TEEKAY SHIPPING LTD.

Moderator: Bjorn Moller
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Operator: Welcome to the Teekay Shipping Corporation Fourth Quarter 2003 Earnings Results Conference Call. During the presentation, all participants will be in a listen-only mode.

Afterwards, you will be invited to participate in a question-and-answer session. At that time, if you have a question, you will need to press star one. As a reminder, this conference is being recorded.

Now for opening remarks and introductions, I would like to turn the conference to Mr. Bjorn Moller, President and Chief Executive Officer of Teekay Shipping Corporation. Please go ahead, sir.

(Scott): Before Mr. Moller begins, and before I read the forward-looking statement, I'd like to remind everyone that we have an earnings presentation available for download on our web site at www.teekay.com. We plan on reviewing the presentation during this conference call.

Please allow me to remind you that various remarks we may make about future expectations, plans, and prospects for the company and the shipping industry constitute forward-looking statements for purposes of the Safe Harbor Provision under Private Securities Litigation Reform Act of 1995.

Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including those discussed in our annual report on Form 20-S dated March 31st, 2003 on file with the SEC. I will now turn it over to Mr. Moller to begin.

Bjorn Moller: Thanks, (Scott). And good morning, ladies and gentlemen. Thanks for joining us on our yearend earnings conference call. As (Scott) mentioned, during today's presentation I'll be referring to the numbered slides that are posted on our web site at www.teekay.com. And I'll start with slide number three.

We are pleased to report to you on our 2003 results an outstanding year for Teekay. Thanks to near record tanker rates and the size of Teekay's operations we generated cash flow from vessel operations of $580 million, more than in any prior year. With the Navion acquisition we grew both our spot and shuttle tanker franchises.

We increased our spot tanker operating leverage at the right time, extending our position as the world's largest operator of medium sized tankers. We also became the world leader in the shuttle tanker segment raising the floor on our earnings with another significant step-up in our base of fixed rates, long-term contracts.

During 2003 we accomplished significant fleet renewal selling 15 of our oldest ships and adding a similar number of owned or chartered new vessels to our fleet. We believe we are in the midst of an extended high tanker cycle, some are even calling it a super cycle, due to the convergence of several factors: a finely balanced tanker supply and demand picture with little spare capacity; the accelerated phase-out of a large number of old tankers and an above average rate of growth in demand. We, therefore, believe we can look forward to several more years of strong tanker rates.

During this morning's presentation I will discuss industry dynamics and key developments in our main business segment and Peter Evensen will review the company's financial results. Looking first at tanker demand on slide number four, we are experiencing the positive effects of the growth in global oil demand oil demand an underlying driver of tanker demand.

Oil demand in the fourth quarter rose by 1.6 percent from one year earlier and grew by two percent for 2003 as a whole. The biggest single factor was China where oil demand rose by 11 percent in 2003 accounting for 40 percent of global demand growth.

Recently, OPEC reminded us all of its intentions of managing oil supply carefully through seasonal variations in demand. Earlier this month OPEC announced that it will be eliminating immediately 1.6 million barrels per day of production above its existing quotas of 24.5 million barrels per day, and a further reduction in quotas of 1 million barrels from April subject to the price of oil at that time.

If OPEC executes on these announcements this will have a negative affect on tanker demand in the near term. However, with the price of WTI crude in the mid-30's per barrel and with continued low inventory in many parts of the world it's hard to imagine OPEC following through in full on these announcements. Yet, even if it does, it is more important to consider annual oil demand growth than quarterly OPEC production when assessing fundamental tanker demand.

The IEA's most recent forecasts show a year-on-year increase in oil demand of 1.8 percent in 2004, and this figure has already been revised upwards several times. Historically, there has been a tendency for oil demand forecasts to underestimate the affect of economic growth on oil demand in non-(OACD) countries, and it therefore appears likely that we will see more upward revisions in the coming months.

