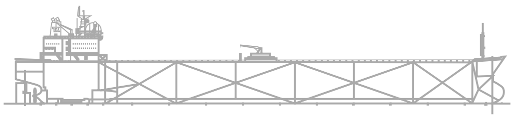


Teekay is here

Teekay Shipping Corporation **2000 annual report**

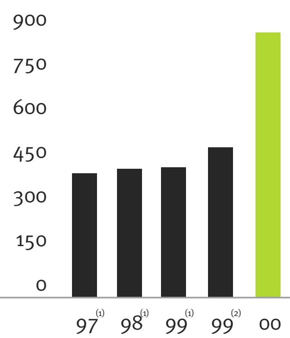
FINANCIAL HIGHLIGHTS

(In thousands of U.S. dollars, except as otherwise indicated)	Year Ended December 31, 2000	9 Months Ended December 31, 1999*	Year Ended March 31, 1999
Income Statement Data			
Net voyage revenues	$ 644,269	$ 248,350	$ 318,411
Net income (loss)	270,020	(19,595)	45,406
Balance Sheet Data			
Total assets	1,974,099	1,982,684	1,452,220
Total stockholders' equity	1,098,512	832,067	777,390
Per Share Data			
Fully diluted earnings (loss) per share	6.86	(0.54)	1.46
Weighted average shares outstanding (thousands)	38,468	36,384	31,063
Other Financial Data			
EBITDA	449,191	89,839	186,069
Net debt to capitalization (%)	34.3	50.8	39.6
Capital expenditures:			
Vessel purchases, gross	43,562	452,584	85,445
Drydocking	11,997	4,971	7,213
Operating cash flow per ship per day	16,687	5,177	11,171

*Teekay changed its fiscal year-end from March 31 to December 31, effective December 31, 1999

CONTENTS

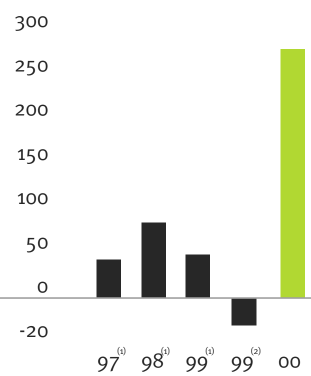
Revenue
$ Millions



Fiscal Year Ended December 31

(1) Fiscal year ended March 31
(2) 12 months ended December 31, 1999

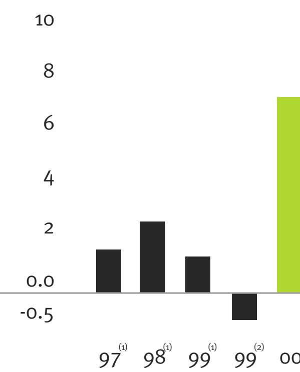
Net Income
$ Millions



Fiscal Year Ended December 31

(1) Fiscal year ended March 31
(2) 12 months ended December 31, 1999

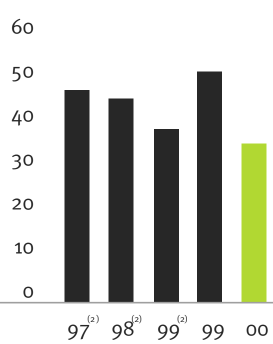
Earnings Per Share[3]
$ US



Fiscal Year Ended December 31

(1) Fiscal year ended March 31
(2) 12 months ended December 31, 1999
(3) Fully Diluted

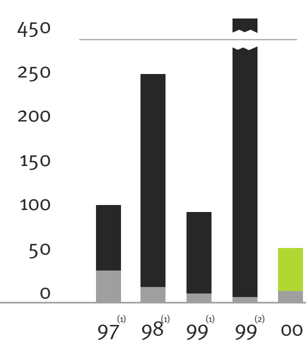
Leverage[1]
%



As at December 31

(1) Net debt/capitalization
(2) As at March 31

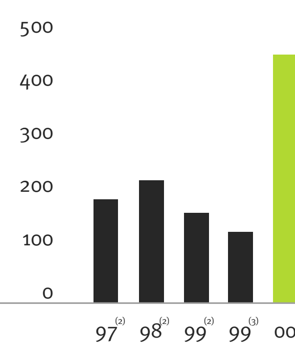
Capital Expenditures
$ Millions



Fiscal Year Ended December 31

Vessels and equipment, gross
Drydocking
(1) Fiscal year ended March 31
(2) 12 months ended December 31, 1999

Cash Flow[1]
$ Millions



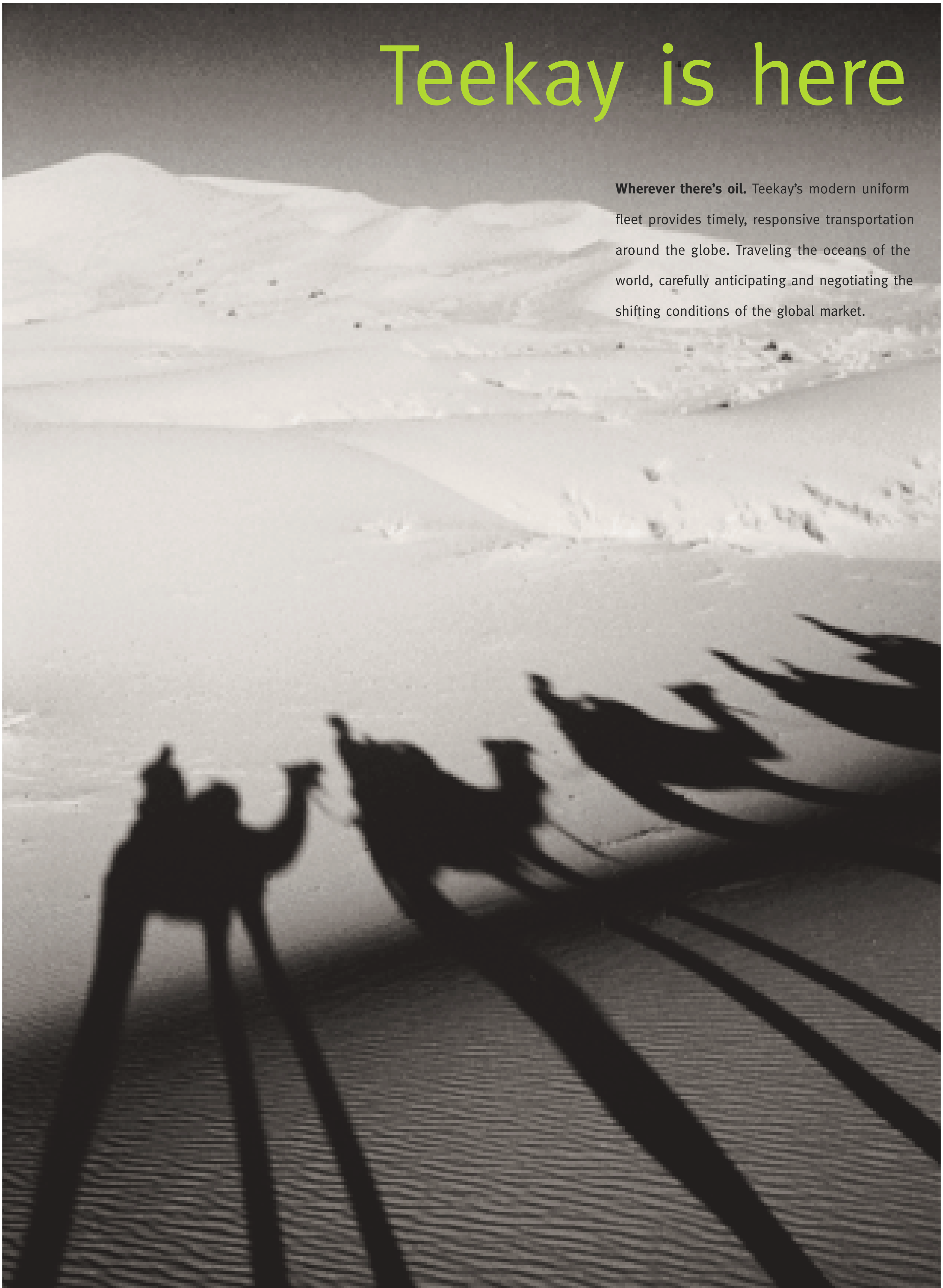
Fiscal Year Ended December 31

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA)
(2) Fiscal year ended March 31
(3) 12 months ended December 31, 1999

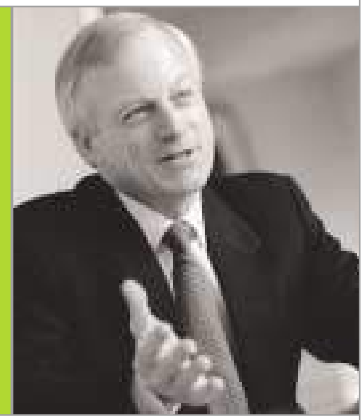
> **Teekay profile:** Teekay Shipping Corporation operates the world's largest fleet of medium-sized (Aframax) oil tankers. The company has earned an international reputation for safety and excellence in providing crude oil and petroleum product transportation services to major oil companies, traders and government agencies worldwide. Teekay is headquartered in Nassau, Bahamas, has offices in eleven other countries and employs 300 onshore and more than 2,700 seagoing staff around the globe. The Company's common stock is listed on the New York Stock Exchange and trades under the symbol "TK."

Teekay is here

Wherever there's oil. Teekay's modern uniform fleet provides timely, responsive transportation around the globe. Traveling the oceans of the world, carefully anticipating and negotiating the shifting conditions of the global market.




C. Sean Day
Chairman of the Board of Directors



"In good markets and bad, we have always gone to great lengths to uphold the Teekay Standard – to deliver service that is nothing less than first class. This year we are being rewarded for our consistent focus on excellence."

It is always gratifying to report on an outstanding year! In 2000, Teekay had its best year by any measure since our debut as a public company in 1995. Teekay's gain in net worth during the year was $266 million, an increase of 32%.

We were the beneficiaries of many favourable external factors. These included, a robust global economy, the need to replenish crude oil stocks around the world after a significant drawdown in 1999, the sourcing of increases in oil supplies largely from long haul Middle East ports and, above all, the recognition by most oil companies that companies like Teekay offer a differentiated, high quality service. All of these factors drove earnings for modern, high quality vessels in the open market up to levels not seen in many years. We also benefited from our own preparations for this upturn. In particular, our timely acquisition of Bona Shipholding in 1999 gave our company global coverage for the first time. The theme of our Annual Report this year "Teekay is here", reflects our worldwide presence and our commitment to service. 2000 was the first full year in which we were able to offer our customers the benefit of 24-hours a day, 7-days a week service through 12 offices circling the globe, 75 vessels plying every major trade route and 3,000 employees of many nationalities all committed to offering a level of service superior to that of any other tanker company.

We continued to differentiate ourselves from our competitors in 2000, and this will continue in 2001. As industry leaders, we are dedicated to providing the very highest level of service to our customers. In some cases we have moved beyond simple contractual obligations to key customers and are now forming more durable alliances. As the oil industry consolidates further, global solutions will be sought which can be met only by shipping companies with the size and reach of Teekay. As we continue our heavy investment in people and systems, it is our belief that Teekay will be able to deliver a higher quality of customer service, at a lower cost, and with global marketing capability and systems unmatched by any other company in our industry.

During 2000 we welcomed Bruce Bell, Ian Blackburne and Eileen Mercier to our Board of Directors. Each of them has had a distinguished business career and each brings valuable skills and experience to our Board. We also made very important additions to our senior management team in Tokyo, London and Houston as we continue to build for the future.

In closing, I would like to repeat to you, our shareholders, our commitment to increasing shareholder value in this coming year, and thank you for your past support. I am grateful, too, for the loyal support of our many customers. Finally, I would like to commend Bjorn Moller and our dedicated Teekay employees, ashore and afloat, for a job well done and for their continued commitment to our vision.

C. Sean Day
Chairman of the Board of Directors

> **We continued** to differentiate ourselves from our competitors in 2000, and this will continue in 2001. As industry leaders, we are dedicated to providing the very highest level of service to our customers.

Bjorn Moller
President and CEO

"In my report last year I stated our belief that the tanker market was poised for an upturn from its then depressed levels. As it turned out, we were correct about the direction of the market but we certainly could not have predicted freight rates soaring to levels not seen in more than 25 years!"

Strong Financial Performance

While the strong rise in tanker rates was certainly the highlight of the year, it was satisfying to see the payoff for our considerable efforts in recent years positioning Teekay for just such a market upswing. These efforts included: increasing our exposure to the market with well-timed fleet growth; increasing our fleet utilization by building a portfolio of attractive contracts of affreightment; and continuous improvement initiatives aimed at optimizing operational performance and cost efficiency. The combined effect of these resulted in an outstanding year 2000 for Teekay.

Maintaining significant exposure to the spot market meant that the effect of the rising market on Teekay's earnings was both immediate and dramatic. Time charter equivalent (TCE) rates per calendar day for our international Aframax tanker fleet rose throughout the year, averaging $17,500 in the first quarter and increasing to an average of $33,400 in the fourth quarter. For the year, we averaged over $25,000 compared with $12,300 in the previous fiscal period. Our Australian fleet, including our Floating Storage and Offtake (FSO) vessel performed well and maintained attractive earnings under long term contracts. Our OBO segment enjoyed strengthening rates and generated good cash flow during the year. This increase in TCE rates resulted in strong financial performance. Net income for the fiscal year ended December 31, 2000 was $270.0 million, or $6.86 per share fully diluted, compared to a net loss of $19.6 million, or $0.54 per share for the shortened nine-month fiscal period ended one year earlier. Return on shareholders' equity for the year was 25%.

