

# Teekay Shipping



## Teekay's First Quarter 2004 Earnings Presentation

April 22, 2004



NYSE: TK

[www.teekay.com](http://www.teekay.com)



# Forward Looking Statements

**This report 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, and spot tanker charter rates; anticipated annualized cash flow from vessel operations from the Company's fixed-rate segment by the end of 2004 and 2005; newbuilding delivery dates and the commencement of service under long-term contracts; the impact of the Tapias acquisition to Teekay's earnings, future cash flow from vessel operations and strategic position; the financing requirements for and the closing of the acquisition; the growth prospects of the LNG shipping sector and the joint venture company with the Tapias shareholders; and the anticipated distribution date for the stock split. 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 failure to close the Tapias transaction; the 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; the Company's future capital expenditure requirements; 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, 2002. 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.**



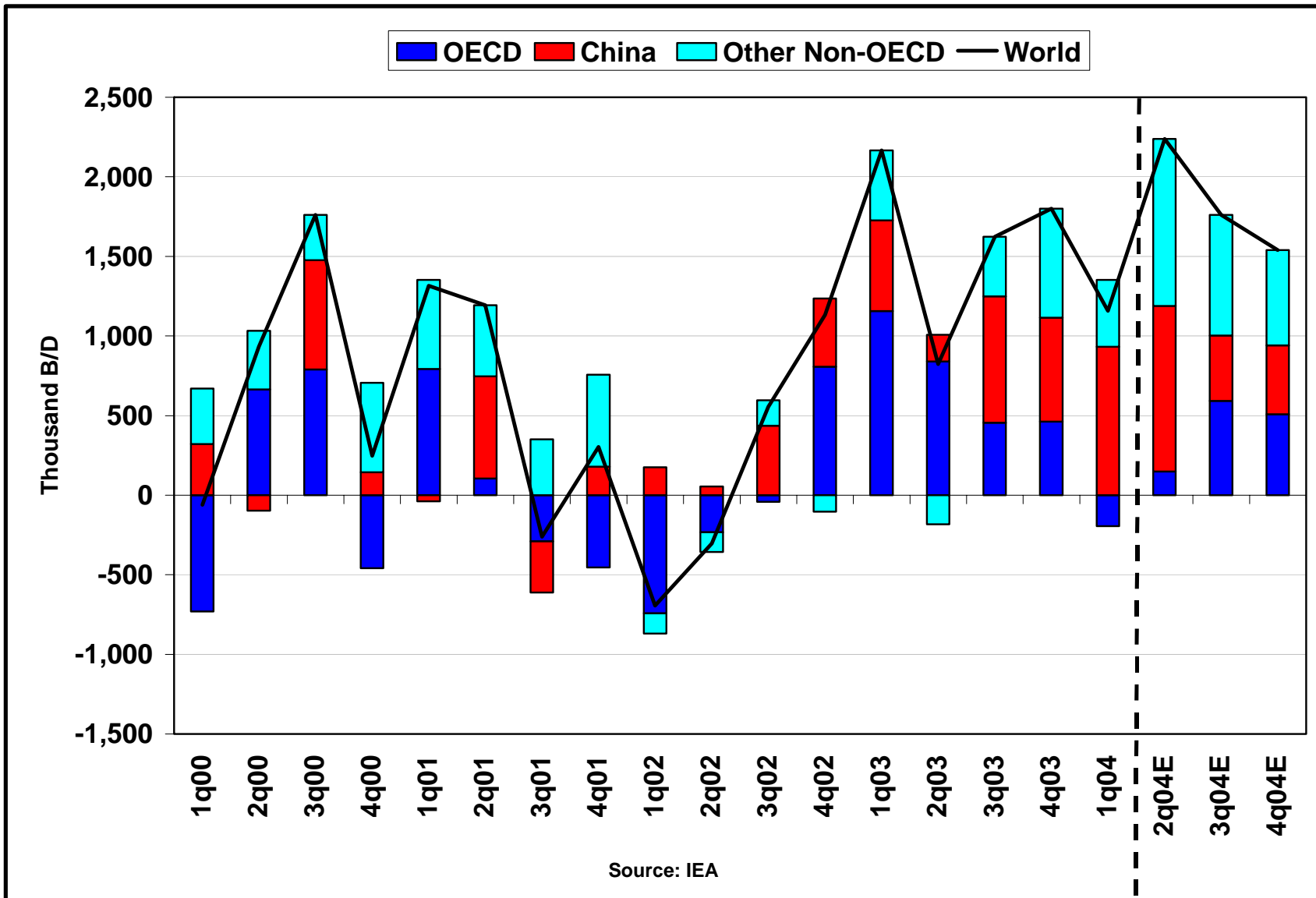
# 1<sup>st</sup> Quarter Highlights

- Highest quarterly net income of \$189 million, or \$4.37 per share
  - an EPS increase of over 230% compared to the first quarter of 2003
- Record performance in every segment
- Announced Naviera F. Tapias acquisition:
  - Immediately accretive to earnings and adds approximately \$115 million in annualized fixed-rate cash flow from vessel operations by the end of 2004
- Announced 2-for-1 stock split effective May 17, 2004