Based on the global economic recovery we are experiencing we expect oil demand growth for the next couple of years of at least the two percent seen in 2003, if not higher. Preliminary January 2004 data supports this view, showing a 2.5 percent growth from one year ago. Only roughly one-half of the world's oil is carried by tanker, but importantly almost all of the incremental demand is met with oil carried by tanker.

Therefore, there's a leverage factor of almost two-to-one in translating changes in oil demand to changes in tanker demand. Thus, a two percent increase in oil demand typically translates into a 3.5 to 4 percent increase in tanker demand. Shifts in market share between longer haul OPEC oil and non-OPEC producers can slightly alter this factor up or down. Summing up the demand picture we expect sustainable growth in tanker demand for the next several years.

Turning to the tanker supply side, on slide #5, net tanker supply rose by .9 percent in the fourth quarter and by 3.1 percent for the full year. In 2003 30 million tons of new capacity delivered, but remarkably considering the strength of the tanker market over 20 million tons were sold for scrap.

Even more remarkable was the fact that only one-fifth of this tonnage was scrap due to regulations, while the rest was scrapped voluntarily due to a combination of the high costs of continued operation of old ships, increased age discrimination by customers, impending regulatory phase out and a record high price of scrap steel.

Looking forward, shipyards have sold practically all of their new building capacity for the next 3.5 years due to strong demand from every sector of cargo shipping. As a result, we know the extent of new tanker deliveries through most of 2007.

The affects of the longest order backlog in 30 years, a weaker dollar, and a sharp increase in steel price have driven up new building prices by more than 20 percent over the past year. As a result, the value of Teekay's existing contracts for 14 Aframaxes new buildings has already appreciated by approximately $100 million in total.

We are now only 13 months away from the effective date of the new IMO rules in April of 2005. At that time, about 10 percent of the existing world tanker fleet will be barred from trading, with additional tonnage to be phased out during the remainder of 2005 and in each year thereafter.

If we look at the math over the next few years, if you'd turn to slide number six, we see the picture looking like this. In 2004 and 2005 combined we expect 57 million tons of new deliveries, and 36 million tons of mandated scrapping. This means fleet growth of 21 million tons. Offsetting this, two percent of demand growth in each year equivalent to 3.5 percent tanker demand growth per year, and that equates to an incremental tanker demand of 23 million tons by the end of 2005.

When you combine these, this implies a slight tightening in the supply and demand balance over the next two years. Looking further ahead into 2006 going through the same numbers, we see an additional 18 million tons of new capacity delivering, two million tons of mandatory phase out, and using the same demand growth assumptions, 12 million tons of demand growth.

All in all, these figures point to a continuation of the current finely balanced supply and demand picture for the next three years, and notably, these figures do not take into account any voluntary scrapping during the period.

Next, I'll turn to slide number seven to talk about the freight market. Tanker rates strengthened significantly across all segments during the fourth quarter as a result of growing oil supply, particularly from the Middle East. In the Atlantic Aframaxes rates reached very high levels due to a combination of demand growth and seasonal weather factors.

In the inter-Pacific rates rose, as well, but to a lesser extent due to the transitory influx of new buildings from Korean and Japanese yachts. Rates strengthened even further during January and into early February on the back of continued growth in oil production.

The outlook for tanker rates can be divided into short-term view focusing on seasonality and a medium term view focusing on the fundamentals. Over the next three to six months rates will hinge on the actions of OPEC.

If it carries out its stated intention of cutting oil supply to counter the seasonal drop in demand rates will, as usual, follow suit, yet the reality of low global inventories and high oil prices could allow OPEC (room) to maintain higher than normal production levels during spring paving the way for tanker rates to remain robust during this period. Over the medium term with tonnage supply fairly predictable the market will be linked to the strength of the global economy.

Turning next to slide number eight, there were a number of important developments in our spot business segment. During the fourth quarter and into early 2004 we completed the disposal of our older (Panamax Obo) fleet. During 2003 we also disposed of our eight oldest Aframaxes tankers as part of our ongoing fleet renewal.