EBITDA for the year was $449.2 million. The strength of our cash flow had a positive effect on our balance sheet, bringing net debt down to 34.3% of total capitalization by the end of the year.

Strong Market Fundamentals

When analyzing the rise in rates it is interesting to note that the market was not only driven by transitory cyclical events but also by positive structural developments in the tanker industry.

Global oil production rose by 2.6 million barrels per day or 3.5% in 2000. Most of this incremental production originated from the Middle East, marking a significant shift from the 1990s. Because of their requirement for long haul tanker transportation, Middle East oil exports are particularly good for tanker demand. On the supply side, the world's tanker fleet grew by a modest 2.2%, insufficient to keep pace with demand growth. The net effect was to stretch tanker capacity utilization close to its practical limit for the first time since the early 1970s, causing freight rates to rise dramatically. In early 2001, we have seen production cuts by OPEC in anticipation of seasonal post-winter weaknesses in oil demand. OPEC will almost certainly reverse these cuts, and possibly raise production further later this year as world oil consumption continues to grow.

Another structural development driving the freight market higher was the increasing 'flight to quality' by charterers this past year. A spate of high profile casualties involving old tankers increased the preference for modern, high quality tankers and, consequently, the freight differential willing to be paid to charter these ships. Teekay was a major beneficiary of this trend due to the high quality reputation of our modern fleet.

Positioned to Deliver

Since the last cycle, we have improved and repositioned Teekay's fleet. In 2000, we were rewarded for our timely acquisition of Bona Shipholding during the weak market in 1999, increasing our fleet by almost 50%. This proved to be significantly accretive to our earnings per share last year. In the early part of 2000, we added to our fleet through a combination of second-hand purchases and in-chartering of third party tonnage. Disciplined timing of fleet growth over the past few years has steadily lowered our average cost of assets and reduced TCE net income breakeven from $16,100 in 1995 to $13,100 per day in 2000. Our 75-ship fleet ensures considerable operating leverage: each $1,000 per day TCE we generate above our net income breakeven translates into an additional 57 cents per share in annual earnings, fully diluted.

> **Each $1,000** per day TCE we generate above our net income breakeven translates into an additional 57 cents per share in annual earnings, fully diluted.

To maximize charter revenues we concentrate our tonnage in the world's most quality sensitive regions and pursue a backhaul and parceling strategy that generates superior capacity utilization for our fleet. Recent consolidation among oil companies has resulted in a market with fewer, larger customers. As these customers streamline their procurement processes they are increasingly looking to suppliers capable of delivering reliable service on a global basis at competitive prices. Our large, uniform fleet is ideally suited to service this need. During 2000, we further increased the number of high volume contracts that maximize our fleet utilization.

This past year we continued our aggressive pursuit of optimized fleet operations and cost efficiency. Our integration of the Bona fleet was successfully completed with realized cost synergies exceeding the target of $10 million per year. Our cross-functional Ship Teams, now in their second year, raised the efficiency of our fleet, while our Standards and

> **"High calibre staff** are key to supporting our global brand and we have devoted a great deal of time recruiting resources to our organization. In particular, we made some important additions to our global management team in a variety of regions over the past year."

Policy Teams reduced costs through innovation and through leveraging Teekay's buying power, resulting in a 10% cost reduction in per-day vessel operating expenses in 2000 versus the previous year.

Positive Outlook

The market outlook for the next three to five years is bright for our industry in general, and for global, high quality service providers like Teekay in particular. A major milestone is expected in April 2001 when the IMO, the international maritime regulatory body, is scheduled to vote on a bill to accelerate the mandatory phase-out of old tankers, which could force the scrapping of approximately 28% of the existing world fleet during the next five years. Such a massive phase-out would finally remove the mid-1970s tanker delivery boom that has created a supply overhang for our industry for the past 25 years. Replacing this tonnage and meeting growing demand for oil transportation will stretch the capabilities of the world's shipbuilding yards, which are already substantially full through mid-2003.

Building Teekay's Brand

We believe that we are in the early stage of a transformation in which oil companies will offer a growing proportion of their business to large, well capitalized, full service tanker companies. As an acknowledged industry leader, Teekay is in an excellent position to more fully develop what is already a recognized brand of quality and service. In keeping with this focus, we announced on March 6, 2001 our acquisition of a controlling interest in Norway's Ugland Nordic Shipping ASA, one of the world's largest operators of shuttle tankers with a fleet of 14 vessels plus four newbuildings on order.

We have identified the shuttle tanker market as an area of significant opportunity consistent with Teekay's operationally intensive and customer-focused strategy. Further expansion of our services in the offshore marine market is a natural extension of our core competencies and will allow us to further broaden the services that we can offer to our customers on a global basis. This is consistent with our mission to be the first choice of our customers and will provide us with a solid growth platform.

I wish to thank all my colleagues in Teekay, ashore and on board ship, for their hard work and commitment to building Teekay into a leader in our industry. I am pleased that all our groundwork is paying off. You have every right to be proud of the role you have played in making sure that "Teekay is here", at the right place, at the right time.

Bjorn Moller
President and CEO

Teekay is here

In economic centres throughout the world. Teekay maintains a presence in many countries to stay close to our customers, industry decision-makers and sources of capital. In our industry, we understand that time is money.

Tanker Supply/Demand Dynamics

The oil tanker market is governed by the demand for sea-based oil transportation and the supply of oil tankers, the balance of which is reflected in tanker TCE rates. Volatility in these rates is created by rapid fluctuations in demand in response to changes in the world oil markets, while oil tanker supply responds much slower due to shipyard lead times. For the past 25 years the effect of these fluctuations has been cushioned by a surplus of tanker supply. This surplus, although difficult to measure, appears to have diminished significantly, causing a sharp increase in the volatility of tanker rates in 2000.

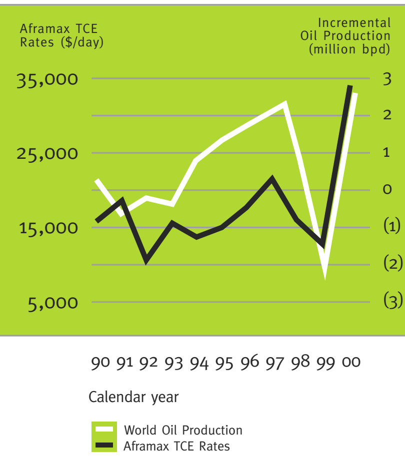
Tanker demand is, in the short term, driven by the growth in oil consumption and the level of oil production. In the medium term, oil production reverts to tracking oil demand. As a result, oil demand growth is a good indicator of future tanker demand growth. As can be seen in the graph below, oil demand is closely linked to world GDP. Another factor affecting tanker demand is the average distance over which crude oil is carried by sea from the production wellhead to the refinery. The further the oil travels the more tonnage required to move the oil.

Tanker supply is affected by the number of newbuildings delivered into the market and by the rate at which older vessels are being scrapped. The decision by a tanker owner to scrap a vessel is in large part driven by its age, current/projected income and the cost of any modifications required as it goes through periodic special surveys. Older vessels, which are more expensive to maintain, eventually reach a point where it is no longer economic for them to be maintained.

GDP Growth vs. Oil Demand

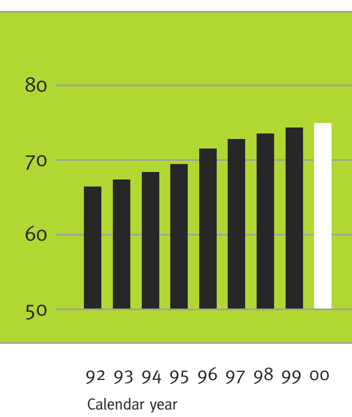
% Growth

Aframax TCE Rates vs. Oil Production



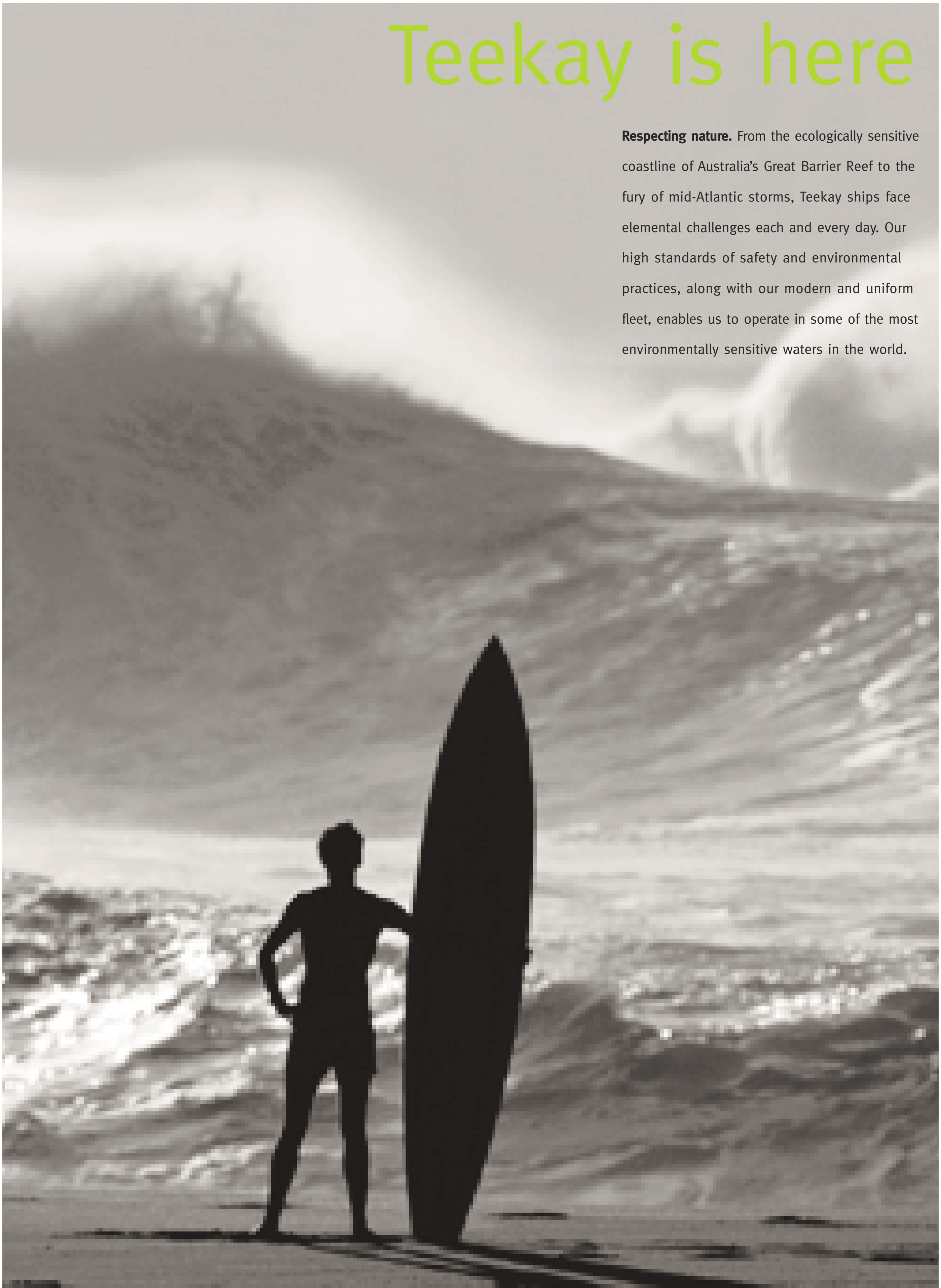
Growth in Oil Demand

Millions B/D



Teekay is here

Respecting nature. From the ecologically sensitive coastline of Australia's Great Barrier Reef to the fury of mid-Atlantic storms, Teekay ships face elemental challenges each and every day. Our high standards of safety and environmental practices, along with our modern and uniform fleet, enables us to operate in some of the most environmentally sensitive waters in the world.



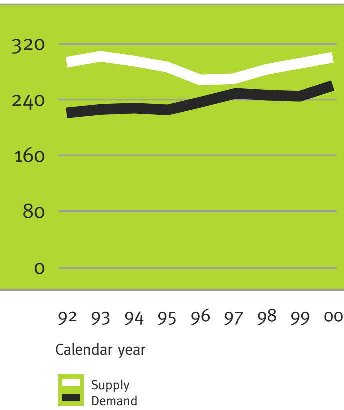
The 2000 Tanker Market

The 2000 tanker market was characterized by high capacity utilization, with little or no spare tonnage, particularly modern tonnage, in the existing world fleet to transport increases in oil production. The "Erika" oil spill incident was a catalyst that heightened the awareness of environmental risk associated with chartering the large number of ageing 1970's built tankers still in the world fleet, increasing the demand for modern tonnage. As a result, charterers were willing to pay a premium for young, high quality tonnage. Aframax TCE rates which started the year at a low of $15,000 per day, climbed dramatically to over $50,000 per day by year end.

