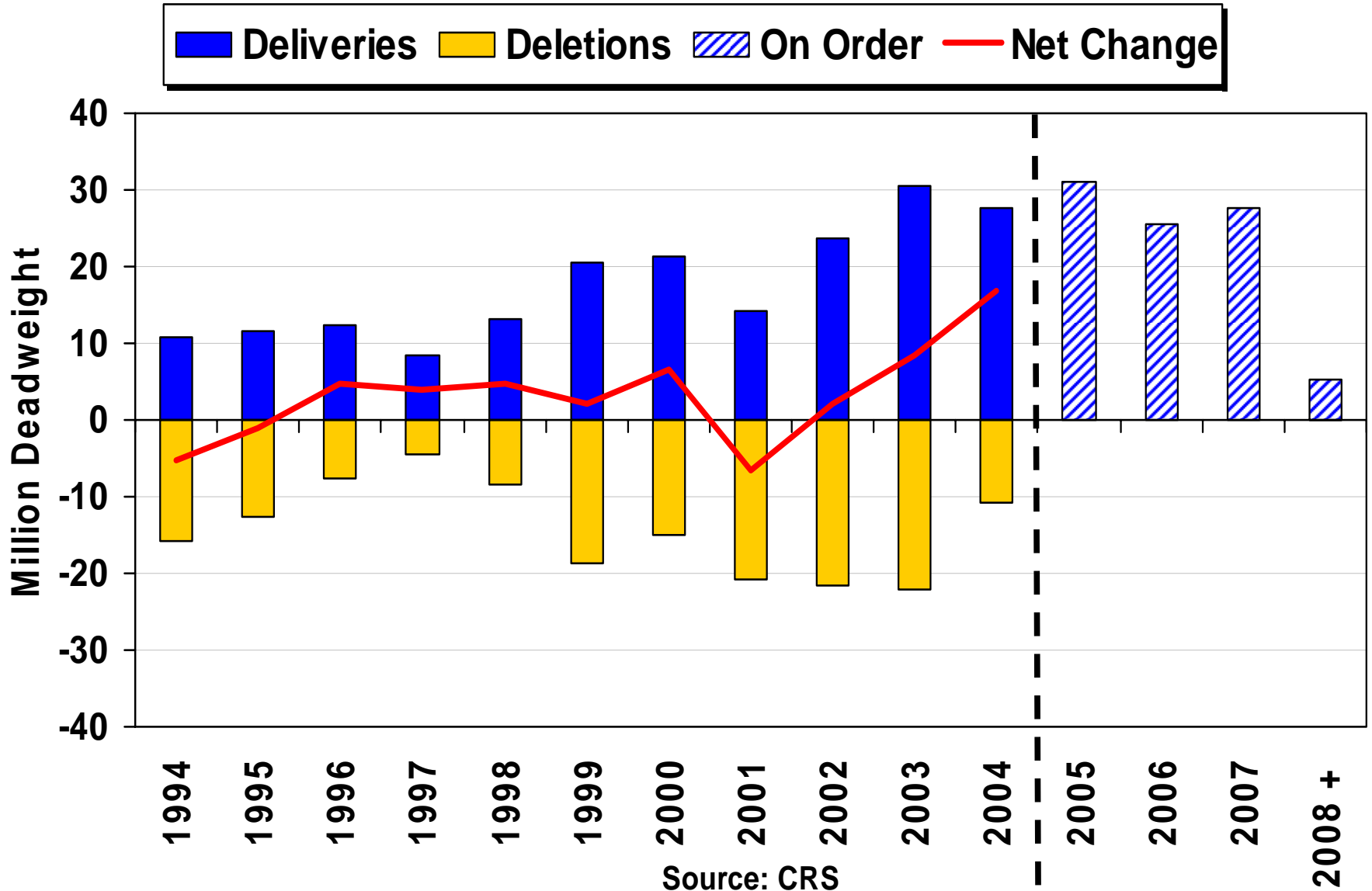


Strong Oil Demand Growth





Tanker Supply





Category 1 Tankers – They can run but they can't hide!