Through careful timing we were able to backfill the same amount of ship days through one to five-year in charters of a similar number of modern ships at an average Aframaxes day rate of under 18,000, thereby preserving our operating leverage during this strong market. In the process, we reduced the average age of our fleet by more than 3.5 years.

The new tonnage we added in 2003 as well as our seven new buildings entering our spot fleet during 2004 and 2005 are joining our fleet at an opportune time. In January 2004 we signed contracts for a further four Aframaxes new buildings for delivery into a spot fleet in late 2006 and 2007.

As already widely discussed, new IMO regulations and now it's in December 2003 are viewed as very positive for Teekay. During his comments, Peter Evensen will discuss the details of the related vessel write-downs and accelerated depreciation of our single hull fleet.

With almost three-quarters of our owned and operated fleet now double hull compared to only 60 percent of the world tanker fleet we are ahead of the curve on its replacement. In addition, our single hull ships are among the most modern of their kind and will be among the last ships to be phased out under IMO regulations.

As you can see in slide number nine we have very significant operating leverage in our spot market segment. The size of our spot fleet means that for every $1,000 per day increase in rates our EPS increases by $.65 to $.70 cents annually, and our net income breakeven in 2004 is expected to decline to only $13,000 a day. Year-to-date the (Clarkson Aframaxes TCE) on Teekay's main trading routes has averaged around $40,000 a day, and we have plotted this figure on the graph.

Turning next to slide number 10, I'll review developments in our fixed rate segment. Our fixed rate business provided 61 million in cash flow from vessel operations, up from 46 million the prior quarter due to higher shuttle tanker utilization as an off sea oil fields came back on stream at the end of the maintenance season.

In addition, we took deliver of a shuttle tanker acquired from (Fulton). We also delivered three tanks and new buildings on 12 year charters to Conoco Phillips. In January of 2004 there were several further developments in this segment.

The two remaining new buildings under our (five ship) Conoco Phillips contract delivered. We signed contracts for two Aframaxes tankers specially designed for the ship-to-ship (lighter end) trade and entered into 10 year charters with our 50 percent owned joint venture company, (Skog & Petro Trans) commencing in 2007 and 2008. We also took delivery of the first of two Suezmax new buildings scheduled from long-term charters in Brazil following conversion to shuttle tanker later in 2004.

We remain on track to reach an annualized $285 million in annualized cash flow from vessel operations by the fourth quarter of 2004. Our contracts in this segment have an average length of around seven years. In early February of this year we completed the integration of Navion's organization into Teekay.

The shuttle operations of Navion and (U&S) were unified and renamed (CK Navion Shuttle Tankers) with offices in Stavanger and Sandefjord, Norway. I'll now hand it over to Peter to discuss our financial results. Peter.

Peter Evensen: Thanks. As Bjorn has said, the fourth quarter was a good quarter on an operating basis with both our spot and fixed rate segments generating cash flows at or near record levels. Spot rates firmed during the fourth quarter as one would expect in a normal seasonal pattern, and were at historically strong levels, which is an indication of the tight market balance between tanker supply and demand.

With even higher spot rates and further growth to our fixed rate segment the first quarter of 2004 is well on pace to become a new record quarter for Teekay by virtually any financial measure. Turning to slide 11, Teekay generated 154.7 million in cash flow from vessel operations in the fourth quarter which is the company's third highest on record and a 76 percent improvement over the same period last year.

Of this, 93.7 came from our spot tanker segment, and 61 million from our fixed rate segment. As a result, the vessel write-downs and other charges totaling 72.1 million or $1.72 per share. Net income for the quarter was 6.6 million or 16 cents a share.

Looking at each segment, cash flow from vessel operations for our spot tanker segment increased by $33 million or 55 percent to 93.7 in the fourth quarter. Compared to 60.6 million in the fourth quarter of 2002. The increase is due to the inclusion of Navion's conventional tanker fleet which added over 2,200 ship days to our spot tanker segment but was partially offset by the sale of older vessels during 2003 as well as the increase in spot tanker (age).