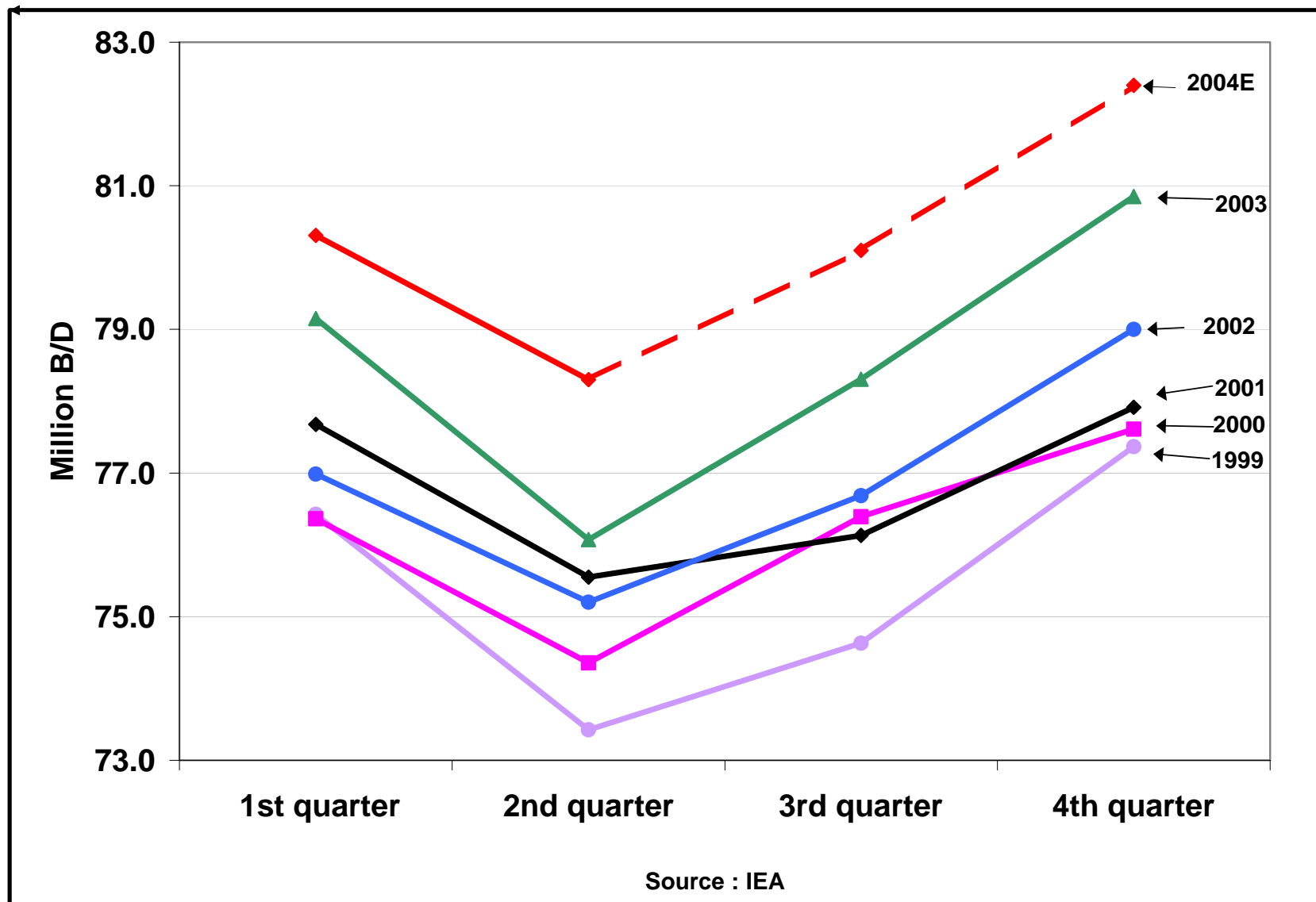




# World Oil Demand Year-on-Year Change

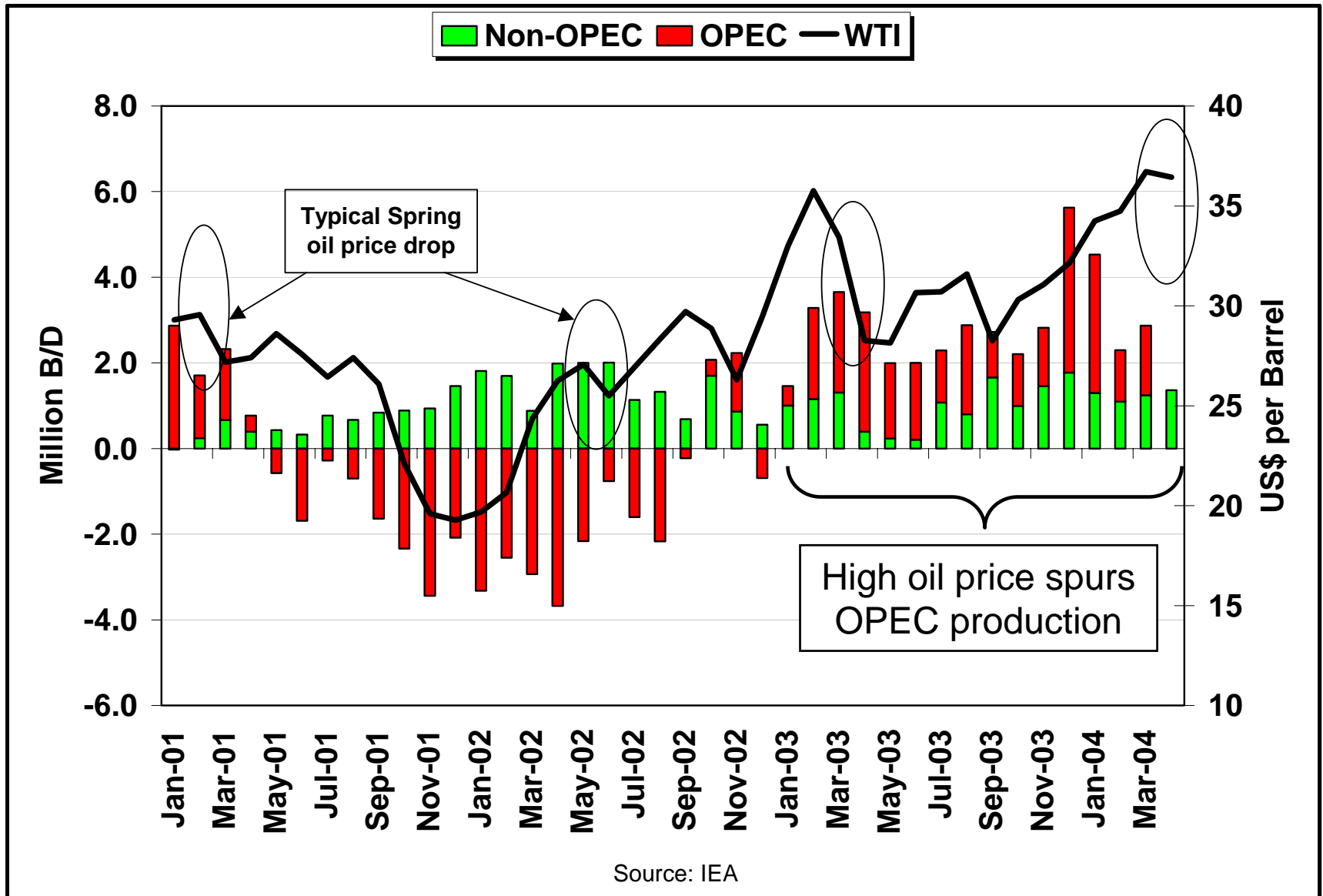


# Global Oil Demand - Growing Strongly Throughout the Seasons





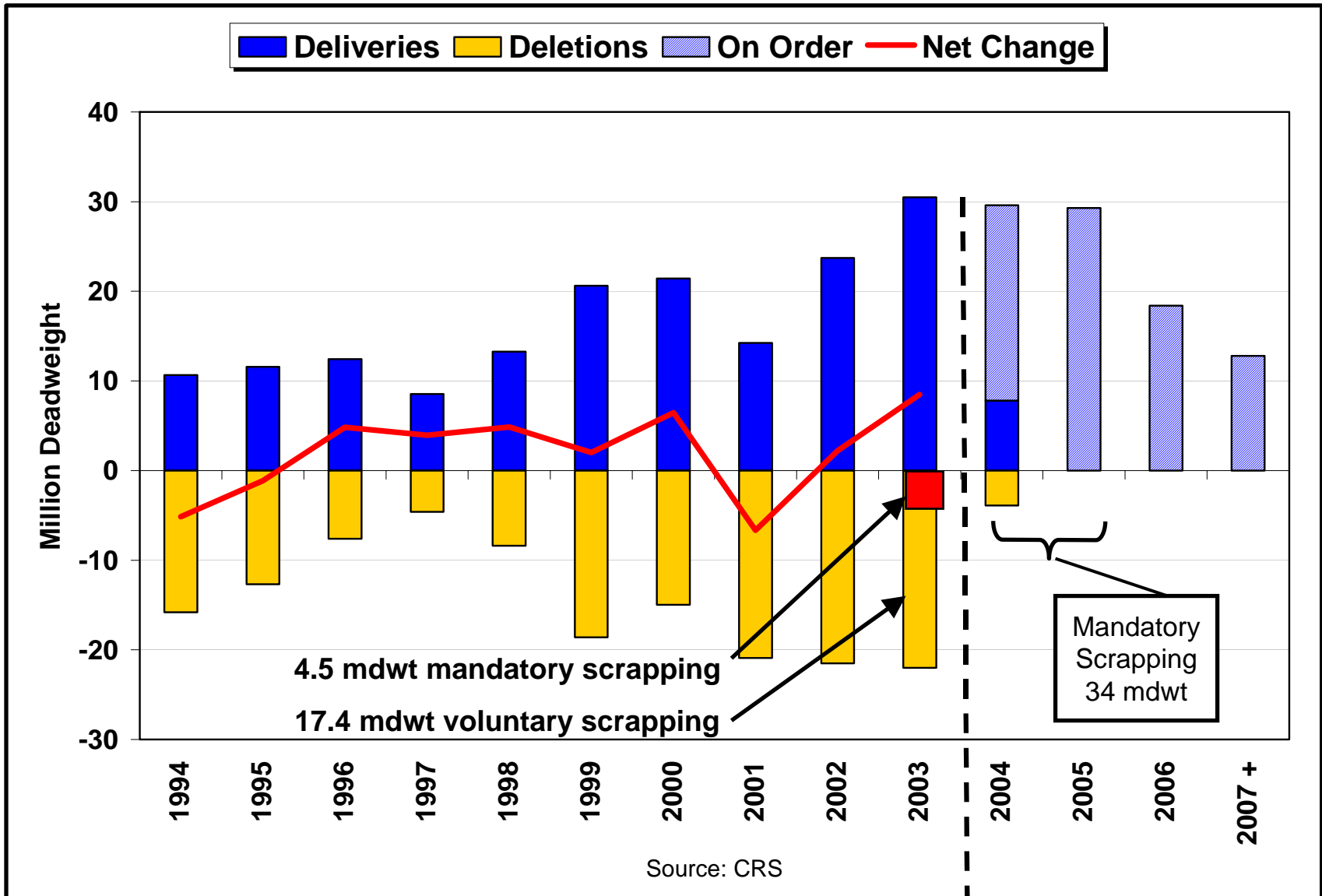
# Changes in World Oil Production vs. Changes in Oil Price



Source: IEA



# Tanker Supply - Outlook





# World Tanker Supply / Demand Balance to Remain Tight Through 2006

	<u>2004/2005</u> (mdwt)	<u>2006</u> (mdwt)
Newbuilding deliveries	59	18
less: mandatory scrapping *	<u>34</u>	<u>1</u>
Net fleet growth	25	17
Tanker demand growth **	<u>23</u>	<u>12</u>
Change in supply / demand balance	<u><u>2</u></u>	<u><u>5</u></u>