In 1999, oil production cutbacks by OPEC producers resulted in a significant drawdown of world oil inventory levels, lowering tanker demand and TCE rates, and causing scrapping of old tonnage to reach its highest level in 14 years. In 2000, increased oil demand and replenishment of low inventory levels supported production increases throughout the year. OPEC responded to this escalating oil demand by increasing production four times during the year: 1.7 mbpd (million barrels per day) in March, 700 mbpd in June, 800 mbpd in September and 500 mbpd in November. Overall, OPEC had increased production by 3.7 mbpd during 2000. Global oil production increased from an average 74.1 mbpd in 1999 to 76.7 mbpd in 2000. Oil production in the fourth quarter of 2000 peaked at 78.2 mbpd. In addition to increases in OPEC production, a disproportionately large share of incremental oil production originated in the Middle East, the source of the world's only meaningful spare oil production capacity. This boosted tanker demand, as the transportation of the Middle East oil exports is tanker intensive.

Total tanker supply grew by 6.7 mdwt (million dead weight tonnes) or 2.2% in 2000 over 1999. Newbuilding tanker deliveries rose to 21.2 mdwt from 20.3 mdwt in 1999. Strong TCE rates caused scrapping to decrease to 14.7 mdwt in 2000 compared to 17.8 mdwt in 1999. There were 23 Aframaxes delivered in 2000 compared to 51 in 1999, while scrapping decreased from 34 Aframaxes in 1999 to 20 Aframaxes in 2000.

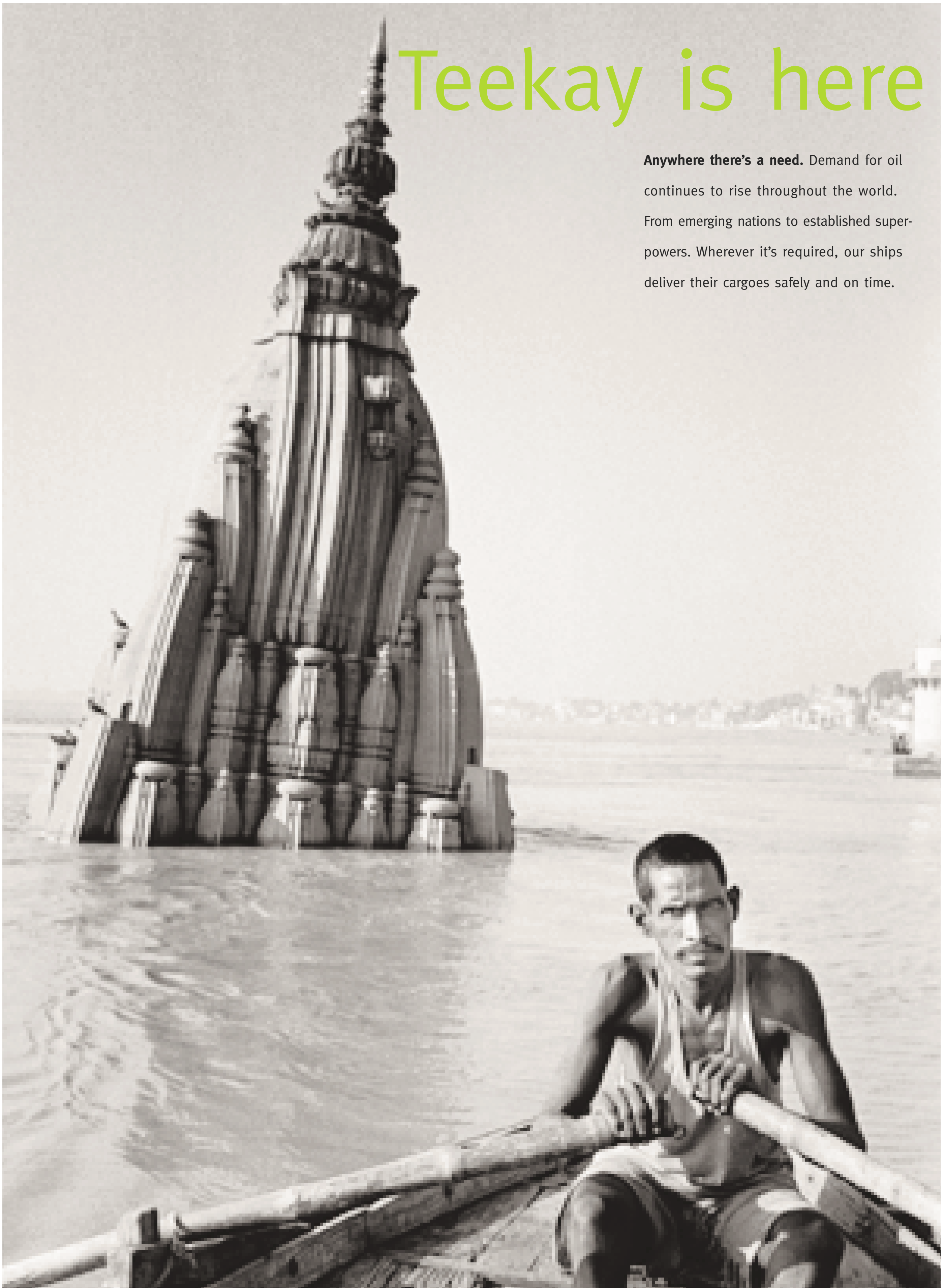
Tanker Supply/Demand Balance
Millions Of DWT



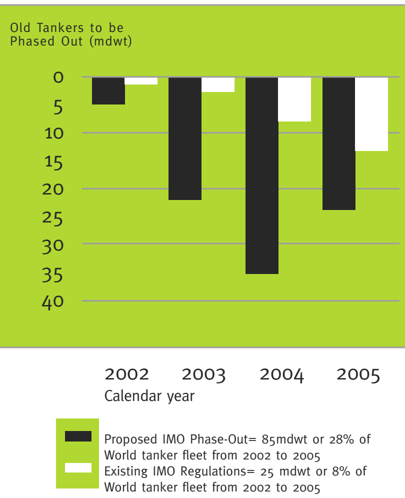
On the tanker demand side, we face low oil inventories, growing oil demand, spare oil reserves located in long haul locations and a flight to quality increasing competition for tankers. On the supply side, there is little spare capacity, an ageing world fleet and full orderbooks through mid-2003.

Teekay is here

Anywhere there's a need. Demand for oil continues to rise throughout the world. From emerging nations to established superpowers. Wherever it's required, our ships deliver their cargoes safely and on time.



Proposed Accelerated Phase-Out



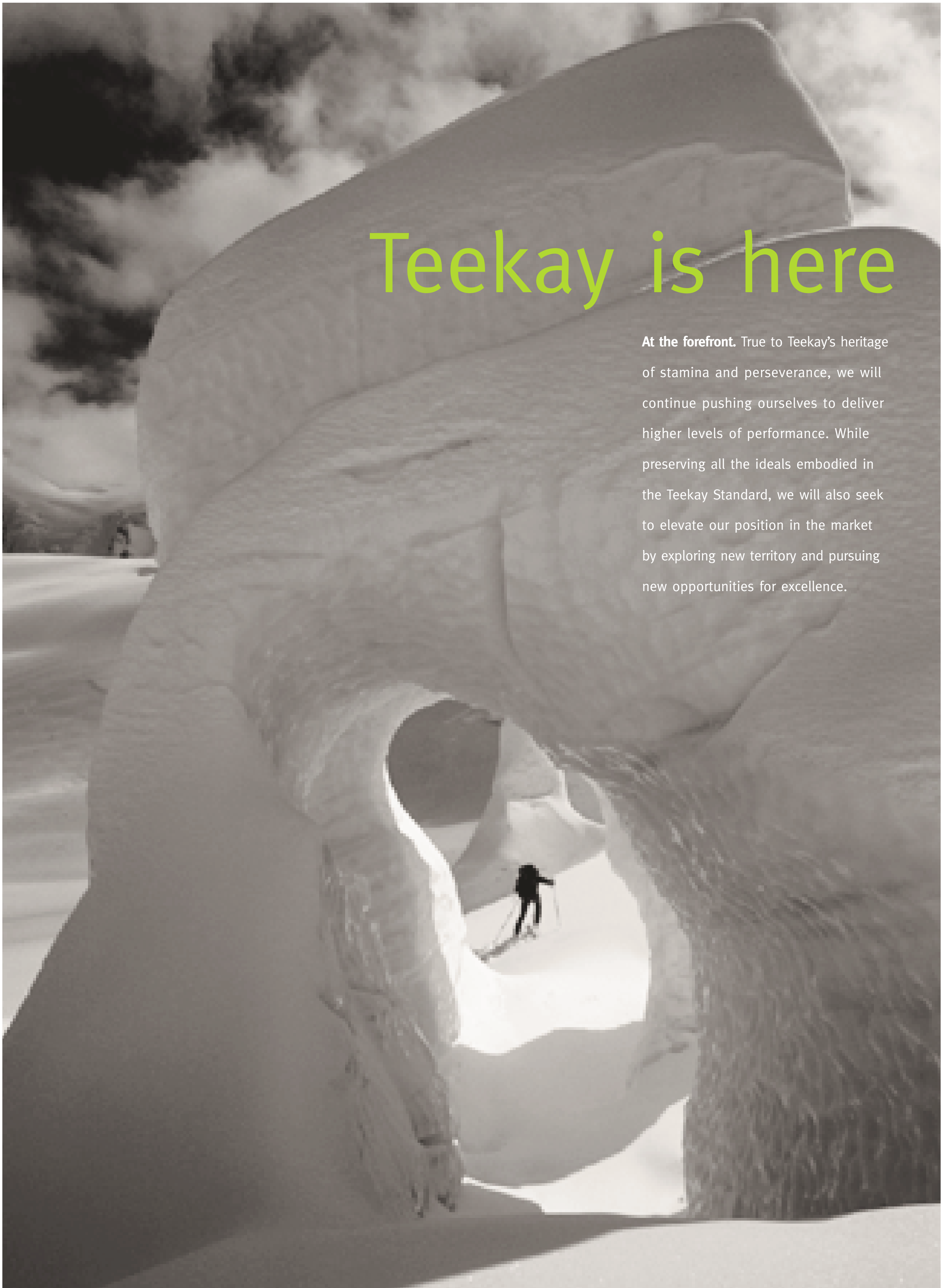
In summary, the world tanker fleet is currently operating at close to full capacity. New IMO regulations could significantly decrease tanker supply through 2005 with insufficient newbuilds on order to cover the ensuing shortfall. Meanwhile, oil demand is growing and spare oil capacity is confined to remote long haul locations in the Middle East.

The Year Ahead

OPEC decreased production in early 2001 in anticipation of seasonally weaker demand in the second quarter. However, the world economy, which is the main driver of oil demand, is still growing, albeit not as rapidly as in 2000. The IEA (International Energy Agency) estimates that global oil demand will increase by 2% in 2001 compared with 1% in 2000, while world oil inventory levels at year-end were still well below normal levels. Much of the incremental production required to meet this increase in oil demand is expected to come from Middle East OPEC, which requires long haul tanker transportation to markets.

Newbuilding deliveries into the world fleet in 2001 are expected to be 16.9 mdwt - well below the 21.2 mdwt delivered in 2000. With the newbuilding orderbook full for 2001 and 2002, the typical lead time for delivery of a new vessel is now into mid-2003. Both of these elements will continue to constrain tanker supply. In October 2000 the IMO (International Maritime Organization – The UN's specialized agency responsible for improving maritime safety and preventing pollution from ships) passed a draft proposal accelerating the phase-out of single hull tankers. Under the old regulations, ships were forced out of the fleet at age 30. This accelerated phase-out will place pressure on tanker supply as 1970's built tankers are removed from the fleet.

Under the old IMO regulations, 8% of the world tanker fleet effectively faces scrapping by 2005. Under the proposed regulations, this increases to 28%. Although the draft proposals have faced little opposition, there have been discussions surrounding a change in the effective scrapping dates from January 1 in any given year to the anniversary date of a vessel's delivery. Such a change would extend the phase-out by approximately six months for the average vessel. The final legislation is to be passed at the IMO's 46th MEPC (Marine Environmental Protection Committee) meeting in April 2001.