Our spot Aframaxes fleet generated a 365-day time charter equivalent of 25,400 per day in the fourth quarter, compared to 18,400 per day in the same period last year, and 18,300 per day in the previous quarter. Our fixed rate segment includes the company's shuttle tanker operation, both Navion and (Uglen Nordic Shipping), (Floating Storage offtake vessels), and LPG carrier, and certain conventional crude oil and product tankers on long-term fixed rate contracts.

The fixed rate segment generated $61 million in cash flow from vessel operations during the fourth quarter, compared to 27.2 million in the fourth quarter of 2002, an increase of 124 percent primarily due to the inclusion of Navion's shuttle tanker operation.

It is also worth noting that the fourth quarter figure has increased from the third quarter figure of 45.8 million. This was because Navion's shuttle tanker business experienced higher utilization due to the typically higher oil production during the winter months, the delivery of three new buildings on charter to Conoco Phillips, and the acquisition of (Fordham) shuttle tanker activities which includes the Navion (Pentias).

The cash flow from vessel operations generated by our fixed rate segment will continue to ramp-up with the earnings from the delivery of the final two new buildings on charter to Conoco Phillips, which occurred in January 2004.

Looking further into 2004 we have the (Batani Spirit FSO) commencing operations in April 2004 and two Suezmaxes shuttle tankers commencing operations in Brazil in the third quarter of 2004. With these contracts in place we expect the fixed rate segment to generate annualized cash flow from vessel operation of approximately $285 million by the fourth quarter of 2004.

Turning to slide 12 and reviewing our fiscal 2003 results for the 12 months ending December 31st, 2003. Net voyage revenues grew 117 percent to 1.2 billion. Teekay generated $581 million in total cash flow from vessel operations in 2003, which is a record for the company and 116 percent improvement over last year.

Of this, 391 million came from our spot tanker segment, and 190 million was from our fixed rate segment. As a result of vessel write-downs and other changes totaling 118.3 million or $2.91 per share. Net income for the year was $4.35 per share, a 227 percent improvement over fiscal year 2002.

Turning next to slide 13 in reviewing our fourth quarter income statement figures in detail, and comparing them to the September 30th quarter, net voyage revenues increased by $66 million over the prior quarter to $340 million. Two-thirds of this increase is attributable to the company's spot segment which earned higher spot tanker rates than the previous quarter, and the balance is attributable to the company's fixed rate segment.

Our vessel operating expenses increased by $2 million over the prior quarter due primarily to the new building deliveries and the purchase of one shuttle tanker partially offset by vessel sales during the quarter. Our time charter expense grew by $6.3 million over the prior quarter due primarily to additional in charter vessels.

Depreciation and amortization increased by $2.6 million over the prior quarter as a result of the delivery of new buildings and the purchase of one shuttle tanker, partially offset by decreases from vessels sold during the quarter. Included in depreciation expenses 6.4 million in dry dock amortization in the fourth quarter compared to 7 million in the third quarter.

G&A expenses increased to 26.4 million in the fourth quarter compared to 24.1 million in the third quarter due primarily to retroactive adjustments to pension accruals, the appreciation of certain foreign currencies against the U.S. dollar and the timing of certain expenditures. For 2004 we expect a quarterly run rate for G&A expenses to come back down to a level similar t the third quarter.

Net interest expense increased slightly to 22.1 million from 21 million in the third quarter due to the delivery of the new buildings. Again, partially offset by the sale of older vessels. Cash flow from vessel operations to interest coverage increased from a 4.6 times cover in the third quarter to 6.7 in the fourth quarter due primarily to increase in spot tanker age and the higher utilization of the shuttle tanker for fleet as previously discussed.

Deferred income taxes has increased to 13.3 million from 6 million in the previous quarter due primarily to the higher operating profit from Navion's shuttle tanker fleet in the fourth quarter. In addition, the deferred income tax expense in the fourth and third quarters included 6.5 million and 4 million respectively in tax provisions relating to unrealized foreign exchange gains arising from the U.S. dollar denominated inter-company (down) in Norway.