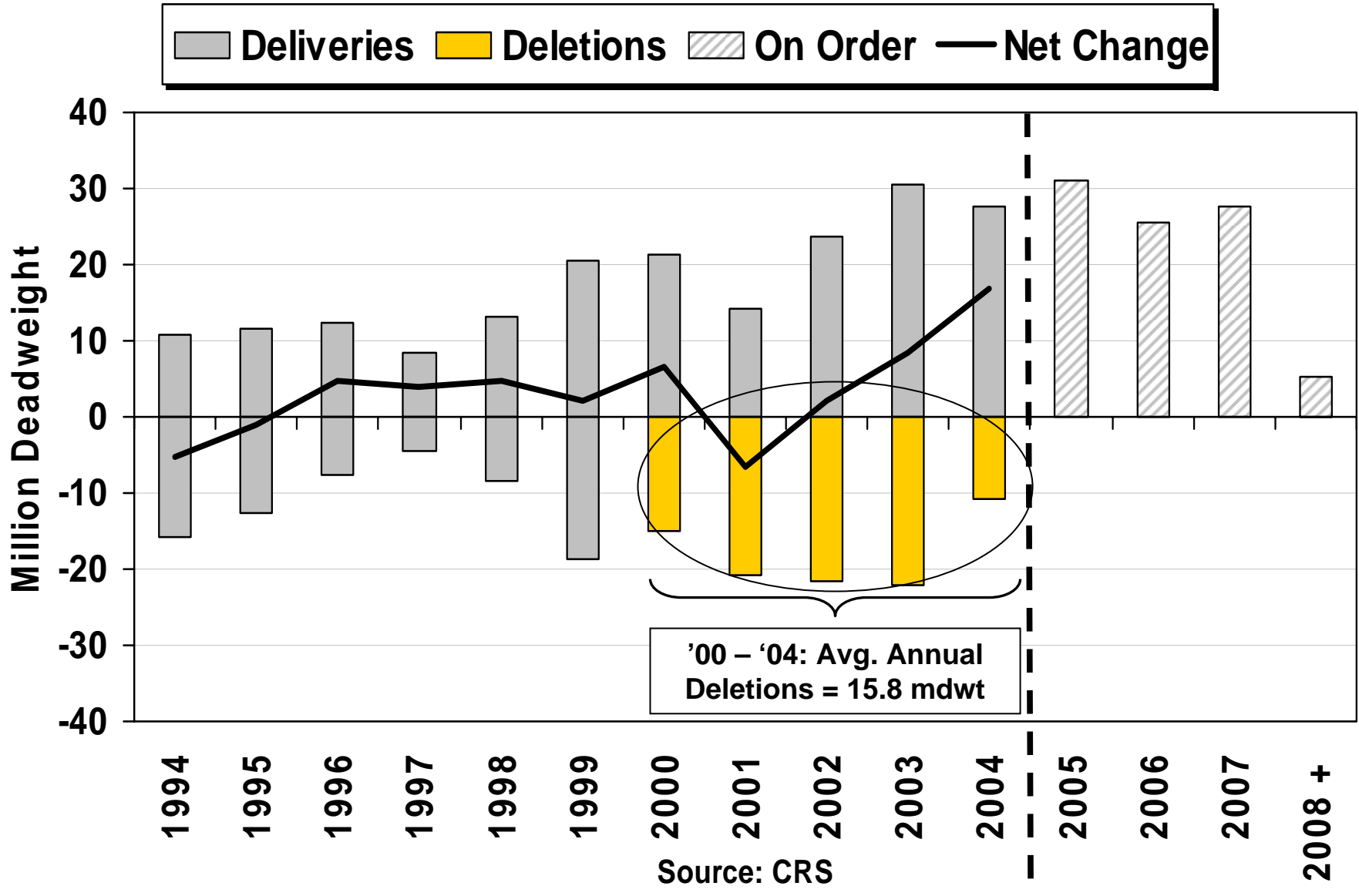
Conversion of Cat. 1 Tankers to Cat. 2 would create only negligible delays to overall phase-out timing

CATEGORY 1 TANKERS				
Year of Build	Dwt.	Phase out year if remain Cat 1	Phase out year if converted to Cat 2	Trading Life gained (Years)
1970	0.0	2005	2005	0
1971	0.0	2005	2005	0
1972	0.0	2005	2005	0
1973	0.2	2005	2005	0
1974	0.6	2005	2005	0
1975	0.8	2005	2005	0
1976	2.0	2005	2005	0
1977	1.7	2005	2005	0
1978	1.0	2005	2006	1
1979	2.2	2005	2006	1
1980	2.1	2005	2007	2
1981	2.3	2005	2007	2
1982	0.8	2005	2008	3
TOTAL	13.7		Weighted Average	1.05 years