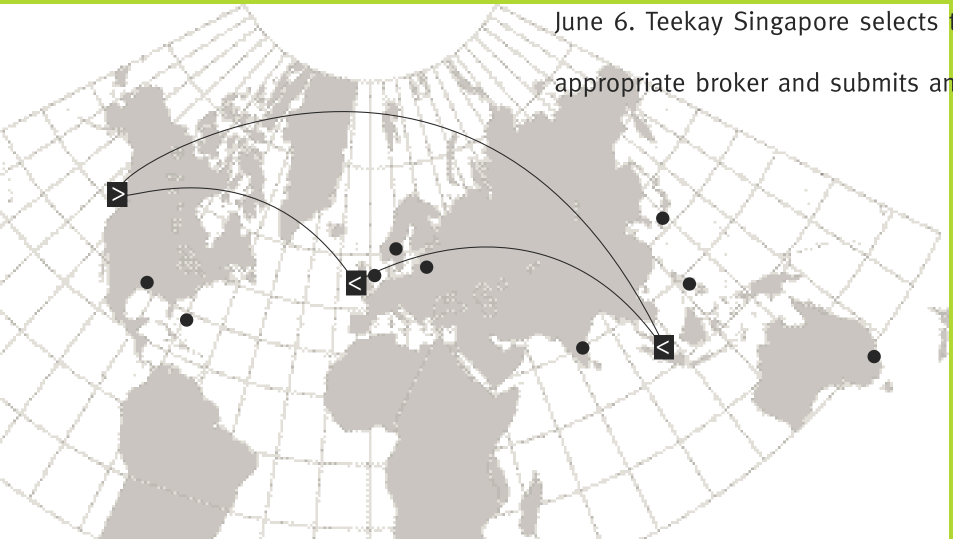


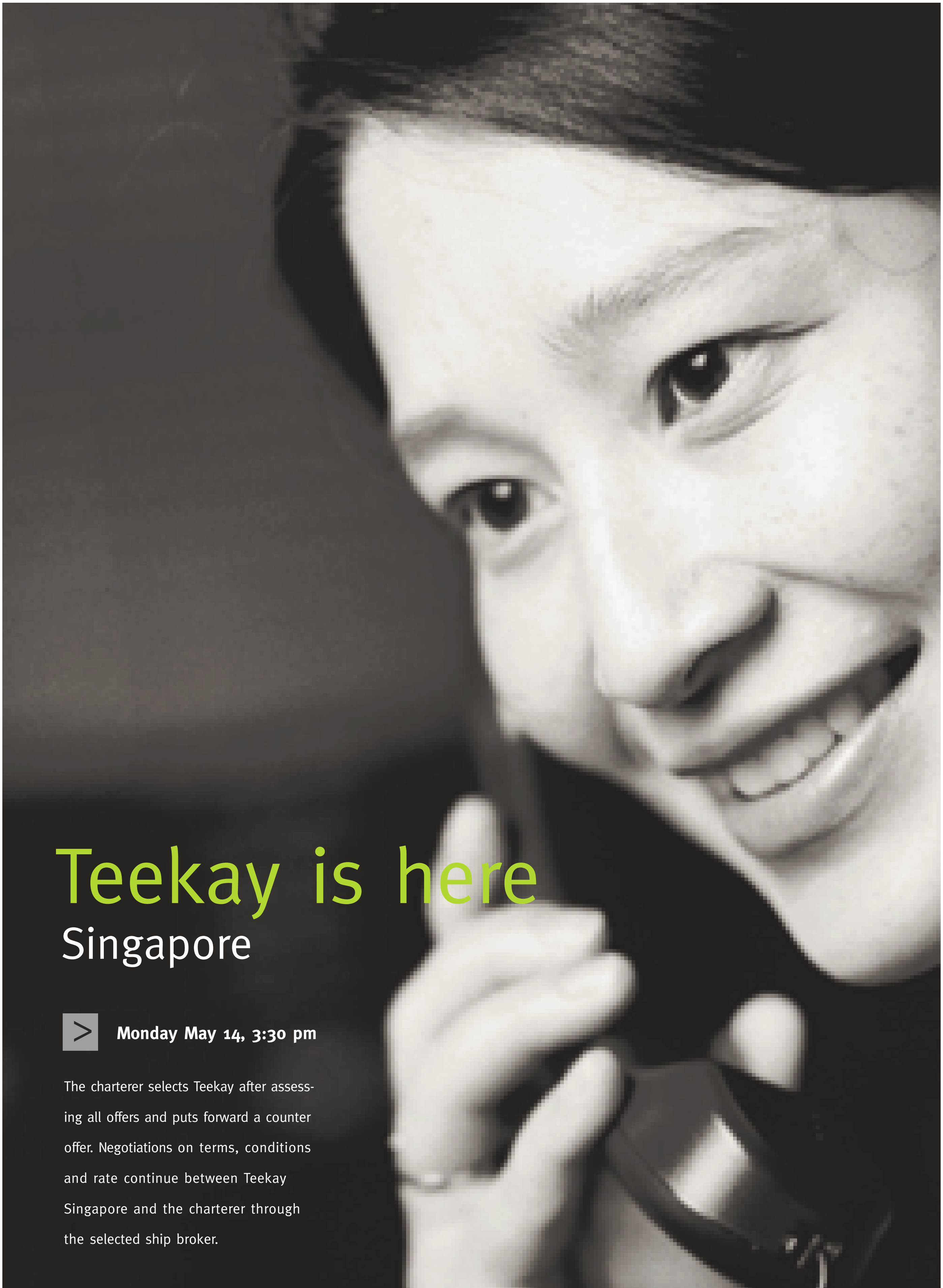
Teekay is here

At the forefront. True to Teekay's heritage of stamina and perseverance, we will continue pushing ourselves to deliver higher levels of performance. While preserving all the ideals embodied in the Teekay Standard, we will also seek to elevate our position in the market by exploring new territory and pursuing new opportunities for excellence.

Monday, May 14. Singapore 10:45 a.m.

> The cargo: 80,000 tonnes of heavy crude loading in Dumai, Indonesia for discharge at a port in Western Australia. The oil company (charterer) calls a number of brokers to obtain offers from suitable suppliers (shipowners). Brokers then contact shipowners who may have vessels meeting the charterer's requirements. Teekay Singapore receives brokers' requests for offers and establishes that Teekay's MV Palmstar Rose meets the optimum criteria, including port constraints and cargo space. Currently, MV Palmstar Rose is en route to South Korea with a cargo of fuel oil loaded in Los Angeles and San Francisco, estimated discharge date June 5 and departure date of June 6. Teekay Singapore selects the most appropriate broker and submits an offer.





Teekay is here

Singapore

Monday May 14, 3:30 pm

The charterer selects Teekay after assessing all offers and puts forward a counter offer. Negotiations on terms, conditions and rate continue between Teekay Singapore and the charterer through the selected ship broker.

Monday May 14
Singapore 4:45pm

Negotiations are concluded and the voyage is awarded to MV Palmstar Rose subject to management approval, cargo deal and terminal acceptance within 24 hours. Twenty-four hours later the charterer lifts these subjects and confirms the fixture on MV Palmstar Rose. The vessel is now fully fixed for her next voyage.

Wednesday May 16
Singapore 5:00pm
Vancouver 2:00am

Teekay Singapore sends fixture information to Team Lynx, the ship team in Vancouver responsible for MV Palmstar Rose. Upon arrival in the office, team members work together with the vessel Master and senior officers to coordinate a voyage plan that incorporates loading bunkers, taking on stores, crew changes, vessel spare parts delivery, maintenance plans and also takes into account tank preparation required for the next cargo.

Thursday May 17
Vancouver 8:15am
Glasgow 4:15pm
Singapore 11:15pm, May 17

The voyage plan requires MV Palmstar Rose to make a six-hour port stop in Singapore prior to loading in Dumai in order to take on bunkers, make a crew change and receive supplies. Team Lynx in Vancouver contacts: staff in Glasgow to arrange the crew changeover (who then coordinate this with Teekay India and Teekay Philippines); the purchasing department in Vancouver regarding spare parts to be delivered; and the local port agent in Singapore to assist with and optimize the in-port logistics when the vessel is in port. Meanwhile, MV Palmstar Rose continues en route to South Korea.

Monday June 4
Singapore 8:30am
MV Palmstar Rose 9:30am
Vancouver 5:30pm, June 3
MV Palmstar Orchid 9:30am

Team Lynx receives a report from MV Palmstar Rose that the ship will be delayed berthing in South Korea due to bad weather. This will in turn mean a delay leaving, therefore, MV Palmstar Rose will not be able to meet the Dumai load date. Teekay Singapore chartering examines the location of Teekay's fleet for another vessel that can be substituted to fulfill the fixture. (Teekay's homogenous fleet of similar-sized tankers makes this possible.) It appears MV Palmstar Orchid, a sister ship, would be able to make the load date in Dumai. This option is offered to the charterer who screens the MV Palmstar Orchid to ensure the vessel meets their stringent criteria and confirms this is an acceptable replacement.

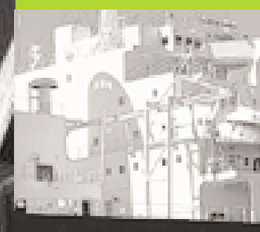
GLOSSARY

Subjects: *Issues which must be agreed to by all parties before charter can be concluded.*
Discharge: *Offloading the cargo from the ship*
Market cargo: *Cargo openly quoted on the tanker freight market*
Bunkers: *Fuel for the vessel*
Charterer: *The company or person provided with use of the vessel for the transportation of cargo or passengers for a specified time*
Fixed: *Charter negotiations fully concluded*

Teekay is here







Tuesday June 5
Vancouver 9:00am
MV Palmstar Orchid 2:00am, June 6

MV Palmstar Orchid is managed by the same ship team, Team Lynx. The team produces another voyage plan for the new vessel through discussions with each other and the Master of MV Palmstar Orchid. Unlike the previous plan, MV Palmstar Orchid doesn't need a port stop in Singapore to take on bunkers, crew or supplies; she is able to sail directly to Dumai. Details of new voyage plan are confirmed to charterer.

Friday June 8
Singapore 9:30am
Vancouver 6:30pm, June 7
MV Palmstar Orchid 10:30am

Further new developments. The charterer contacts the Marine Manager who provides local support in Teekay Singapore, advising that two different grades of heavy crude are to be loaded at Dumai. The Marine Manager discusses the requirement with Team Lynx and the vessel then confirms to the charterer that this can be done. Subsequently, voyage orders are issued confirming cargo requirements and ordering the vessel to proceed to Kwinana, W. Australia for discharge.

Friday June 15
Dumai 11:45am

MV Palmstar Orchid arrives in Dumai on schedule. Pre-load meetings are conducted between the crew and terminal staff to validate the prepared load plan. Safety checks and documentation are completed. The required quantities of the two different cargos are loaded and the ship sails for Kwinana. Throughout the voyage, the ship is in constant contact with Team Lynx to update the charterer about location and estimated arrival time.

Wednesday June 20
Singapore 10:15am
MV Palmstar Orchid 11:15am
Vancouver 7:15pm, June 19

In the meantime, Teekay Singapore is again active in arranging a backhaul cargo of crude oil to be loaded from offshore terminal at Griffin Venture, W. Australia bound for Ulsan, S. Korea. The team also notifies the Captain that an annual vetting inspection by one of the oil majors will take place during discharge of cargo at Kwinana.

Sunday June 24
Kwinana 2:00pm

Pre-arrival checks are conducted aboard MV Palmstar Orchid prior to berthing at Kwinana. After berthing, the crew discusses the discharge plan with the terminal and discharging of cargo commences. Crude oil washing of cargo tanks takes place during discharge to reduce residues. An independent tank inspector conducts a thorough vessel inspection for one of the oil majors. After discharging, documentation is completed and the vessel leaves Kwinana bound for Griffin Venture to load another cargo bound for Ulsan, South Korea.

Tankers	Hull 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
Leyte Spirit	Double Hull	98,600	1992
Luzon Spirit	Double Hull	98,600	1992
Mayon Spirit	Double Hull	98,600	1992
Samar Spirit	Double Hull	98,600	1992
Palmstar Lotus	Single Hull	100,200	1991
Palmstar Thistle	Single Hull	100,200	1991
Teekay Spirit	Single Hull	100,200	1991
Onozo Spirit	Single Hull	100,200	1990
Palmstar Cherry	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			
Falster Spirit	Double Hull	95,400	1995
Gotland Spirit	Double Hull	95,400	1995
Sotra Spirit	Double Hull	95,400	1995
Victoria Spirit	Double Hull	103,200	1993
Vancouver Spirit	Double Hull	103,200	1992
Shilla Spirit	Single Hull	106,700	1990
Ulsan Spirit	Single Hull	106,700	1990
Dampier Spirit (FSO)	Single Hull	106,700	1988
Namsan Spirit	Single Hull	106,700	1988
Pacific Spirit	Single Hull	106,700	1988
Pioneer Spirit	Single Hull	106,700	1988
Mersey Spirit	Double Sides	94,700	1986
Clyde Spirit	Double Sides	94,700	1985
Imabari Class			
Bahamas Spirit (Sanko Trader)	Double Hull	107,000	1998
Nassau Spirit	Double Hull	107,000	1998
Seaservice *	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
Seletar Spirit	Double Sides	95,000	1988
Semakau Spirit	Double Sides	97,300	1988
Singapore Spirit	Double Sides	97,300	1987
Sudong Spirit	Double Sides	97,300	1987
Mitsubishi Class			
Kyushu Spirit	Double Sides	95,600	1991
Koyagi Spirit	Single Hull	96,000	1989
Sabine Spirit	Double Sides	84,800	1989
Columbia Spirit	Double Sides	84,800	1988
Hudson Spirit	Double Sides	84,800	1988

Tankers	Hull Type	DWT	Year Built
Samsung Class			
Aegean Pride*	Double Hull	105,300	1999
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
Silver Paradise*	Double Hull	105,200	1998
Namura Class			
Seamaster*	Single Hull	101,000	1990
Torres Spirit	Single Hull	96,000	1990
Mitsui Class			
Shetland Spirit	Double Hull	106,200	1994
Orkney Spirit	Double Hull	106,200	1993
Other Aframax			
Bornes**	Double Sides	88,900	1990
Cook Spirit	Double Sides	91,500	1987
Shannon Spirit	Single Hull	99,300	1987
Clare Spirit	Single Hull	95,200	1986
Magellan Spirit	Double Sides	95,000	1985
Subtotal Aframax		**6,216,700**	
Oil/Bulk/Ore (OBO) Carriers			
Teekay Forum	Double Bottom	78,500	1983
Teekay Fulmar	Double Bottom	78,500	1983
Teekay Fortuna**	Double Bottom	78,500	1982
Teekay Fountain	Double Bottom	78,500	1982
Teekay Freighter**	Double Bottom	75,400	1982
Teekay Fair	Double Hull	75,500	1981
Teekay Favour	Double Bottom	82,500	1981
Teekay Foam	Double Bottom	78,500	1981
Subtotal Oil/Bulk/Oil (OBO) Carriers		**625,900**	
Other Size Tankers			
Inago**	Double Sides	159,800	1993
Musashi Spirit	Single Hull	280,700	1993
Erati**	Double Sides	159,700	1992
Palmerston	Double Bottom	36,700	1990
Barrington	Double Hull	33,300	1989
Subtotal Other Tankers		**670,200**	
TOTAL DWT as of December 31, 2000		**7,512,800**	