The results for the fourth quarter included the previously announced $56.8 million write-down in the book value of certain of the company's vessels due to the new IMO regulations. These write-downs are in line with our previously released guidance of $50 million to $60 million.

In addition, the company's depreciation expense will increase by approximately $2 million per quarter or five cents per share commencing the first quarter of 2004 due to the shortened useful life of the affected vessels. We have elected to be conservative and depreciate the single hulled vessels to scrap value by 2010.

Other loss of 6.2 million relates primarily to a restructuring charge related to the closure of the company's Oslo and Melbourne Offices, loss on the repurchase of our most expensive secured debt, our 8.23 percent secured bonds, foreign exchange losses, minority interest expense, and a number of miscellaneous items, partially offset by income from joint ventures and dividend income.

Looking at the balance sheet and treating the mandatory exchange (for) preferred issue is equity. Net debt to capitalization decreased from 42.6 percent in the third quarter to just under 40 percent at the end of 2003 as cash flow from vessel operations and proceeds from the sale of vessels exceeded our capital expenditures during the quarter. Our liquidity, consisting of cash, cash equivalents, and undrawn availability under revolving credit facilities was $775 million.

Turning to slide 14, in July, 2003 the company purchased a 16 percent investment in the product tanker company, (Torm) for $37.3 million. The market value of this investment at December 31st had appreciated to $90.2 million resulting in an unrealized gain of $52.9 million.

This gain has been included in the company's stockholders equity and has increased the book value at yearend by approximately $1.25 per share. At February 25th, 2004 the unrealized gain had increased further to $137 million or a cumulative gain in book value of approximately $3.25 a share.

During the quarter and subsequent to December 31st, 2003 Teekay sold its remaining interest in Nordic American Tanker Shipping Limited and will record a nominal accounting gain in the first quarter of 2004 relating to this sale.

Turning to slide 15, capital expenditures in the fourth quarter totaled 165 million including 92 million in new building installments, $32 million for the purchase of the shuttle tanker, Navion (Pentia), 20 million in dry-docking costs and the remainder relating to vessel conversions and upgrades.

Forecasted cap ex as of January 31st, 2004 excluding annual maintenance cap ex was approximately $30 million. It is roughly $225 million for the remainder of 2004, $95 million in 2005, $107 million in 2006, and $123 million in 2007 and early 2008. Long-term financing arrangements totaling approximately $25 million exists relating to these new building commitments.

Looking at slide 16, we can see the combination of the company's fixed rate contract segment and spot tanker segment allows Teekay to be cash flow positive in 2004 at any spot charter tanker rate. In fact, the company's cash flow from operations from just its fixed rate segment in 2004 is sufficient to cover the company's entire annual fixed charges.

Given the strong spot tanker environment Bjorn has spoken of, Teekay expects to generate free cash flow this year which will comfortably cover its fixed charges several times over. And so the company already strong financial condition should continue to improve and leave Teekay well positioned for profitable growth, and if determined to be the best use of cash, to return capital to its shareholders. I will now turn the mic back to Bjorn to conclude.

Bjorn Moller: Thank you, Peter. If you'd like to turn to slide number 17 which shows historical tanker rates over the past 30 years, I'll make just a couple of final comments before we open it up to questions. Traditionally in the tanker business when you're able to look back on a good year the end of the high cycle tends to be somewhere out there on the horizon.

While this industry will remain cyclical what is truly unique about the present situation is that after a period of three good years in the last four we're still looking at solid fundamentals that point to several more years of strong tanker markets.

The reason for this is the convergence of four factors. The mandated phase out of single hull tankers, a decade of under investing in the tanker industry, a synchronized upturn in the global economy, and the China factor. Indeed, all cargo shipping sectors are experiencing strong demand and scarce supply as exemplified by the cost of shipping iron ore from Brazil to Asia where the cost of freight now exceeds the value of the cargo.