Source: CRS / Industry sources

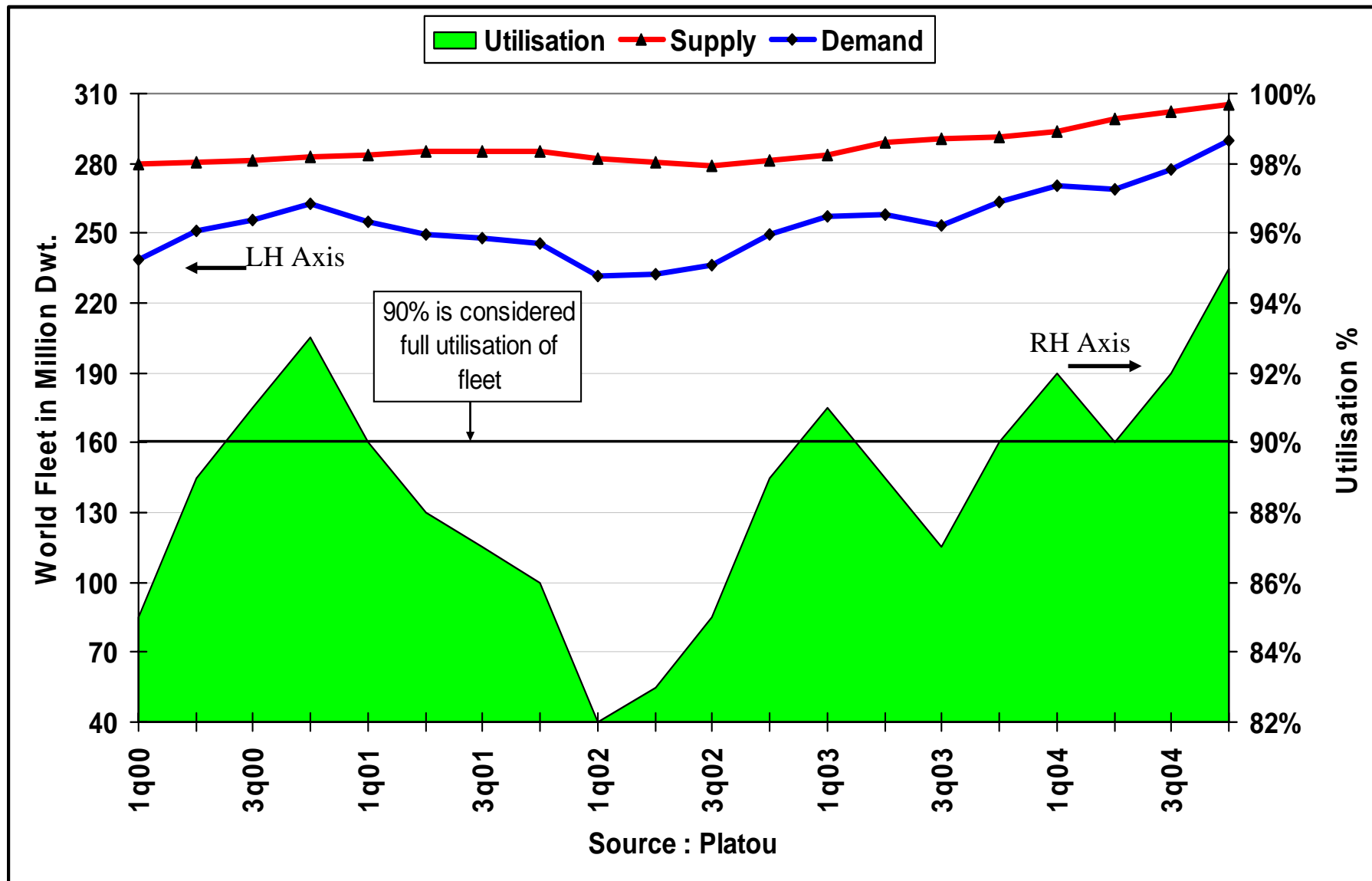


High Average Rate of Scrapping since 2000



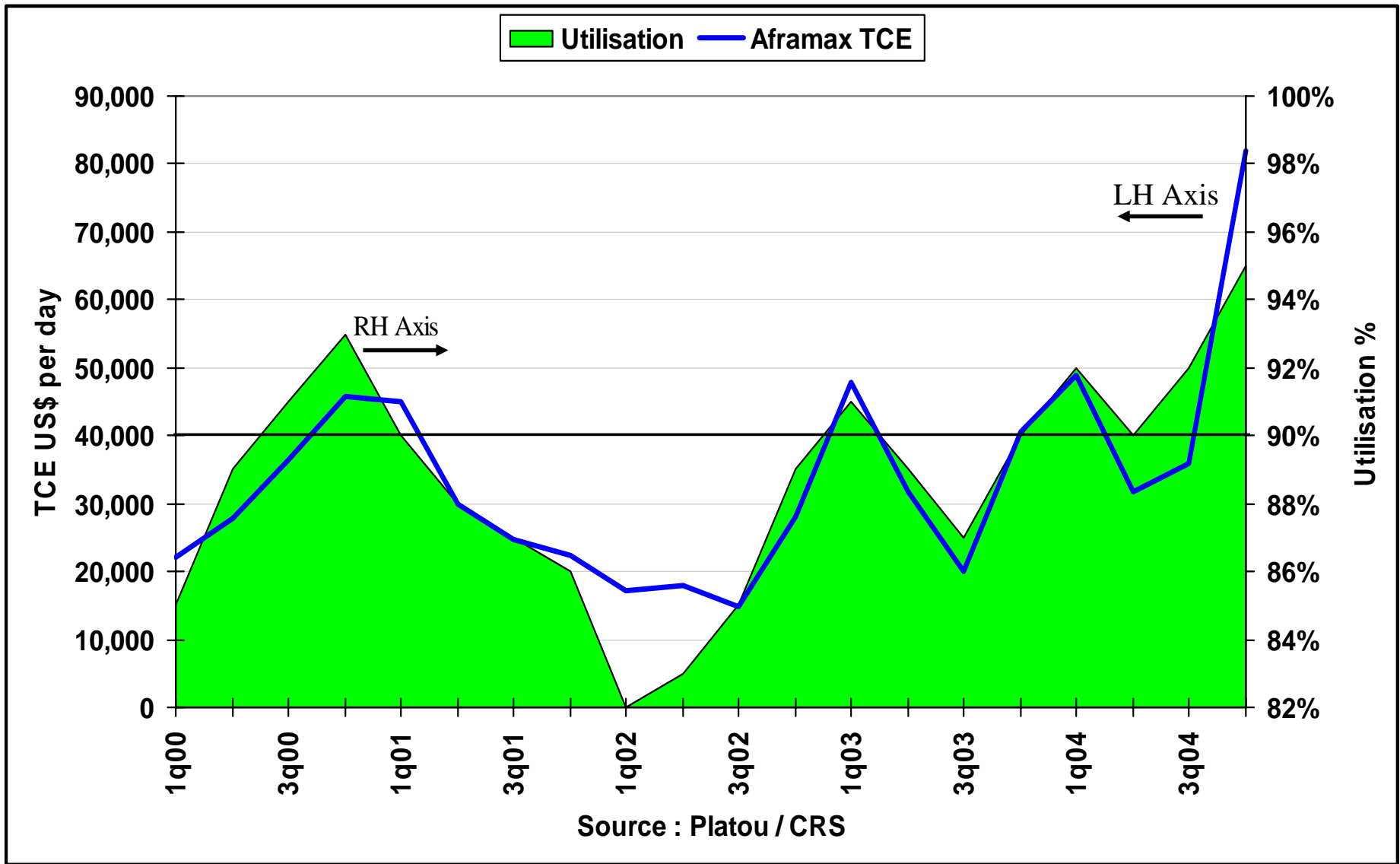


Continued Tightening in Tanker Supply / Demand Balance



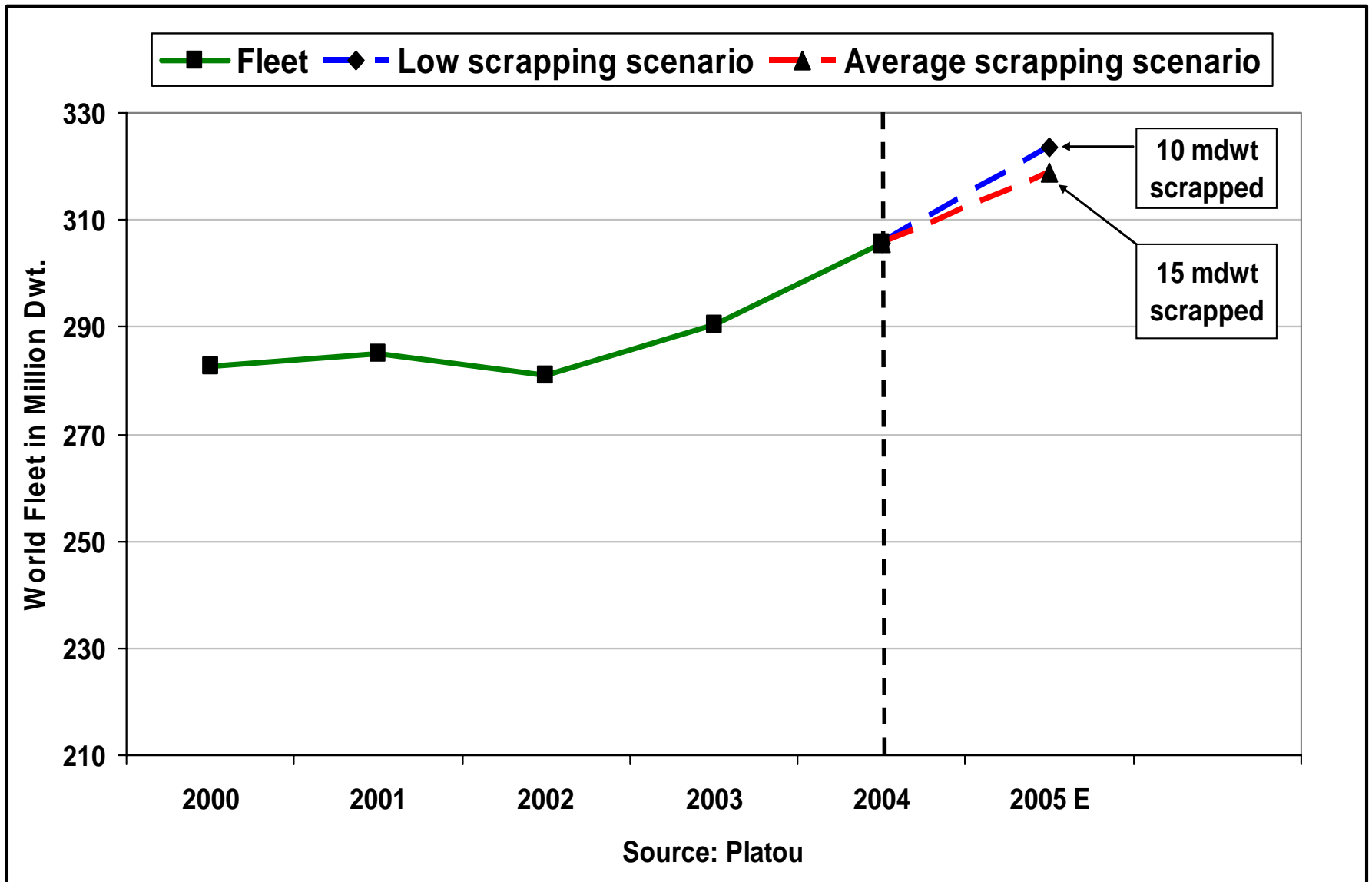


TCE Rates Spiking due to High Utilisation



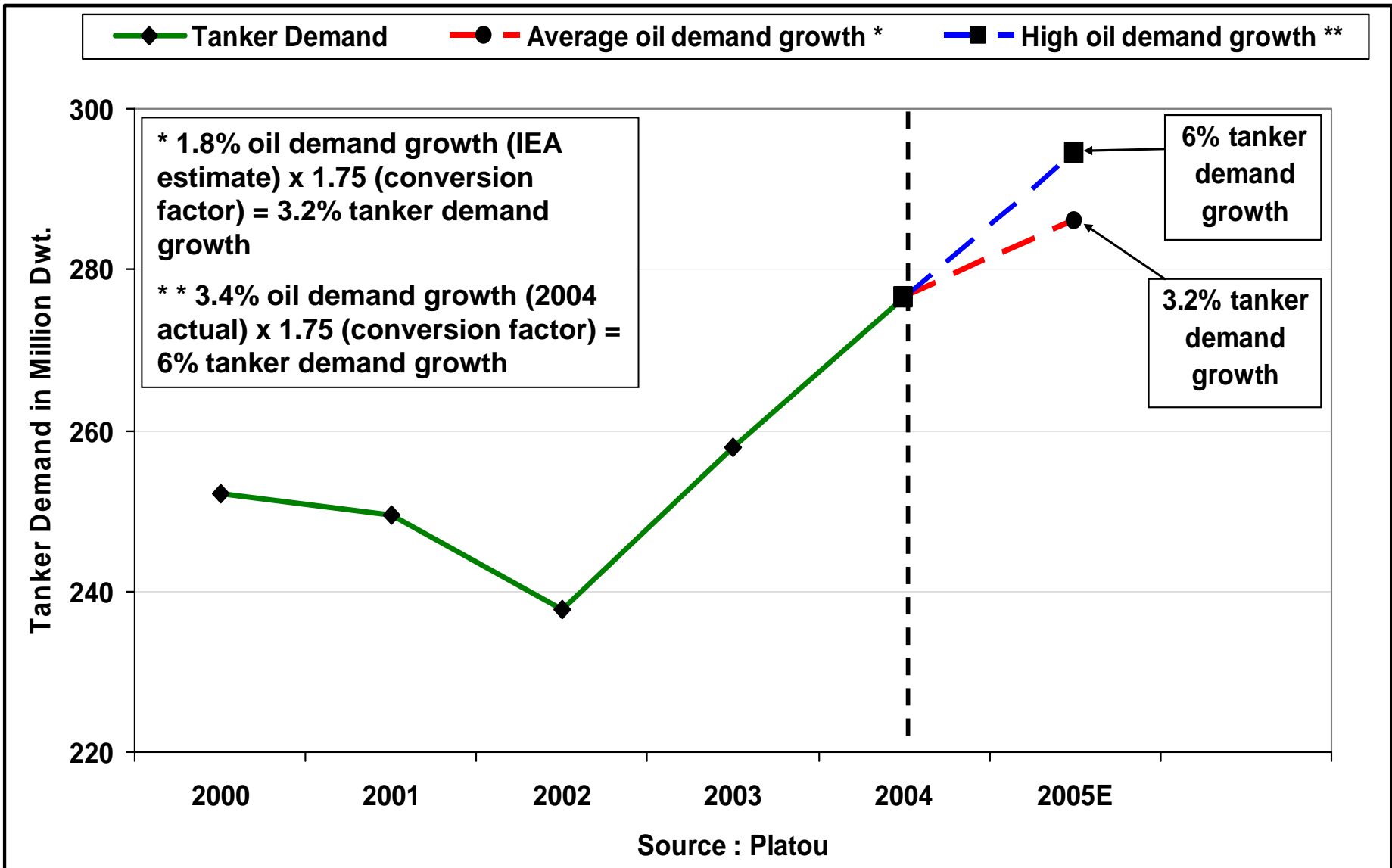


2005 - Fleet Supply Scenarios

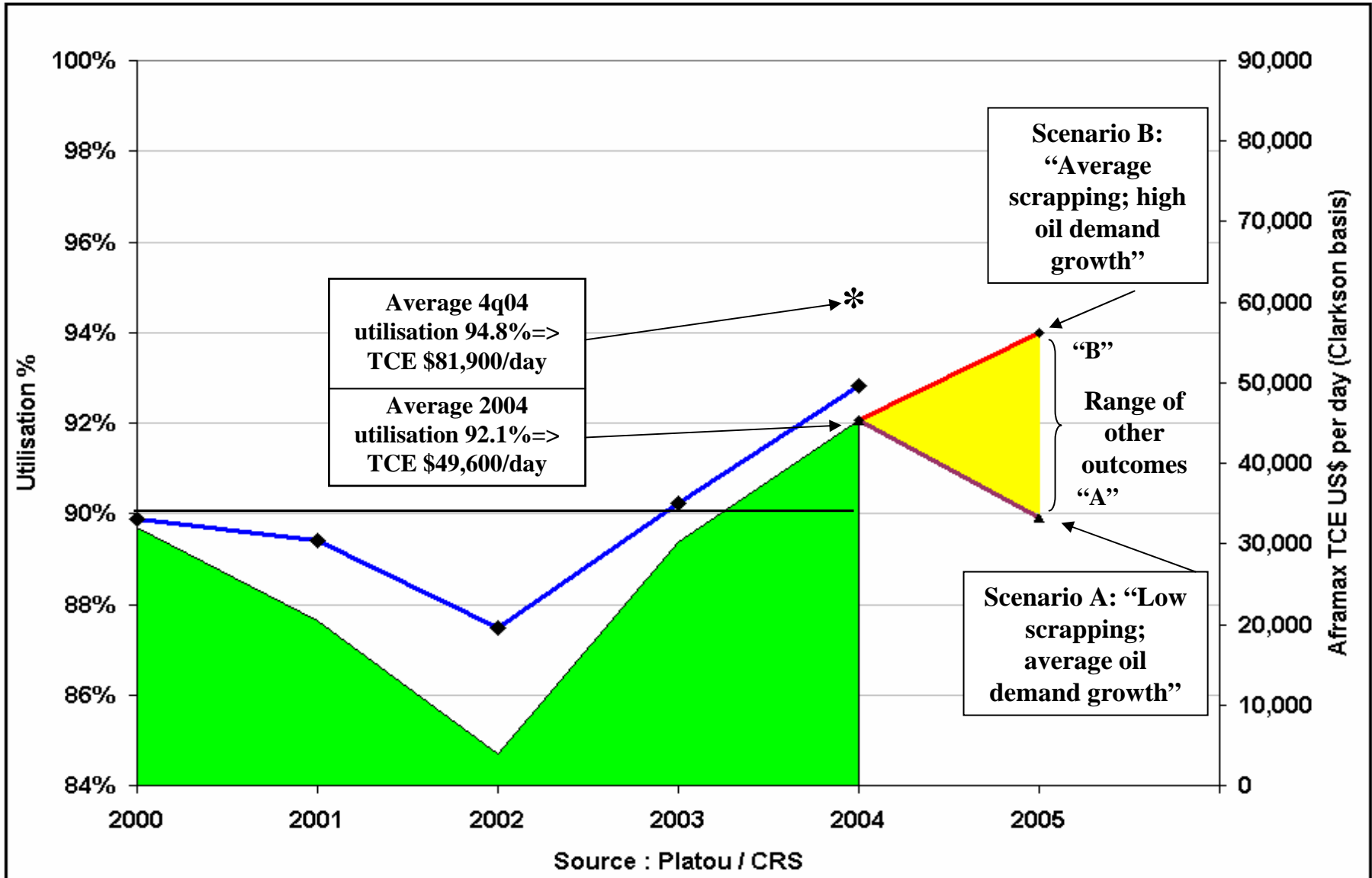




2005 Tanker Demand Growth Scenarios



Every Supply / Demand Scenario points to High Fleet Utilisation in 2005





Fourth Quarter 2004 Tanker Market Highlights

- Strong global economic growth and seasonality led to a rise in oil demand of 2.5 mb/d from 3q04.
- Rising oil supply from long haul sources; OPEC oil production rose by 0.5 mb/d from already high levels in 3q04.
- Charterers covering lifting requirements well in advance during 4q04.
- Hurricane-related outages in US domestic production led to replacement imports from long haul sources.