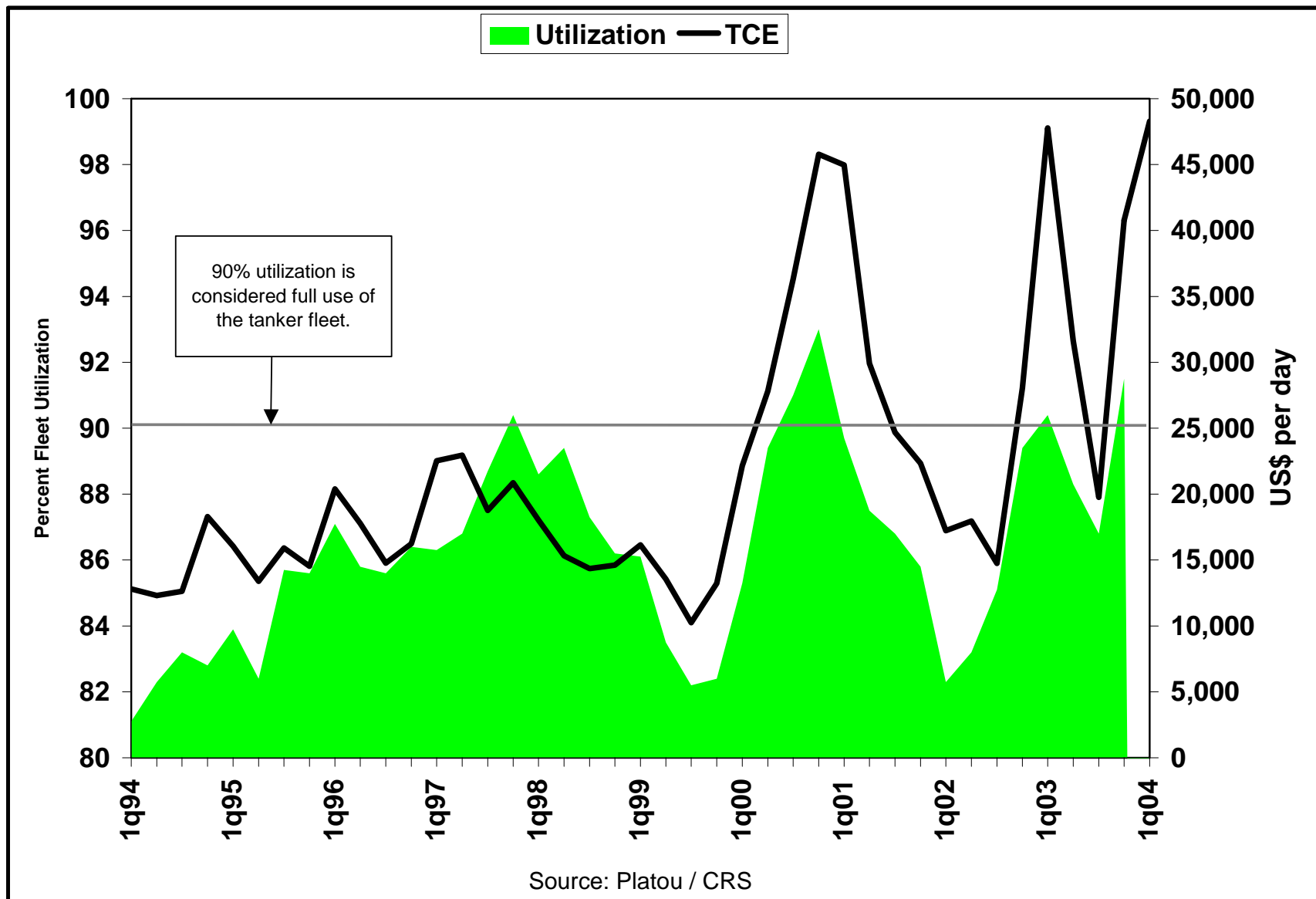
\* excludes any voluntary scrapping

\*\* based on 2% per annum oil demand growth, equal to 3.5% per annum tanker demand growth





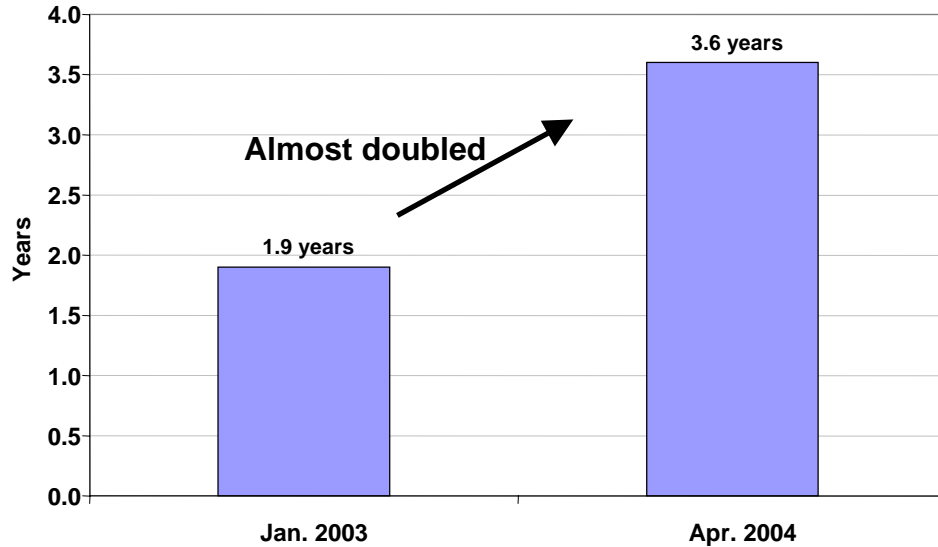
# World Tanker Utilization vs. Aframax Average Earnings





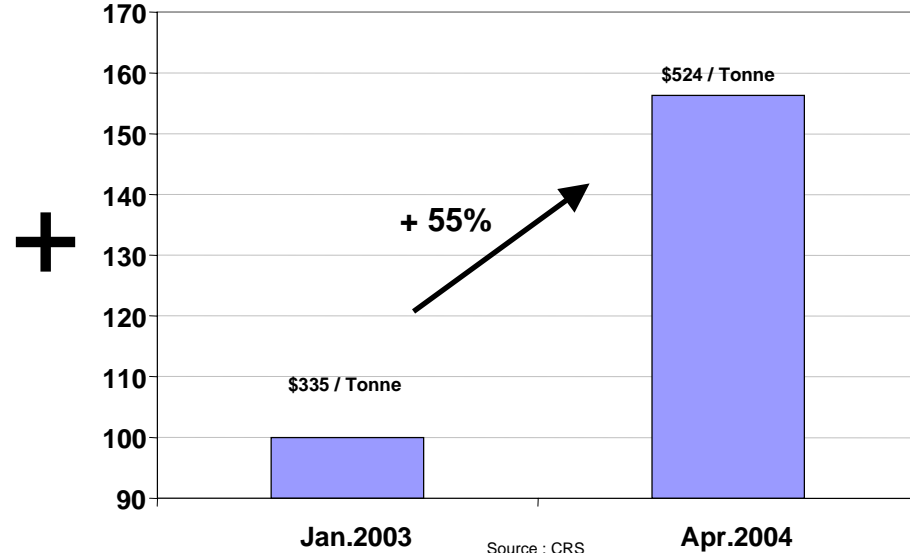
# Tanker Newbuilding Prices Rising Rapidly