On this basis, you could say the tanker rates were almost a bargain at less than 10 percent of the price of a barrel of oil, or somewhere around $.05 to $.08 per gallon at the gas pump. This just goes to show that the demand for commodity freight is inelastic in the short term and this bodes well for Teekay who ships more than 10 percent of the world's seaborn oil. Thank you for listening, and we will now be pleased to take your questions.

Operator: Thank you. The question-and-answer session will be conducted electronically today. And if you would like to ask a question, please do so by pressing the star key followed by the digit one on your touch-tone telephone. We ask that anyone who is using a hands-free phone or a speaker phone to please pick-up your handset when asking your question. Once again, that is star one to ask a question. And we'll pause for just a moment.

And we will take our first question from Magnus Fyhr.

Magnus Fyhr: Yes, this is Magnus Fyhr, Jefferies. A couple of questions, you made some great investments in 2003, including (Torm). Looking at your free cash flow for 2004 between $400 million and $500 million could you elaborate a little bit, Bjorn, on opportunities? If you see better opportunities outside your core tanker business? Or if you still feel confident that you could find some value in your tanker business?

Bjorn Moller: Hi, Magnus. I guess we've spent a lot of time looking at opportunities. We've spent a lot of time applying discipline to those opportunities. You know, as you point out, we invested $1.5 billion in very profitable new projects in 2003. And I think that we're confident that there will be future opportunities for Teekay to grow the business profitably. It might be a little lumpy.

And with rates and ship prices as high as they are, you know, we certainly want to be disciplined in the acquisition of cyclical assets. Yet, you know, one might still get the opportunity as we did in January when we secured four very attractively priced tanker new buildings, (launched at Hyundai) in Korea. And so, you know, I think the answer is that we remain optimistic that we can put the monies to good use, Magnus.

Magnus Fyhr: OK, if you don't find opportunities to invest would you, you know, pay-down debt, potential dividend, or buyback stock?

Bjorn Moller: Well, we have been busy prepaying some of our most expensive debt. We still have around 1.6 billion of debt, and so there's certainly the opportunity to apply it to that. We also did, as you know, increase our dividend last year for the first time since the IPO in 1995, signaling that that is one of the tools that we consider appropriate to use. And I think stock buyback is certainly also a tool that we will not hesitate to use when we see that to be the best use of cash, and so it'll be a combination, I think.

Magnus Fyhr: OK, and just also on your single hull vessels, you've been renewing your fleet in the last year. Do you, the reason IMO regulation, do you see any difficulties in trading your single hull vessels into Europe?

Bjorn Moller: Well, I would say that we, in a very strong market you're not seeing very much difference in the trading utilization of single versus double. Last year, I think we experienced slightly ore idle time on our single hull ships but it was maybe a few more days compared to double hull.

All of them were very highly utilized. I think Teekay ships in particular due to our reputation and our relationships with customers enjoy a very high, in fact, a 100 percent acceptability. That might not be true for every operator.

And so if we see weakness in rates, and as we over the next several years approach a much higher proportion of double hull tankers in the world fleet I would expect that we will see increasing discrimination and marginalization of single hull tankers, but that could be, you know, several years out in my view. And certainly, as long as we have a five tanker market it's not much of an issue, I don't think.

Magnus Fyhr: Right, and just going back to your slide, showing the operating leverage on the company, how much, I mean we're only a month, you know, left in the first quarter. How much, how many operating days do you have left to lock-in for the first quarter?

Bjorn Moller: I think it's about 75 percent that's locked in as of this time.

Magnus Fyhr: OK, thank you very much.

Operator: We will take our next question from Gary Goldstein of Gilford Securities.

Gary Goldstein: Congratulations, guys, on a great quarter, great quarter. Wanted to ask a question. You guys are now the leader as it were in sophisticated shuttle and medium sized, as you pointed out in the release. The focus of the company going forward, you know, there's been a lot of growth in the company in '03. We're assuming that '04 is going to be a consolidation year. Can you point us to where the long-term, where the long-term of Teekay is? What we can expect you guys to basically own next?