- Outages in North Sea oil production.
- Strong market despite minimal Bosphorus straits transit delays.



Factors in 2005

- In January, rates declined due to OPEC production cuts.
- In February, rates have recovered.
- Venezuela wild card: Venezuela oil to China and long-haul US replacement imports would boost ton-mile demand significantly.
- In April, IMO phase-out schedule for single hull tankers takes effect.
- In April, ban on carriage of heavy oils on non-double hull ships goes into worldwide effect.
- China demand growth?
- “Call on OPEC” oil?



Developments in Teekay's Spot Tanker Segment

- Q4 completed sale of six* single hull ships; recognized gain of \$24.8 million.
- Maintained large spot fleet through active newbuilding delivery and in-charter programs.
- Customer discrimination against single hull tonnage intensifying.
- Remaining owned single hull tankers as of 12/31/04 = 14, of which eight sold for delivery in Q1 2005 at an estimated gain of \$80 million.
- 8 Newbuildings on order as of 1/1/05.

*Including two vessels in the fixed-rate segment



Developments in Teekay's Fixed Rate Segments

- Record quarterly cash flow from vessel operations in fixed rate segments of \$89 million.
- Announced planned IPO of Teekay LNG Partners.
- High oil price driving increased activity in offshore sector => improved demand environment for Teekay shuttle and FSO business.
- In Q4 entered forward agreement to convert 1991-built Suezmax to FSO for 3-5 year contract on Volve field in North Sea from 2007.
- Took delivery of two newbuildings;
 - One LNG carrier which commenced 20-year fixed-rate charter.
 - One Suezmax tanker which commenced 20-year charter with fixed rate floor and profit sharing
- Forward cover of fixed rate revenues now exceeds \$6 billion.

Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended</u> <u>31-Dec-04</u>				<u>Three Months Ended</u> <u>31-Dec-03</u>		
	<u>(unaudited)</u>				<u>(unaudited)</u>		