### Korean Shipyards – Waiting Time for New Deliveries



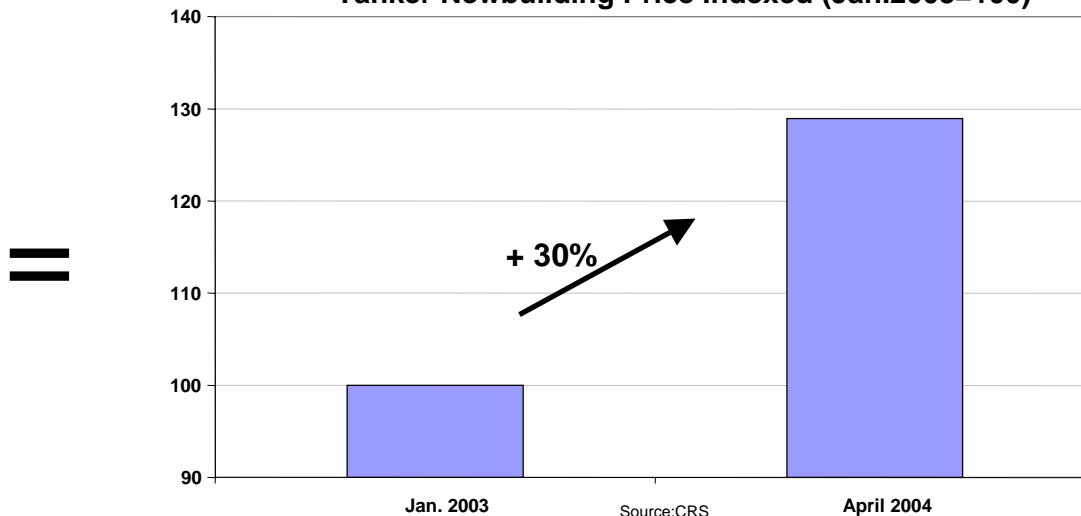
Based on CRS statistics on Compensated Gross Tons (as of April 2004)

### Japanese Steel Plate Price Indexed (Jan.2003=100)



Source : CRS

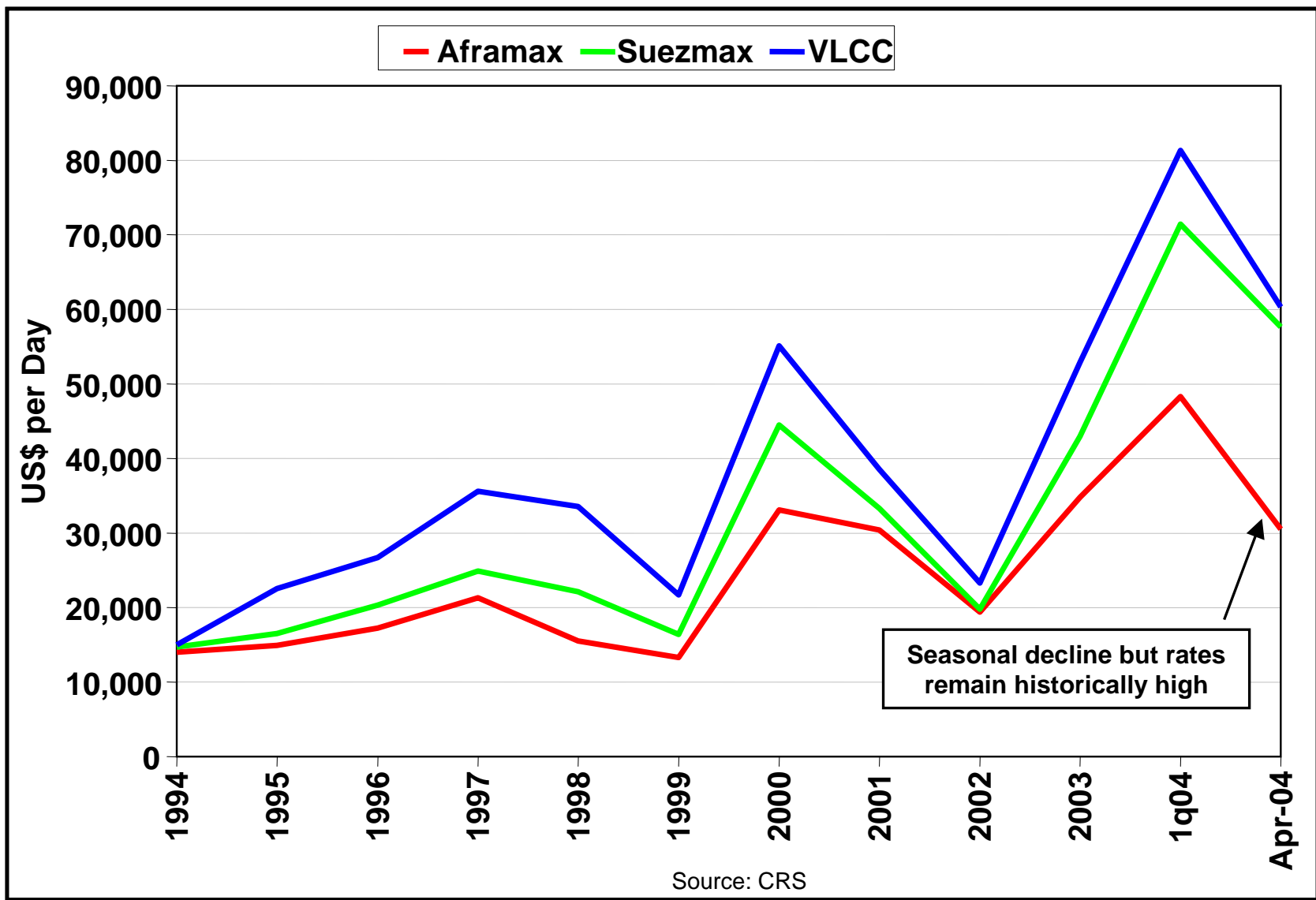
### Tanker Newbuilding Price Indexed (Jan.2003=100)