* Time Chatered-in
** Partially owned vessels
(Bornes, Inago, Erati 50%; Teekay Fortuna 67%; Teekay Freighter 52%)
(FSO) Floating storage and off-take vessel

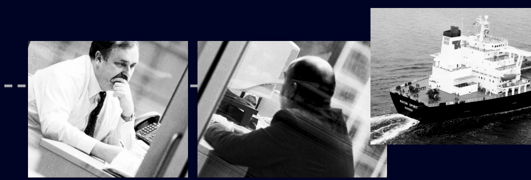
Glasgow
Tuesday 4:15 pm

London
Tuesday 4:15 pm

Palmstar Lotus
Melbourne, Australia

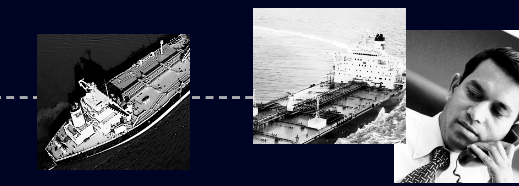
Vancouver
Tuesday 8:15 am

Palmstar Cherry
Esmeraldos, Ecuador



Houston
Tuesday 10:15 am

Mayon Spirit
930 nm from Venezuela



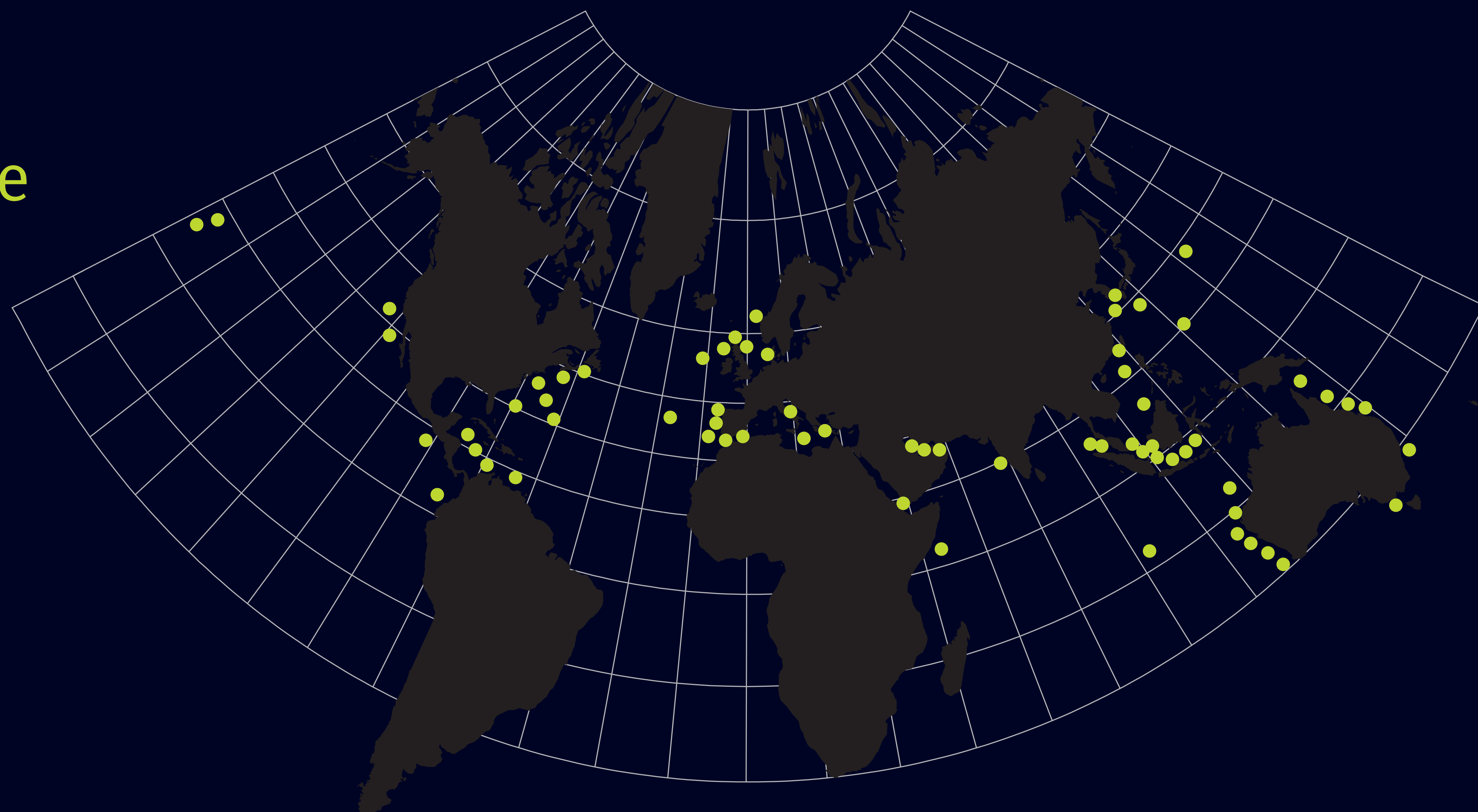
Shilla Spirit
Ulsan, South Korea

Leyte Spirit
Pacific Ocean

Singapore
Wednesday 12:15 am

Teekay is here

> **Right now.** In this precise position. At any time during the day, we can pinpoint the location of all of our vessels anywhere in the world. Leading edge telecommunications on land and at sea enable real time conferencing, planning, documentation, data sharing and problem solving.



Teekay is here

Torben Spirit | Double Hull | DWT 98,600 | Built 1994

> Financial Contents

Management's Discussion and Analysis of Financial Condition and Results of Operations

Teekay changed its fiscal year end from March 31 to December 31, effective December 31, 1999, in order to facilitate comparison of its operating results to those of other companies in the transportation industry.

General

Teekay is a leading provider of international crude oil and petroleum product transportation services to major oil companies, major oil traders and government agencies worldwide. The Company's fleet consists of 75 vessels (including five vessels time-chartered-in and three vessels owned by a joint venture), for a total cargo-carrying capacity of approximately 7.5 million tonnes.

During the year ended December 31, 2000, approximately 68% of the Company's net voyage revenues were derived from spot voyages. The balance of the Company's revenue is generated 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 given period of time. In the year ended December 31, 2000, approximately 14% of net voyage revenues were generated by time charters and COAs priced on a spot market basis. In the aggregate, approximately 82% of the Company's net voyage revenues during the year ended December 31, 2000 were derived from spot voyages or time charters and COAs priced on a spot market basis, with the remaining 18% 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. In addition, 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 that tend to disrupt vessel scheduling.

Acquisition of Bona Shipholding Ltd.

On June 11, 1999, the Company acquired Bona Shipholding Ltd. ("Bona") for aggregate consideration (including estimated transaction expenses of $19.0 million) of $450.3 million, consisting of $39.9 million in cash, $294.0 million of assumed debt (net of cash acquired of $91.7 million) and the balance of $97.4 million in shares of the Company's common stock. Bona was the third largest operator of medium-size tankers, controlling a fleet of vessels consisting of fifteen Aframax tankers, eight oil/bulk/ore carriers and, through a joint venture, 50% interests in one additional Aframax tanker and two Suezmax tankers. Bona engaged in the transportation of oil, oil products, and dry bulk commodities, primarily in the Atlantic region. Through this acquisition, the Company has combined Bona's market strength in the Atlantic region with the Company's franchise in the Indo-Pacific Basin.

The acquisition of Bona has been accounted for using the purchase method of accounting. Bona's operating results are reflected in the Company's financial statements commencing June 11, 1999.

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Historically, the Company has depreciated its vessels for accounting purposes over an economic life of 20 years down to estimated residual values. Bona depreciated its vessels over an economic life of 25 years down to estimated scrap values, the method used by the majority of companies in the shipping industry. Effective April 1, 1999, the Company revised the estimated useful life of its vessels to 25 years and also replaced the estimated residual values with estimated scrap values. Since such changes, the Company's average depreciation expense per vessel has decreased from historical levels.

All oil/bulk/ore carriers ("O/B/O") owned by Bona have been operated through an O/B/O pool managed by a subsidiary of Bona. Net voyage revenues from the O/B/O pool are currently included on a 100% basis in the Company's consolidated financial statements. Where the Company owns less than 50% of a vessel, the minority participants' share of the O/B/O pool's net voyage revenues is reflected as a time charter hire expense. These O/B/Os have earned lower average "time charter equivalent" (or TCE) rates than the rest of the Teekay fleet as these vessels command lower rates than modern Aframax tankers under typical market conditions, which reflects the lower capital cost of these vessels.

Results of Operations

Bulk shipping industry freight rates are commonly measured at the net voyage revenue level in terms of 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 market 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.

Year Ended December 31, 2000 versus Nine Months Ended December 31, 1999

As a result of the Company's change in fiscal year end from March 31 to December 31, commencing December 31, 1999, the current fiscal year's results are for the twelve month period ended December 31, 2000, while the comparative fiscal period's results are for the nine month period ended December 31, 1999. Where indicated in the following discussions, percentage change figures reflect the annualized results for the nine month period ended December 31, 1999. The annualized results for the nine month period ended December 31, 1999 are not necessarily indicative of those for a full fiscal year.

The results for the nine month period ended December 31, 1999 include the results of Bona commencing June 11, 1999. On an annualized basis, the Company's average fleet size increased 9.0% in the year ended December 31, 2000 compared to the nine month period ended December 31, 1999.

Average Aframax TCE rates increased significantly in 2000, compared to the nine month period ended December 31, 1999, due to increased demand for modern tankers, arising from increased oil production and discrimination against older tankers by

Management's Discussion and Analysis of Financial Condition and Results of Operations

charterers. TCE rates are dependent on oil production levels, oil consumption growth, the number of vessels scrapped, the number of newbuildings delivered and charterers' preference for modern tankers. As a result of the Company's dependence on the tanker spot market, any fluctuations in Aframax TCE rates will impact the Company's revenues and earnings.

Net voyage revenues were $644.3 million in the year ended December 31, 2000, as compared to $248.4 million in the nine month period ended December 31, 1999, representing a 94.6% increase on an annualized basis from the nine month period ended December 31, 1999. This is mainly the result of a 81.2% increase in the average TCE rate earned by the Company's fleet, to $25,661 for the year ended December 31, 2000, from $14,165 for the nine month period ended December 31, 1999. As of December 31, 1999, the Company changed its process of estimating net voyage revenues from a load port-to-load port basis to a discharge port-to-discharge port basis, which is consistent with most other shipping companies. This change in voyage estimate resulted in a one-time increase in net voyage revenues of $5.7 million for the nine month period ended December 31, 1999.

Vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores, lubes, and communication expenses, increased to $125.4 million in the year ended December 31, 2000 from $98.8 million in the nine month period ended December 31, 1999, representing a 4.8% decrease on an annualized basis. This decrease was mainly the result of lower per-day operating expenses arising from the application of the Company's lower cost structure to the Bona fleet. This decrease was partially offset by the increase in the Company's average fleet size.

Time charter hire expense was $53.5 million in the year ended December 31, 2000, up from $30.7 million in the nine month period ended December 31, 1999, representing a 30.7% increase on an annualized basis. This increase is primarily due to an increase in the minority participants' share of the O/B/O pool's net voyage revenues, which was $26.3 million for the year ended December 31, 2000, compared to $10.5 million in the nine month period ended December 31, 1999. This was caused by an improvement in the average TCE rate earned in the O/B/O pool and the inclusion of Bona's operating results, which includes the O/B/O vessels, for only part of the previous fiscal period from June 11, 1999. The average number of vessels time-chartered-in by the Company, excluding the O/B/Os, was five in the year ended December 31, 2000, compared to four in the nine month period ended December 31, 1999.

Depreciation and amortization expense increased to $100.2 million in the year ended December 31, 2000, from $68.3 million in the nine month period ended December 31, 1999, representing a 10.0% increase on an annualized basis. This increase primarily reflects the increase in the Company's average fleet size arising from the acquisition of Bona. Depreciation and amortization expense included amortization of drydocking costs of $9.2 million in the year ended December 31, 2000, compared to $6.3 million in the nine month period ended December 31, 1999.

General and administrative expenses were $37.5 million in the year ended December 31, 2000, as compared to $27.0 million in the nine month period ended December 31, 1999, representing a 4.0% increase on an annualized basis. This increase is primarily a result of the acquisition of Bona, partially offset by overhead cost savings related to the acquisition.

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Interest expense increased to $74.5 million in the year ended December 31, 2000 from $45.0 million in the nine month period ended December 31, 1999, representing a 24.2% increase on an annualized basis. This increase reflects an increase in interest rates and the additional debt assumed as part of the Bona acquisition.