	Spot Tanker Segment	Fixed-Rate Tanker Segment	Fixed-Rate LNG Segment	Total	Spot Tanker Segment	Fixed-Rate Tanker Segment	Total
Net voyage revenues	366,786	171,419	18,011	556,216	192,922	147,677	340,599
Vessel operating expenses	22,731	32,117	2,765	57,613	30,440	26,799	57,239
Time-charter hire expense	71,851	49,192	-	121,043	54,493	47,781	102,274
Depreciation & amortization	19,795	33,114	5,327	58,236	24,703	27,744	52,447
Cash flow from vessel operations*	240,512	75,492	13,305	329,309	89,690	60,620	150,310

Average Aframax TCE

\$58,592

\$25,475

* Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and vessel write-downs/(gain) loss on sale of vessels. Cash flow from vessel operations is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See the Company's Web site at www.teekay.com for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.



Summary Income Statement

Three months ended 000s of USD (except per share data)	<u>Dec. 31, 2004</u> <u>(unaudited)</u>	<u>Dec. 31, 2003</u> <u>(unaudited)</u>
Voyage Revenues	669,553	451,048
General and administrative expenses	(48,251)	(26,362)
Gain/(loss) on sale of vessels and vessel write-downs	24,689	(54,048)
Other Operating Expenses	(350,229)	(326,823)
Income from vessel operations	295,762	43,815
OTHER ITEMS		
Net interest expense	(27,568)	(22,097)
Income tax expense	(18,747) **	(13,315) **
Equity income from joint ventures	6,071	3,217
Other items	2,328	(2,153)
Other items - unrealized foreign exchange loss	(33,290)	(2,885)
Subtotal of other items	(71,206)	(37,233)
Net income	224,556	6,582
Earnings per common share - diluted *	\$2.50	\$0.08
Weighted-avg # shares outstanding - diluted *	89,872,611	83,664,352

* Reflects the effect of outstanding stock options and the \$143.75 million mandatory convertible preferred PEPS units, computed using the treasury stock method

** includes \$15.2 million in 2004 and \$6.5 million in 2003 relating to deferred income tax on unrealized foreign exchange gains