Source:CRS



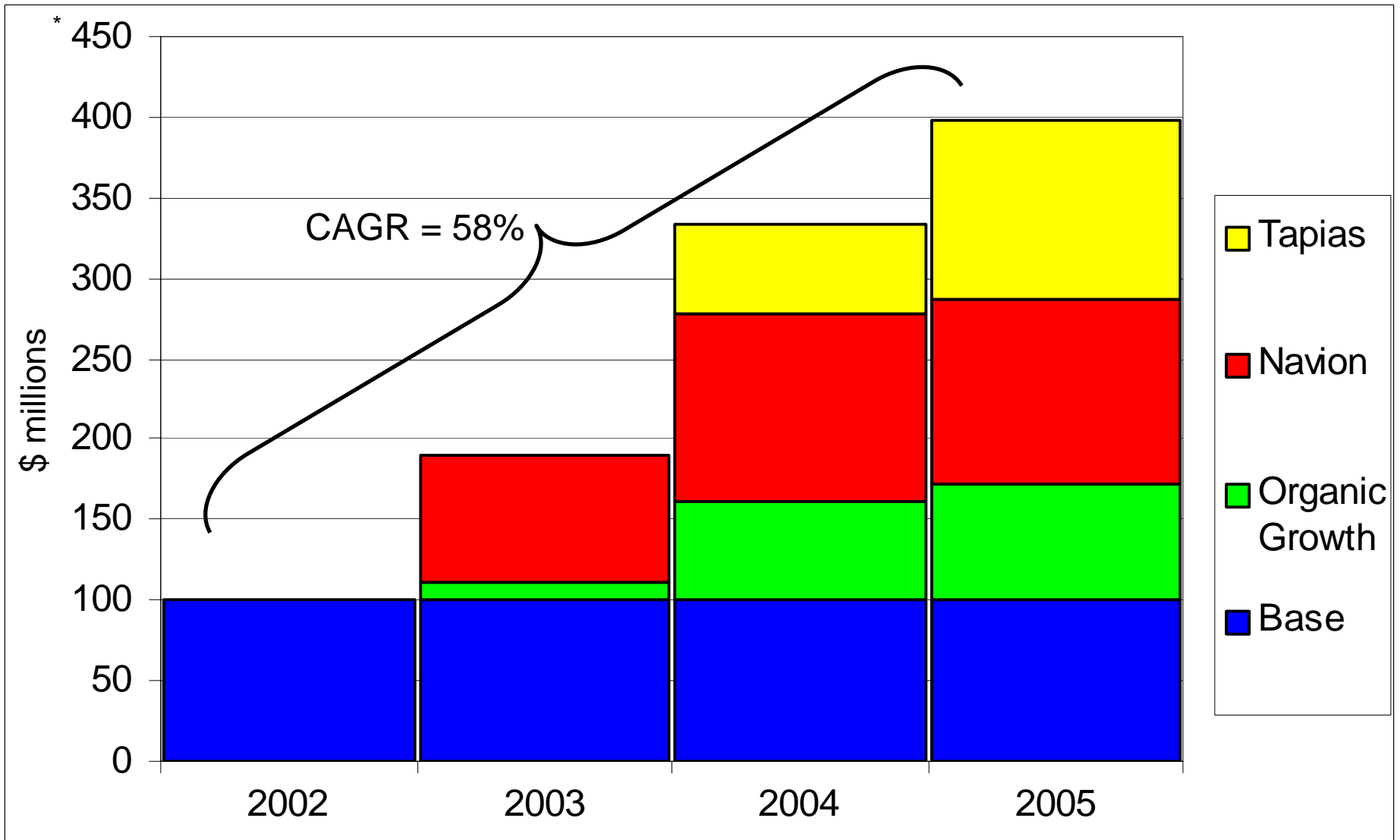
# Spot Tanker Rates



Source: CRS



# Quantum Leap in Fixed-rate Segment Cash Flow



\* Long-term fixed-rate cash flow from vessel operations





# Transaction Summary

- Teekay will acquire Naviera F. Tapias S.A., Spain's largest provider of marine energy transportation
- Total enterprise value of approximately \$810 million (cash and assumption of existing debt), and \$540 million in newbuilding commitments
- Large modern fleet of LNG carriers and crude oil tankers
  - Four LNG carriers, all on long-term charters to major energy companies
  - Nine Suezmax tankers, five on long-term charter to major oil company, and four on short-term charter or trading in the spot market
- Creation of 50/50 joint venture company to pursue oil and gas shipping opportunities in Spain
- On schedule to close by April 30, 2004
- Transaction expected to be immediately accretive to earnings and generate approximately \$125 million in annual cash flow



# Investment Rationale

- Provides attractive entry for Teekay into high growth LNG shipping sector
- Further extends Teekay's position as the world's leading shipper of seaborne oil
- Positions Teekay for further growth in Spain through joint venture with existing Tapias shareholders
- Significantly increases Teekay's cash flow from long-term fixed-rate contract business
- High debt capacity of Tapias' contracts minimizes the required cash outlay by Teekay