Interest income increased to $13.0 million in the year ended December 31, 2000 from $5.8 million in the nine month period ended December 31, 1999. On an annualized basis, interest income increased by 67.2% as a result of increased interest rates and higher cash and marketable securities balances.

Other income of $3.9 million in the year ended December 31, 2000 consisted primarily of equity income from a 50%-owned joint venture, partially offset by future income taxes related to the Company's Australian ship-owning subsidiaries, and losses on the sale of two vessels. Other loss of $4.0 million in the nine month period ended December 31, 1999 consisted primarily of future income taxes related to the Company's Australian ship-owning subsidiaries and one-time employee and severance-related costs, partially offset by equity income from the 50%-owned joint venture.

As a result of the foregoing factors, net income was $270.0 million in the year ended December 31, 2000, compared to a net loss of $19.6 million in the nine month period ended December 31, 1999. The results for the year ended December 31, 2000 include losses on the disposition of assets of $1.0 million. There were no extraordinary items and no asset dispositions in the nine month period ended December 31, 1999.

Nine Months Ended December 31, 1999 versus Year Ended March 31, 1999

As a result of the Company's change in fiscal year end from March 31 to December 31, the results for the nine month period ended December 31, 1999, are compared to the results for the twelve month period ended March 31, 1999. Where indicated in the following discussions, percentage change figures reflect the annualized results for the nine month period ended December 31, 1999. The annualized results for the nine month period ended December 31, 1999 are not necessarily indicative of those for a full fiscal year.

The results for the nine month period ended December 31, 1999 include the results of Bona commencing June 11, 1999. On an annualized basis, the Company's average fleet size increased 39.5% in the nine month period ended December 31, 1999, compared to the year ended March 31, 1999.

Net voyage revenues were $248.4 million in the nine month period ended December 31, 1999, as compared to $318.4 million in the year ended March 31, 1999, representing a 4.0% increase on an annualized basis from the year ended March 31, 1999. This is mainly the result of an increase in fleet size, partially offset by a 29.8% decrease in the Company's average TCE rate, to $14,165 for the nine month period ended December 31, 1999, from $20,185 for the year ended March 31, 1999. Aframax TCE rates declined during the second half of 1998 and 1999 due to a reduction in tanker demand, oil production cutbacks and a large number of newbuilding deliveries. As of December 31, 1999, the Company changed its process of estimating net voyage revenues from a

Management's Discussion and Analysis of Financial Condition and Results of Operations

load port-to-load port basis to a discharge port-to-discharge port basis, which is consistent with most other shipping companies. This change in voyage estimate resulted in a one-time increase in net voyage revenues of $5.7 million for the nine month period ended December 31, 1999.

Vessel operating expenses increased to $98.8 million in the nine month period ended December 31, 1999 from $84.4 million in the year ended March 31, 1999, representing a 56.1% increase on an annualized basis. This increase was mainly the result of the addition of the Bona vessels, which had higher operating expenses than the remainder of Teekay's fleet.

Time charter hire expense was $30.7 million in the nine month period ended December 31, 1999, up from $29.7 million in the year ended March 31, 1999, primarily due to the Bona acquisition. The minority pool participants' net voyage revenues in the O/B/O pool managed by a Bona subsidiary is reflected as time charter hire expense. The average number of Aframax vessels time-chartered-in by the Company was four in the nine month period ended December 31, 1999, the same as in the year ended March 31, 1999.

Depreciation and amortization expense decreased to $68.3 million in the nine month period ended December 31, 1999, from $93.7 million in the year ended March 31, 1999, representing a 2.8% decrease on an annualized basis. This reflects the change in estimated useful life of the vessels from 20 to 25 years, partially offset by the increase in fleet size arising from the acquisition of Bona. Depreciation and amortization expense included amortization of drydocking costs of $6.3 million and $8.6 million in the nine month period ended December 31, 1999 and in the year ended March 31, 1999, respectively. Had the Company retained its previous depreciation policy and applied this policy to the Bona fleet, depreciation expense would have been $22.5 million higher in the nine month period ended December 31, 1999.

General and administrative expenses were $27.0 million in the nine month period ended December 31, 1999, as compared to $25.0 million in the year ended March 31, 1999, representing a 44.1% increase on an annualized basis primarily as a result of the acquisition of Bona.

Interest expense increased to $45.0 million in the nine month period ended December 31, 1999 from $44.8 million in the year ended March 31, 1999, representing a 33.9% increase on an annualized basis. This increase reflects the $386.0 million in additional debt assumed as part of the Bona acquisition and an increase in interest rates.

Interest income decreased to $5.8 million in the nine month period ended December 31, 1999 from $6.4 million in the year ended March 31, 1999. On an annualized basis, interest income increased by 20.8% as a result of increased interest rates and higher cash and marketable securities balances.

Other loss of $4.0 million in the nine month period ended December 31, 1999 consisted primarily of future income taxes related to the Company's Australian ship-owning subsidiaries and one-time employee and severance-related costs, partially offset by equity income from the 50%-owned joint venture. Other income of $5.5 million in the year ended March 31, 1999 consisted primarily of gains on the sale of vessels.

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As a result of the foregoing factors, net loss was $19.6 million in the nine month period ended December 31, 1999, compared to a net income of $45.4 million in the year ended March 31, 1999. The results for the year ended March 31, 1999 included an extraordinary loss of $7.3 million on the redemption of the Company's 9 5/8% First Preferred Ship Mortgage Notes (the "9 5/8% Notes"), and gains on asset sales of $7.1 million. There were no extraordinary items and no asset sales in the nine month period ended December 31, 1999.

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 periods' results, the figures in the table below include or exclude the results from the Company's four Australian crewed vessels and eight O/B/Os acquired as part of the Bona acquisition as indicated:

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	YEAR ENDED MARCH 31, 1999
International Fleet (excluding ex-Bona O/B/Os and Australian crewed vessels):			
Average number of ships	59	55	43
Total calendar ship-days	21,621	15,173	15,612
Revenue generating ship-days (A)	20,513	14,301	14,647
Net voyage revenue before commissions (1) (B) (000s)	$ 556,672	$ 192,522	$ 286,735
TCE (B/A)	$ 27,138	$ 13,462	$ 19,576
Operating results per calendar ship-day:			
Net voyage revenue	$ 24,997	$ 12,310	$ 17,950
Vessel operating expense	4,980	5,621	4,969
General and administrative expense	1,441	1,510	1,465
Drydocking expense	431	448	613
Operating cash flow per calendar ship-day	$ 18,145	$ 4,731	$ 10,903
Australian Crewed Vessels:			
Operating cash flow per calendar ship-day	$ 14,347	$ 14,643	$ 14,509
Total Fleet (including ex-Bona O/B/Os and Australian crewed vessels):			
Operating cash flow per calendar ship-day	$ 16,687	$ 5,177	$ 11,171

(1) Nine months ended December 31, 1999 figure excludes the $5.7 million adjustment arising from the change in voyage estimate from a load port-to-load port basis to a discharge port-to-discharge port basis.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

The Company's total liquidity, including cash, restricted cash, marketable securities and undrawn long-term lines of credit, was $373.1 million as at December 31, 2000, up from $237.4 million as at December 31, 1999, and $143.3 million as at March 31, 1999. The increase in liquidity during the year ended December 31, 2000 was primarily the result of an increase in net cash flow from operating activities due to higher TCE rates. In the Company's opinion, working capital is sufficient for the Company's present requirements.

Net cash flow from operating activities increased to $333.3 million in the year ended December 31, 2000, compared to $51.5 million in the nine month period ended December 31, 1999, and $137.7 million in the year ended March 31, 1999. This primarily reflects the change in TCE rates during these periods.

The Company applied most of this increased operating cash flow, for the year ended December 31, 2000, toward the repayment of debt. Scheduled debt repayments were $63.8 million during the year ended December 31, 2000, compared to $32.3 million during the nine month period ended December 31, 1999, and $50.6 million in the year ended March 31, 1999. Debt prepayments during the year ended December 31, 2000 totalled $429.9 million, of which $35.7 million represented the repurchase of the Company's 8.32% First Preferred Ship Mortgage Notes (the "8.32% Notes") and the balance of $394.2 million was used to reduce the Company's two long-term Revolving Credit Facilities. (the "Revolvers"). Debt prepayments during the nine months ended December 31, 1999 totalled $10.0 million.

As at December 31, 2000, the Company's total debt was $797.5 million, compared to $1,085.2 million as at December 31, 1999. The Company's Revolvers provide for borrowings of up to $565.8 million as at December 31, 2000. The amount available under the Revolvers reduces semi-annually with final balloon reductions in 2006 and 2008. The 8.32% Notes are due February 1, 2009 and are subject to a sinking fund, which will retire $45.0 million principal amount of the 8.32% Notes on each February 1, commencing 2004. The Company's outstanding term loans reduce in quarterly or semi-annual payments with varying maturities through 2009. The aggregate annual long-term debt principal repayments required to be made subsequent to December 31, 2000 are $72.2 million (2001), $70.0 million (2002), $112.1 million (2003), $94.1 million (2004), $109.0 million (2005) and $340.1 million thereafter to 2009.

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 convenants, prepayment privileges (in some cases with penalties), and restrictions against the incurrence of 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 December 31, 2000, to $316.6 million. Certain of the loan agreements require a minimum level of free cash be maintained. As at December 31, 2000, this amount was $26.0 million.

The Company manages the impact of interest rate changes on earnings and cash flows through its

Management's Discussion and Analysis of Financial Condition and Results of Operations

interest rate structure. For the Revolvers, the interest rate structure is based on LIBOR plus a margin depending on the financial leverage of the Company. Interest payments on the term loans are based on LIBOR plus a margin. As at December 31, 2000, the interest rate swap agreements effectively change the Company's interest rate exposure on $100.0 million of debt from a floating LIBOR rate to an average fixed rate of 6.71%. The interest rate swap agreements expire between December 2001 and December 2002.

Funding and treasury activities are conducted within corporate policies to minimize borrowing costs and maximize investment returns while maintaining the safety of the funds and appropriate liquidity for Company purposes. Cash and cash equivalents are held primarily in U.S. dollars with some balances held in Japanese Yen, Singapore Dollars, Canadian Dollars, Australian Dollars, British Pound and Norwegian Kroner.

The Company is exposed to market risk from foreign currency fluctuations and changes in interest rates. The Company uses forward foreign currency contracts and interest rate swaps to manage these risks, but does not use financial instruments for trading or speculative purposes. As at December 31, 2000, the Company had $62.1 million in forward foreign currency contracts, which expire between January 2001 and December 2003.

Dividends declared during the year ended December 31, 2000 were $33.0 million, or $0.86 per share.

During the year ended December 31, 2000, the Company incurred capital expenditures for vessels and equipment of $43.5 million, consisting mainly of the purchase of a modern second-hand Aframax tanker and the conversion of an Aframax tanker to a floating storage and off-take vessel ("FSO"). Cash expenditures for drydocking were $11.9 million in the year ended December 31, 2000 compared to $6.6 million in the nine month period ended December 31, 1999 and $11.7 million in the year ended March 31, 1999.

As part of its growth strategy, the Company will continue to consider strategic opportunities, including the acquisition of additional vessels and 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 Condition and Results of Operations

Forward-Looking Statements

The Company's Annual Report on Form 20-F for the year ended December 31, 2000 and this Annual Report to Shareholders for 2000 contain certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1993, as amended, and Sections 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 and the market outlook in the near-term; tanker supply and demand; supply and demand for oil; the Company's market share; future capital expenditures; the Company's growth strategy and measures to implement such strategy; the Company's competitive strengths; and future success of the Company. 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; 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; charterers' preference for modern tankers; 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; changes in typical seasonal variations in tanker charter rates; the Company's dependence on spot oil voyages; competitive factors in the markets in which the Company operates; environmental and other regulation including the imposition of freight taxes and income taxes; 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 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.

Auditor's Report

To the Shareholders of TEEKAY SHIPPING CORPORATION

We have audited the accompanying consolidated balance sheets of **Teekay Shipping Corporation and subsidiaries** as of December 31, 2000 and 1999, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year 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 December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999, in conformity with accounting principles generally accepted in the United States.