Summary Balance Sheet

In 000s of USD

As at Dec. 31, 2004

As at Sept. 30, 2004

ASSETS

Cash and cash equivalents	427,037	308,034
Other current assets	264,806	205,626
Total Restricted cash	448,812	413,706
Vessels held for sale	129,952	-
Total vessels and equipment	3,531,287	3,540,936
Other assets	254,745	219,161
Intangibles and goodwill	447,101	451,807
Total Assets	5,503,740	5,139,270

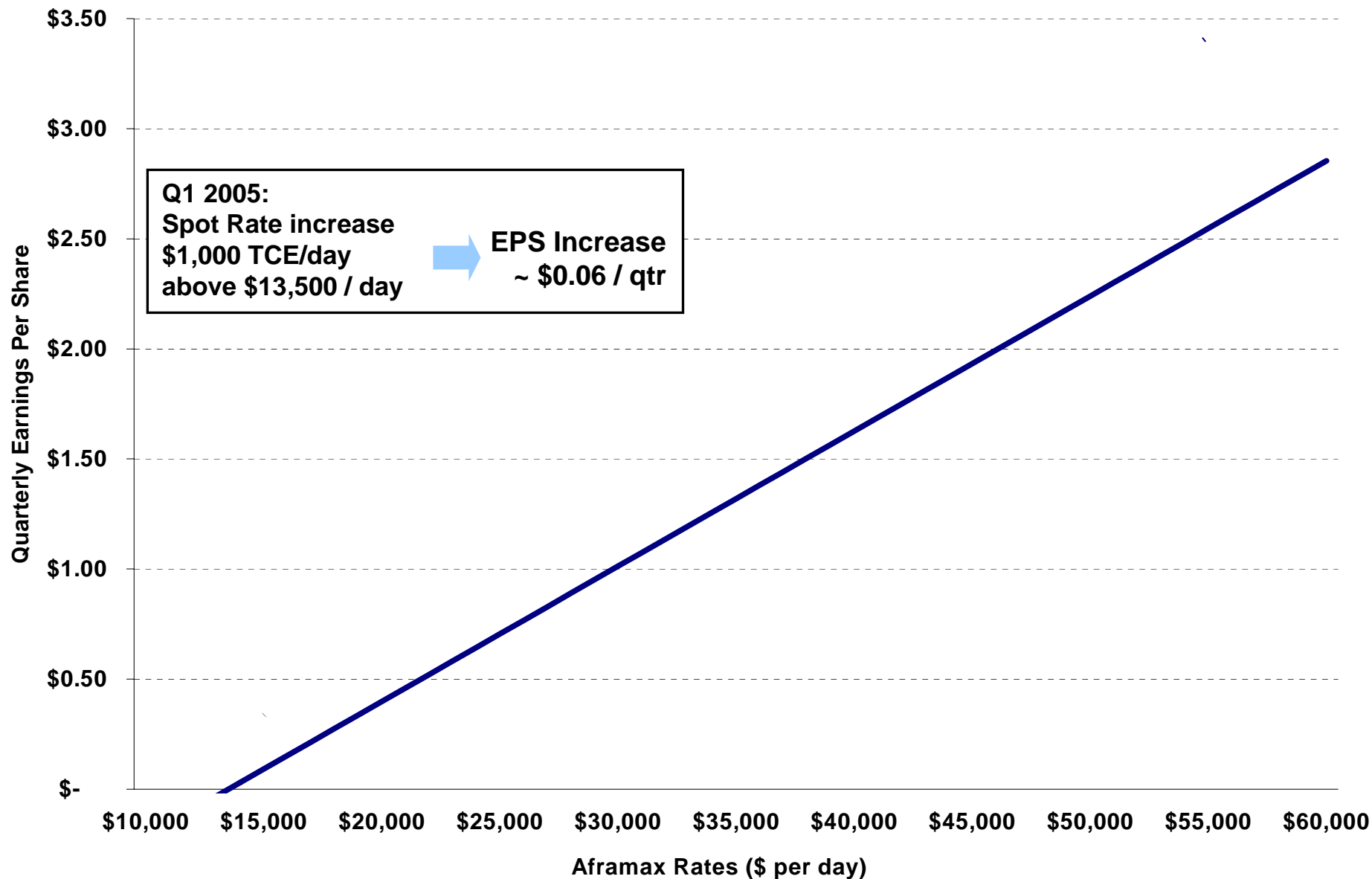
LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued liabilities	206,022	154,873
Current portion of long-term debt *	208,387	199,395
Long-term debt *	2,536,158	2,447,895
Other long-term liabilities	301,091	245,798
Minority interest	14,724	14,563
Stockholders' equity	2,237,358	2,076,746
Total Liabilities and Stockholders' Equity	5,503,740	5,139,270

*includes capital lease obligations



Significant Operating Leverage





Teekay - The Marine Midstream Company