# Summary of Operating Results

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

	<b>Three Months Ended</b>		<b>% change</b>
	<b><u>Mar. 31, 2004</u></b> (unaudited)	<b><u>Mar. 31, 2003</u></b> (unaudited)	
Net voyage revenues	\$ 447,567	\$ 212,898	110%
Spot-rate cash flow from vessel operations	\$ 192,055	\$ 117,355	64%
<u>Fixed-rate cash flow from vessel operations</u>	<u>\$ 70,310</u>	<u>\$ 25,259</u>	<u>178%</u>
Total cash flow from vessel operations	\$ 262,365	\$ 142,614	84%
Income from vessel operations	\$ 208,751	\$ 103,484	102%
Net income	\$ 189,009	\$ 53,579	253%
Earnings per share	\$ 4.37	\$ 1.32	231%



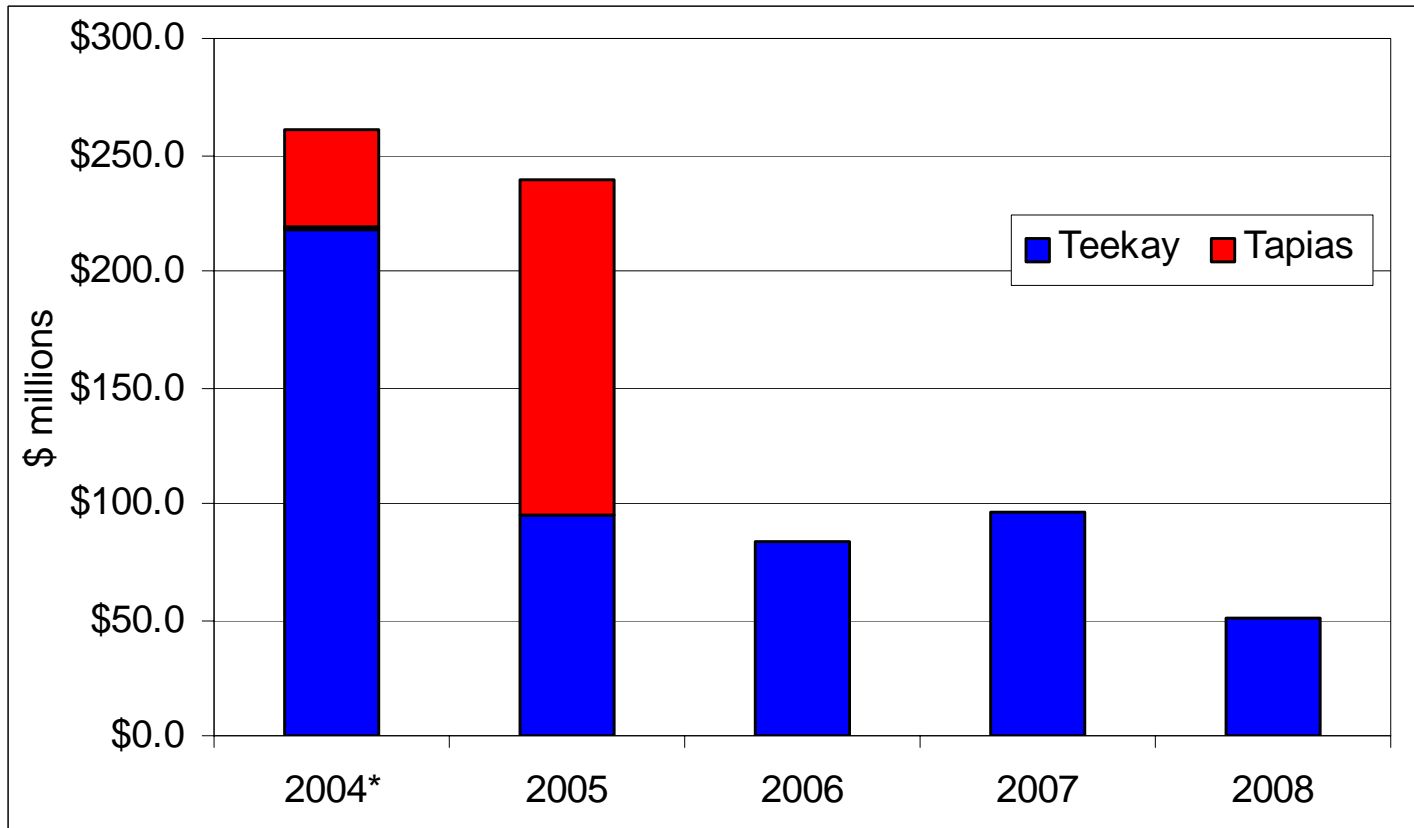
# Summary Income Statement

	<u>Three Months Ended</u>	
	<u>March 31,</u> <u>2004</u> (unaudited)	<u>December 31,</u> <u>2003</u> (unaudited)
<b>NET VOYAGE REVENUES</b>	447,567	340,599
<b>OPERATING EXPENSES</b>		
Vessel operating expenses	48,912	57,239
Time-charter hire expense	108,665	102,274
Depreciation and amortization	53,614	52,447
General and administrative	27,625	26,362
	<u>238,816</u>	<u>238,322</u>
<b>Income from vessel operations</b>	208,751	102,277
Write-downs and other charges	(159)	(58,462)
Equity income from joint ventures	1,836	3,217
<b>Operating Income</b>	<u>210,428</u>	<u>47,032</u>
<b>OTHER ITEMS</b>		
Net interest expense	(20,309)	(22,097)
Income tax expense	(2,149)	(13,315)
Other - net	1,039	(5,038)
	<u>(21,419)</u>	<u>(40,450)</u>
<b>Net income</b>	<u>189,009</u>	<u>6,582</u>
Weighted avg. # of shares outstanding - diluted	43,261,082	41,832,176





# Remaining Newbuild Commitments



\$ millions	2004	2005	2006	2007	2008
<b>Arranged Financing</b>	<b>\$177</b>	<b>\$135</b>	<b>\$83</b>	<b>\$71</b>	<b>0</b>
<b>In Negotiations</b>	<b>\$83</b>	<b>\$103</b>	<b>0</b>	<b>\$25</b>	<b>\$51</b>
<b>Total</b>	<b>\$260</b>	<b>\$238</b>	<b>\$83</b>	<b>\$96</b>	<b>\$51</b>