Ernst & Young

Chartered Accountants

Nassau, Bahamas,
February 16, 2001
(except for Note 13 which is as of March 6, 2001)

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

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	YEAR ENDED MARCH 31, 1999
Net Voyage Revenues			
Voyage revenues	$ 893,226	$ 377,882	$ 411,922
Voyage expenses	248,957	129,532	93,511
Net voyage revenues	644,269	248,350	318,411
Operating Expenses			
Vessel operating expenses	125,415	98,780	84,397
Time charter hire expense	53,547	30,681	29,666
Depreciation and amortization	100,153	68,299	93,712
General and administrative	37,479	27,018	25,002
	316,594	224,778	232,777
Income From Vessel Operations	327,675	23,572	85,634
Other Items			
Interest expense	(74,540)	(44,996)	(44,797)
Interest income	13,021	5,842	6,369
Other income (loss) (note 11)	3,864	(4,013)	5,506
	(57,655)	(43,167)	(32,922)
Net income (loss) before extraordinary loss	270,020	(19,595)	52,712
Extraordinary loss on bond redemption (note 6)	—	—	(7,306)
Net income (loss)	$ 270,020	$ (19,595)	$ 45,406
Basic Earnings per Common Share (note 9)			
• Net income (loss) before extraordinary loss	$ 7.02	$ (0.54)	$ 1.70
• Net income (loss)	$ 7.02	$ (0.54)	$ 1.46
Diluted Earnings per Common Share (note 9)			
• Net income (loss) before extraordinary loss	$ 6.86	$ (0.54)	$ 1.70
• Net income (loss)	$ 6.86	$ (0.54)	$ 1.46

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

Consolidated Balance Sheets
(in thousands of U.S. dollars)

	AS AT DECEMBER 31, 2000	AS AT DECEMBER 31, 1999
ASSETS		
Current		
Cash and cash equivalents	$ 181,300	$ 220,327
Marketable securities (note 4)	8,081	—
Accounts receivable	80,158	30,753
Prepaid expenses and other current assets	25,956	29,579
Total current assets	295,495	280,659
Marketable securities (note 4)	33,742	6,054
Vessels and equipment (notes 1 and 6)		
At cost, less accumulated depreciation of $680,756 (December 31, 1999 – $624,727)	1,607,716	1,663,517
Investment in joint venture	20,474	19,402
Other assets	16,672	13,052
	$1,974,099	$1,982,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	$ 22,084	$ 20,431
Accrued liabilities (note 5)	44,081	39,515
Current portion of long-term debt (note 6)	72,170	66,557
Total current liabilities	138,335	126,503
Long-term debt (note 6)	725,314	1,018,610
Other long-term liabilities	7,368	3,400
Total liabilities	871,017	1,148,513
Minority interest	4,570	2,104
Stockholders' equity		
Capital stock (note 9)	452,808	427,937
Retained earnings	641,149	404,130
Accumulated other comprehensive income	4,555	—
Total stockholders' equity	1,098,512	832,067
	$1,974,099	$1,982,684

Commitments and contingencies (notes 7 and 10)

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

Consolidated Statements of Cash Flows

(in thousands of U.S. dollars)

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	YEAR ENDED MARCH 31, 1999
Cash and cash equivalents provided by (used for)			
OPERATING ACTIVITIES			
Net income (loss)	$ 270,020	$ (19,595)	$ 45,406
Non-cash items:			
Depreciation and amortization	100,153	68,299	93,712
Loss (gain) on disposition of assets	1,004	—	(7,117)
Loss on bond redemption	—	—	7,306
Equity income (net of dividends received:			
December 31, 2000 - $8,474; December 31, 1999 - $Nil)	(1,072)	(721)	—
Future income taxes	999	1,500	1,900
Other – net	(1,173)	1,134	1,218
Change in non-cash working capital items related to			
operating activities (note 12)	(36,676)	896	(4,717)
Net cash flow from operating activities	333,255	51,513	137,708
FINANCING ACTIVITIES			
Proceeds from long-term debt	206,000	100,000	230,000
Scheduled repayments of long-term debt	(63,757)	(32,252)	(50,577)
Prepayments of long-term debt	(429,926)	(10,000)	(268,034)
Net proceeds from issuance of Common Stock	24,843	—	68,751
Cash dividends paid	(32,973)	(23,150)	(26,222)
Other	2,970	—	(690)
Net cash flow from financing activities	(292,843)	34,598	(46,772)
INVESTING ACTIVITIES			
Expenditures for vessels and equipment	(43,512)	(23,313)	(85,445)
Expenditures for drydocking	(11,941)	(6,598)	(11,749)
Proceeds from disposition of assets	9,713	—	23,435
Net cash acquired through purchase of			
Bona Shipholding Ltd. (note 3)	—	51,774	—
Acquisition costs related to purchase of			
Bona Shipholding Ltd. (note 3)	(2,685)	(13,806)	—
Proceeds on sale of available-for-sale securities	—	13,724	13,305
Purchases of available-for-sale securities	(31,014)	(6,000)	—
Net cash flow from investing activities	(79,439)	15,781	(60,454)
Increase (decrease) in cash and cash equivalents	(39,027)	101,892	30,482
Cash and cash equivalents, beginning of the period	220,327	118,435	87,953
Cash and cash equivalents, end of the period	$ 181,300	$ 220,327	$ 118,435

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

Consolidated Statements of Changes in Stockholders' Equity
(in thousands of U.S. dollars)

	THOUSANDS OF COMMON SHARES	COMMON STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE-HENSIVE INCOME	COMPRE-HENSIVE INCOME (LOSS)	TOTAL STOCK-HOLDERS' EQUITY
Balance as at March 31, 1998	28,833	$261,353	$428,102	$ —		$ 689,455
Net income			45,406		45,406	45,406
Other comprehensive income					—	
Comprehensive income					45,406	
Dividends declared			(26,611)			(26,611)
June 15, 1998 share offering (2,800,000 shares at $24.7275 per share of common stock net of share issue costs) (note 9)	2,800	68,700				68,700
Reinvested dividends	13	389				389
Exercise of stock options	2	51				51
Balance as at March 31, 1999	31,648	330,493	446,897	—		777,390
Net income (loss)			(19,595)		(19,595)	(19,595)
Other comprehensive income					—	
Comprehensive income (loss)					(19,595)	
Dividends declared			(23,172)			(23,172)
June 11, 1999 common stock issued on acquisition of Bona Shipholding Ltd. (note 3)	6,415	97,422				97,422
Reinvested dividends	1	22				22
Balance as at December 31, 1999	38,064	427,937	404,130	—		832,067
Net income			270,020		270,020	270,020
Other comprehensive income: Unrealized gain on available for-sale securities (note 4)				4,555	4,555	4,555
Comprehensive income					274,575	
Dividends declared			(33,001)			(33,001)
Reinvested dividends	1	28				28
Exercise of stock options	1,080	24,843				24,843
Balance as at December 31, 2000	39,145	$452,808	$641,149	$ 4,555		$1,098,512

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)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. They include the accounts of Teekay Shipping Corporation ("Teekay"), which is incorporated under the laws of the Republic of the Marshall Islands, 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 accounting principles generally accepted in the United States 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.

Change in fiscal year end The Company changed its fiscal year end from March 31 to December 31, effective December 31, 1999. The following is a summary of selected financial information for the comparative twelve month periods ended December 31, 2000, 1999 and 1998.

	TWELVE MONTHS ENDED DECEMBER 31, 2000	TWELVE MONTHS ENDED DECEMBER 31, 1999	TWELVE MONTHS ENDED DECEMBER 31, 1998
	(AUDITED)	(UNAUDITED)	(UNAUDITED)
RESULTS OF OPERATIONS			
Net voyage revenues	$ 644,269	$ 318,348	$ 327,016
Income from vessel operations	327,675	34,189	103,660
Net income (loss) before extraordinary loss	270,020	(17,723)	66,451
Net income (loss)	270,020	(17,723)	59,145
Net income (loss) before extraordinary loss per common share			
– basic	7.02	(0.50)	2.19
– diluted	6.86	(0.50)	2.19
Net income (loss) per common share			
– basic	7.02	(0.50)	1.95
– diluted	6.86	(0.50)	1.95
CASH FLOWS			
Net cash flow from operating activities	333,255	71,633	151,779
Net cash flow from financing activities	(292,843)	76,948	(74,407)
Net cash flow from investing activities	$ (79,439)	$ 5,613	$ (127,372)

Operating revenues and expenses Voyage revenues and expenses are recognized on the percentage of completion method of accounting. Effective December 31, 1999 the Company refined its estimation process from a load-to-load basis to a discharge-to-discharge basis under the percentage of completion method to more precisely reflect net voyage revenues. This refinement in accounting estimate resulted in a one-time increase in net voyage revenues of $5.7 million, or 16 cents per share, for the nine month period ended December 31, 1999.

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, lubes, communications, and miscellaneous expenses.

Notes to the Consolidated Financial Statements (cont'd)

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

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 component of other comprehensive income.

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.

Effective April 1, 1999, the Company revised the estimated useful life of its vessels from 20 years to 25 years, consistent with most other public tanker companies. This change in accounting estimate resulted in a reduction of depreciation expense of $22.5 million, or 62 cents per share, for the nine month period ended December 31, 1999.

Interest costs capitalized to vessels and equipment for the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999 aggregated $Nil, $1,710,000, and $3,018,000, 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 year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999 aggregated $9,208,000, $6,275,000, and $8,583,000, respectively.

Investment in joint venture The Company has a 50% participating interest in the joint venture (Soponata-Teekay Limited), which owns two Suezmax vessels and one Aframax vessel. The joint venture is accounted for using the equity method whereby the investment is carried at the Company's original cost plus its proportionate share of undistributed earnings.

Investment in the Panamax O/B/O Pool All oil/bulk/ore carriers ("O/B/O") owned by the Company are operated through a Panamax O/B/O Pool. The participants in the Pool are the companies contributing vessel capacity to the Pool. The voyage revenues and expenses of these vessels have been included on a 100% basis in the consolidated financial statements. The minority pool participants' share of the result has been deducted as time charter hire expense.

Loan costs Loan costs, including fees, commissions and legal expenses, which are presented as other assets are capitalized and amortized on a straight line basis 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.

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

Cash interest paid during the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999 totaled $77,073,000, $63,086,000, and $48,527,000, respectively.

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. The Company's Australian ship-owning subsidiaries are subject to income taxes (see Note 11). The Company accounts for such taxes using the liability method pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

Notes to the Consolidated Financial Statements (cont'd)

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

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 9).

Comprehensive income The Company follows Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income", which establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements.

Recent accounting pronouncements In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes new standards for recording derivatives in interim and annual financial statements. This statement requires recording all derivative instruments as assets or liabilities, measured at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending upon the nature of the hedge, changes in the fair value of the derivatives are either offset against the fair value of assets, liabilities or firm commitments through income, or recognized in other comprehensive income until the hedged item is recognized in income. The ineffective portion of a derivative's change in fair value will be immediately recognized in income. Statement No. 133, as amended by FASB Statements No. 137 and No. 138, is effective for fiscal years beginning after June 15, 2000.

Based upon the Company's derivative position at December 31, 2000, the Company estimates that upon adoption of Statement 133 it will recognize the fair value of all derivatives as assets of $2,252,000 and liabilities of $1,297,000 on its consolidated balance sheet. These amounts will be recorded as an adjustment to stockholders' equity through other comprehensive income. There was no impact on net income. In addition, a deferred gain of $3,200,000 on the unwound interest rate swap agreements presented as other long-term liabilities at December 31, 2000, will be reclassified to accumulated other comprehensive income and will be recognized into earnings over the hedged term of the debt.

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.

Two customers, both international oil companies, individually accounted for 13% ($118,306,000) and 12% ($110,241,000) of the company's consolidated voyage revenues during the year ended December 31, 2000. During the nine months ended December 31, 1999 a single customer, also an international oil company, accounted for 13% ($48,140,000), of the Company's consolidated voyage revenues. During the year ended March 31, 1999, 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. No other customer accounted for more than 10% of the Company's consolidated voyage revenues during the fiscal periods presented herein.

3. ACQUISITION OF BONA SHIPHOLDING LTD.

On June 11, 1999, Teekay purchased Bona Shipholding Ltd. ("Bona") for aggregate consideration (including estimated transaction expenses of $19.0 million) of $450.3 million, consisting of $39.9 million in cash, $294.0 million of assumed debt (net of cash acquired of $91.7 million) and the balance of $97.4 million in shares of Teekay's Common Stock. Bona's operating results are reflected in these financial statements commencing the effective date of the acquisition.

Notes to the Consolidated Financial Statements (cont'd)

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

The following table shows comparative summarized condensed pro forma financial information for the nine month period ended December 31, 1999, and for the year ended March 31, 1999 and gives effect to the acquisition as if it had taken place April 1, 1998:

	PRO FORMA NINE MONTHS ENDED DECEMBER 31, 1999 (UNAUDITED)	PRO FORMA YEAR ENDED MARCH 31, 1999 (UNAUDITED)
Net voyage revenues	$ 272,469	$ 463,696
Income from vessel operations	26,127	132,122
Net income (loss) before extraordinary loss	(22,482)	86,505
Net income (loss)	(22,482)	79,199
Net income (loss) before extraordinary loss per common share – basic and diluted	(0.59)	2.31
Net income (loss) per common share – basic and diluted	(0.59)	2.11

4. INVESTMENTS IN MARKETABLE SECURITIES

	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	APPROXIMATE MARKET AND CARRYING VALUES
December 31, 2000				
Available-for-sale equity securities	$ 17,032	$ 4,577	$ –	$ 21,609
Available-for-sale debt securities	20,236	8	(30)	20,214
	37,268	4,585	(30)	41,823
December 31, 1999				
Available-for-sale debt securities	$ 6,051	$ 6	$ (3)	$ 6,054

The cost and approximate market value of available-for-sale debt securities by contractual maturity, as at December 31, 2000 and December 31, 1999, are shown as follows:

	COST	APPROXIMATE MARKET AND CARRYING VALUES
December 31, 2000		
Less than one year	$ 8,081	$ 8,081
Due after one year through five years	12,155	12,133
	20,236	20,214
December 31, 1999		
Less than one year	–	–
Due after one year through five years	6,051	6,054
	$ 6,051	$ 6,054

Notes to the Consolidated Financial Statements (cont'd)

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

5. ACCRUED LIABILITIES

	DECEMBER 31, 2000	DECEMBER 31, 1999
Voyage and vessel	$ 26,461	$ 12,469
Interest	9,444	12,619
Payroll and benefits	8,176	14,427
	$ 44,081	$ 39,515

6. LONG-TERM DEBT

	DECEMBER 31, 2000	DECEMBER 31, 1999
Revolving Credit Facilities	$ 415,800	$ 634,000
First Preferred Ship Mortgage Notes (8.32%)		
U.S. dollar debt due through 2008	189,274	225,000
Term Loans U.S. dollar debt due through 2009	192,410	226,167
	797,484	1,085,167
Less current portion	72,170	66,557
	$ 725,314	$ 1,018,610

The Company has two long-term Revolving Credit Facilities (the "Revolvers") available, which, as at December 31, 2000, provided for borrowings of up to $565.8 million. Interest payments are based on LIBOR (December 31, 2000: 6.4%; December 31, 1999: 6.0%) plus a margin depending on the financial leverage of the Company; at December 31, 2000, the margins ranged between 0.50% and 0.85% (December 31, 1999: between 0.60% and 0.90%). The amount available under the Revolvers reduces semi-annually with final balloon reductions in 2006 and 2008. The Revolvers are collateralized by first priority mortgages granted on thirty-four of the Company's vessels, together with certain other related collateral, and a guarantee from the Company for all amounts outstanding under the Revolvers.