\* Note: Represents commitments from April 1, 2004 to December 31, 2004

# Pro Forma Capital Structure

## Teekay as at March 31, 2004 adjusted for Tapias acquisition

(in thousands of U.S. dollars)

	<u>March 31, 2004 Teekay</u>	<u>Acquisition of Tapias</u>	<u>Pro Forma March 31, 2004 Consolidated</u>
Cash	304,009		304,009
Debt	1,569,715	780,000 **	2,349,715
Net Debt	1,265,706	780,000	2,045,706
Shareholder's Equity	1,921,428	-	1,921,428
Total Capitalization	3,187,134	780,000	3,967,134
Net Debt/ Total Capitalization*	35%		48%

\*Teekay's Premium Equity Participating Security Units treated as equity.

\*\* Excludes \$540 million in newbuilding commitments of which \$302 million is prepaid, net of \$30m deposit.



# 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)

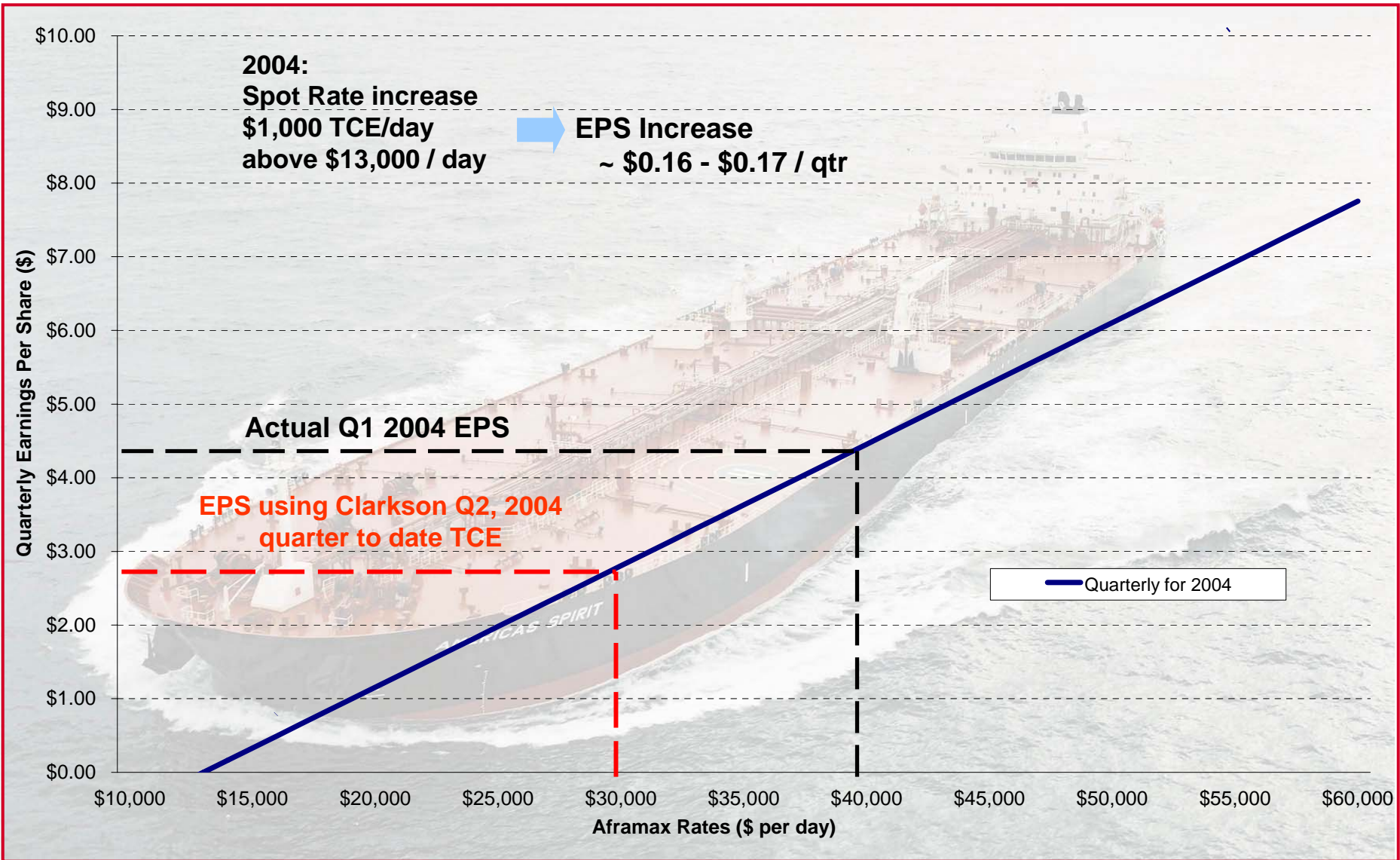
Fixed-rate CFVO/ Total Fixed Charges 1.14 X = A / B

\* Source: Company estimate

CFVO = Cash Flow from Vessel Operations



# Significant Operating Leverage







# 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 12 and 19:

Reconciliation of Cash flow from vessel operations from fixed-rate long-term contracts (\$000s)	<u>Year Ended</u> <u>Dec. 31, 2002</u>	<u>Year Ended</u> <u>Dec. 31, 2003</u>
<b>Actual</b>		
Income from vessel operations	56,863	105,007
Depreciation and Amortization	43,889	84,863
<b>Cash flow from vessel operations</b>	<b>100,752</b>	<b>189,870</b>

Projection	<u>Year Ended</u> <u>Dec. 31, 2004</u>	<u>Year Ended</u> <u>Dec. 31, 2005</u>
Income from vessel operations	201,000	245,000
Depreciation and Amortization	135,000	155,000
<b>Cash flow from vessel operations</b>	<b>336,000</b>	<b>400,000</b>