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 December 31, 2000, the fair value of these net assets approximated $231.5 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. During June 2000, the Company repurchased a principal amount of $35.7 million of the 8.32% Notes outstanding.

Upon the 8.32% Notes achieving Investment Grade Status (as defined in the Indenture) 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 (as defined in the Indenture) 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 Company has several term loans outstanding, which, as at December 31, 2000, totalled $192.4 million. Interest payments are based on LIBOR plus a margin. At December 31, 2000, the margins ranged between 0.55% and 1.25%. The term loans reduce in quarterly or semi-annual payments with varying maturities through 2009. All term loans of the Company are collateralized by first preferred mortgages on the vessels to which the loans relate, together with certain other collateral, and guarantees from Teekay.

Notes to the Consolidated Financial Statements (cont'd)

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

As at December 31, 2000, the Company was committed to a series of interest rate swap agreements whereby $100.0 million of the Company's floating rate debt was swapped with fixed rate obligations having an average remaining term of 1.5 years, expiring between December 2001 and December 2002. These arrangements effectively change the Company's interest rate exposure on $100.0 million of debt from a floating LIBOR rate to an average fixed rate of 6.71%. The Company is exposed to credit loss in the event of non-performance by the counter parties to the interest rate swap agreements; however, the Company does not anticipate non-performance by any of the counter parties.

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 December 31, 2000, to $316.6 million. Certain of the loan agreements require a minimum level of free cash be maintained. As at December 31, 2000, this amount was $26.0 million.

The aggregate annual long-term debt principal repayments required to be made for the five fiscal years subsequent to December 31, 2000 are $72,170,000 (2001), $70,017,000 (2002), $112,131,000 (2003), $94,052,000 (2004), and $109,025,000 (2005).

7. 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 $82,791,000 (2001), $71,993,000 (2002), $53,199,000 (2003), $42,634,000 (2004), $39,035,000 (2005), and $93,028,000 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 $32,576,000 (2001), $15,632,000 (2002), $11,755,000 (2003), $6,771,000 (2004) and $1,665,000 (2005).

8. 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:

	DECEMBER 31, 2000		DECEMBER 31, 1999	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash, cash equivalents and marketable securities	$ 223,123	$ 223,123	$ 226,381	$ 226,381
Long-term debt	797,484	789,913	1,085,167	1,060,417
Interest rate swap agreements (note 6)	–	(1,297)	–	4,488
Foreign currency contracts (note 10)	–	2,252	–	(20)

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

Notes to the Consolidated Financial Statements (cont'd)

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

9. CAPITAL STOCK

The authorized capital stock of the Company at December 31, 2000 is 25,000,000 shares of Preferred Stock with a par value of $1 per share and 725,000,000 shares of Common Stock with a par value of $0.001 per share. At December 31, 2000 the Company had 39,145,219 shares of Common Stock and no shares of Preferred Stock issued and outstanding.

The Company's shareholders approved amendments 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 in September 1998, and 2,350,000 shares in March 2000. As of December 31, 2000, the Company had reserved 4,911,622 shares of Common Stock for issuance upon exercise of options granted pursuant to the Plan. During the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999, the Company granted options under the Plan to acquire up to 889,500, 1,463,500, and 573,000 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 had initially vested equally over four years from the date of grant. Effective September 8, 2000, the Company amended the Plan which reduced the vesting period for all subsequent stock option grants from four years to three years. In addition, the Company also accelerated the vesting period for the existing grants by one year. The impact of the accelerated vesting for the existing grants on compensation expense was not material for the year ended December 31, 2000.

A summary of the Company's stock option activity, and related information for the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999 is as follows:

	DECEMBER 31, 2000		DECEMBER 31, 1999		MARCH 31, 1999	
	OPTIONS (000's)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (000's)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding-beginning of period	3,099	$22.14	1,729	$26.46	1,161	$26.66
Granted	889	23.56	1,464	17.11	573	26.05
Exercised	(1,080)	23.00	–	–	(2)	21.50
Forfeited	(48)	22.77	(94)	21.12	(3)	30.44
Outstanding-end of period	2,860	22.25	3,099	22.14	1,729	26.46
Exercisable at end of period	1,453	23.54	1,019	25.35	731	24.08
Weighted-average fair value of options granted during the period (per option)		$ 6.62		$ 3.88		$ 5.93

Exercise prices for the options outstanding as of December 31, 2000 ranged from $16.88 to $33.50. These options have a weighted-average remaining contractual life of 7.83 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.

Notes to the Consolidated Financial Statements (cont'd)

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

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 the year ended December 31, 2000, the nine month period ended December 31, 1999 and the year ended March 31, 1999 would have been stated at the pro forma amounts as follows:

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	YEAR ENDED MARCH 31, 1999
Net income (loss):			
As reported	$270,020	$ (19,595)	$ 45,406
Pro forma	$264,449	$ (21,828)	$ 43,715
Basic earnings (loss) per common share:			
As reported	$ 7.02	$ (0.54)	$ 1.46
Pro forma	$ 6.87	$ (0.60)	$ 1.41
Diluted earnings (loss) per common share:			
As reported	$ 6.86	$ (0.54)	$ 1.46
Pro forma	$ 6.72	$ (0.60)	$ 1.41

Basic earnings per share is based upon the following weighted average number of common shares outstanding: 38,468,158 shares for the year ended December 31, 2000; 36,384,191 shares for the nine month period ended December 31, 1999; and 31,063,357 shares for the year ended March 31, 1999. Diluted earnings per share, which gives effect to the aforementioned stock options, is based upon the following weighted average number of common shares outstanding: 39,368,253 shares for the year ended December 31, 2000; 36,405,089 shares for the nine month period ended December 31, 1999; and 31,063,357 shares for the year ended March 31, 1999.

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 6.6% for the year ended December 31, 2000; 5.8% for the nine month period ended December 31, 1999; and 5.4% for the year ended March 31, 1999, respectively; dividend yield of 3.0%; expected volatility of 30% for the year ended December 31, 2000 and 25% for the nine months ended December 31, 1999 and the year ended March 31, 1999; and expected lives of 5 years.

10. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed 50% of the outstanding mortgage debt in the joint venture company, Soponata-Teekay Limited, totalling $26.2 million as at December 31, 2000.

The Company has guaranteed its share of committed, uncalled capital in certain limited partnerships totalling $1.8 million as at December 31, 2000.

As at December 31, 2000, the Company was committed to foreign exchange contracts with maturities ranging from one month to three years for the forward purchase of approximately Japanese Yen 62.0 million, Singapore Dollars 13.9 million, Norwegian Kroner 132.0 million, Euros 5.9 million and Canadian Dollars 52.8 million for U.S. Dollars, at an average rate of Japanese Yen 111.72 per U.S. Dollar, Singapore Dollar 1.72 per U.S. dollar, Norwegian Kroner 9.54 per U.S. Dollar, Euros 1.09 per U.S. Dollar and Canadian Dollars 1.54 per U.S. dollar, respectively, for the purpose of hedging accounts payable, accrued liabilities and certain general and administrative and operating expenses.

Notes to the Consolidated Financial Statements (cont'd)

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

11. OTHER INCOME (LOSS)

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	YEAR ENDED MARCH 31, 1999
Gain (loss) on disposition of assets	$ (1,004)	$ –	$ 7,117
Equity income from joint venture	9,546	721	–
Future income taxes	(999)	(1,500)	(1,900)
Miscellaneous	(3,679)	(3,234)	289
	$ 3,864	$ (4,013)	$ 5,506

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

	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	YEAR ENDED MARCH 31, 1999
Accounts receivable	$ (49,405)	$ (5,462)	$ 1,332
Prepaid expenses and other assets	3,443	307	(2,409)
Accounts payable	2,613	(6,571)	(4,238)
Accrued liabilities	6,673	12,622	598
	$ (36,676)	$ 896	$ (4,717)

13. SUBSEQUENT EVENT

As of March 6, 2001, the Company had purchased a 56% interest in Ugland Nordic Shipping ASA (UNS), (9% of which was purchased in 2000), for approximately $117 million cash, or an average price of approximately NOK 134 per share. UNS controls a modern fleet of eighteen shuttle tankers (including four newbuildings) that engage in the transportation of oil from offshore production platforms to refineries. Shares of UNS are listed on the Oslo Stock Exchange.

The Company will promptly launch a mandatory bid for the remaining shares in UNS at NOK 140 per share (for a total cost of approximately $100 million) as required by Norwegian law.

The acquisition of UNS will be accounted for using the purchase method of accounting as required by accounting principles generally accepted in the United States.

Five Year Summary of Financial Information

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

	FISCAL YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED DECEMBER 31, 1999	FISCAL YEAR ENDED MARCH 31, 1999	1998	1997
Income Statement Data:					
Net voyage revenues	$ 644,269	$ 248,350	$ 318,411	$ 305,260	$ 280,212
Income from vessel operations	$ 327,675	23,572	85,634	107,640	94,258
Net income (loss) before extraordinary items	$ 270,020	(19,595)	52,712	70,504	42,630
Extraordinary loss on bond redemption	$ –	–	(7,306)	–	–
Net income (loss)	$ 270,020	(19,595)	45,406	70,504	42,630
Per Share Data:					
Earnings per share	$ 7.02	$ (0.54)	$ 1.46	$ 2.46	$ 1.52
Weighted average shares outstanding (thousands)	38,468	36,384	31,063	28,655	28,138
Balance Sheet Data (at end of period):					
Total assets	$1,974,099	$1,982,684	$1,452,220	$1,460,183	$1,372,838
Total stockholders' equity	1,098,512	832,067	777,390	689,455	629,815
Other Financial Data:					
EBITDA	$ 449,191	$ 89,839	$ 186,069	$ 209,582	$ 191,632
Net debt to capitalization (%)	34.3	50.8	39.6	46.9	48.0
Capital expenditures:					
Vessel purchases, gross	$ 43,562	$ 452,584	$ 85,445	$ 197,199	$ 65,104
Drydocking	11,997	4,971	7,213	12,409	23,124
Fleet Data:					
Average number of ships	71	65	47	43	41
Time-charter equivalent (TCE)	$ 27,138	$ 13,462	$ 19,576	$ 21,373	$ 20,356
Total operating cash flow per ship per day	16,687	5,177	11,171	12,682	11,819

Board of Directors

Pictured Left to Right:

Thomas Kuo-Yuen Hsu *Director, Executive Director of Expedo & Company (London) Ltd.*

Dr. Ian D. Blackburne *Director, Director of CSR Limited, Suncorp-Metway Ltd. and Airservices Australia*

Bjorn Moller *Director, President and CEO*

Eileen A. Mercier *Director, President of Finvoy Management Inc.*

Axel Karlshoej *Director and Chairman Emeritus, President of Nordic Industries Inc.*

Leif O. Höegh *Director, Managing Director of Leif Höegh (UK) Ltd.*

Morris L. Feder *Director, President of Worldwide Cargo Inc.*

Bruce C. Bell *Director and Corporate Secretary, Managing Director of Oceanic Bank and Trust Limited*

C. Sean Day *Chairman of the Board of Directors, President of Seagin International, LLC*

TEEKAY BOARD COMMITTEES

Audit Committee

Eileen A. Mercier – *Chair*
Morris L. Feder
Leif O. Höegh

Executive Committee

Bjorn Moller – *Chair*
Axel Karlshoej
Morris L. Feder
C. Sean Day

Governance Committee

C. Sean Day – *Chair*
Bjorn Moller
Bruce C. Bell
Eileen A. Mercier

Resource Committee

Axel Karlshoej – *Chair*
Thomas Kuo-Yuen Hsu
Dr. Ian D. Blackburne

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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 the twelve months ending December 31, 2000:

QUARTER ENDED	HIGH	LOW	DIVIDENDS DECLARED (PER SHARE)
Mar. 31, 2000	$27.56	$15.31	$0.215
Jun. 30, 2000,	$34.25	$24.00	$0.215
Sept. 30, 2000	$50.88	$32.50	$0.215
Dec. 31, 2000,	$47.50	$31.74	$0.215

STOCK EXCHANGE LISTING
New York Stock Exchange
Symbol: TK
There were 39.1 million shares outstanding at December 31, 2000.

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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