Bjorn Moller: Yes, thanks for the question. We're certainly very pleased with not only the pace of our growth but also the way in which we have pieced together different elements of what we call the midstream sector, pretty much covering our customer service needs for marine solutions from all platforms of the refinery. And that means we have expanded the scope of our service, but in a way where we are applying our core competencies in everything we do.

We don't like to diversify into areas where we don't have a competitive advantage. And so that will continue to be our focus. You know, you can say that 95 percent of the world tanker fleet that we don't control, and so there's certainly plenty of scope there. And then, of course, there's the whole (LNG) sector which is clearly going to be a rapid growth market. And so I'm very confident that Teekay will have plenty of opportunities. We just have to take our time.

Gary Goldstein: OK, thanks. And even though Magnus answered, asked our other questions – the exposure to spot versus contract, can we expect basically the same kind of mix going forward for '04 that we saw in '03? Or is the mix going to change spot versus contract?

Bjorn Moller: The best way to answer that is, of course, that we know pretty much what our fixed rate coverage will be. It'll be around $285 million by the fourth quarter on an annualized basis. The spot number will, of course, vary significantly depending on the tanker market.

And so, in terms of the fleet mix I guess you can say that's fairly constant unless we see a growth opportunity in one of the segments, but the actual revenue distribution will change because of the variations in spot tanker rates.

Gary Goldstein: All right, thank you very much. Again, fabulous results!

Bjorn Moller: Thanks.

Operator: And we will take our next question from Jon Chappell of JP Morgan.

Jon Chappell: Good morning, guys. I had a question from one of your charts on the presentation, page number four. It shows the world oil demand. In the first quarter of '03 it was exceptionally strong. The first quarter of '04 looks to be almost half of the first quarter of '03 number.

Yet it's widely expected that the first quarter of '04 is going to be the best quarter ever. Can you speak as to how, what could be playing out there? Are there any one-time events or any supply issues that could be resulting in the first quarter '04 rates being so much stronger than we've ever seen before?

Bjorn Moller: Hi, Jon. Two things, I guess. One is that, you know, this is a forecast, not an actual. And we've seen that (IEA) and others tend to lag when they kind of review up, you know, in fact both on the up side and the down side. The second point is that one quarter '04 is on top of one-quarter '03, it's a year-on-year number, and because you had a very high number in the first quarter I guess it might be a little bit of timing issues that, or winter weather variations, but it's a year-on-year.

And so if you have a very strong growth in a quarter then the following year the comp is going to be possibly a bit tougher to beat. Then, of course there is, as you see from the color, the (OACD) and the non-(OACD) difference is we're seeing some flattening in (OACD) demand growth after very strong demand growth a year ago. Whereas, non-(OACD) as you can see is growing great guns. So those are a couple of situations on that.

Jon Chappell: OK. And Peter, I'm trying to forecast the other income line going forward. It seems to have some wide variations. There's a lot of different items that go in there. The tax issue with the Norwegian fleet is obviously the biggest one. But can you give us some guidance as to how we can kind of normalize that number going forward?

Peter Evensen: Well, there's a lot of different items that go into that, and so I'm not sure that I can give you guidance on that. That's the reason that it is other income.

Jon Chappell: Are there seasonal issues involved with that?

Peter Evensen: No, it's primarily what sort of income we make off the Navion shuttle tanker activities. There is some seasonality, of course, in the Navion shuttle tanker activities.

Jon Chappell: Right. OK, thanks, guys.

Bjorn Moller: Thank you.

Operator: And once again, if you would like to ask a question, please do so by pressing star one. We will take our next question from Ethan Silverman of Silvertree Capital.

Ethan Silverman: Hi, good morning. I have two questions. Can you talk about the strategic investment in (Torm)? Especially given their ownership or involvement with 30 percent of (Norden)? Is that a decision to get involved with the dry bulk market? And if so, despite the fact that (Torm) has gone up a lot is there any potential interest in doing something further?

And secondly, you mentioned that your new orders are really worth about $100 million more given the scarcity. If you wrote-up the assets that are currently in your fleet as opposed to the write-downs of single hull what would we be looking at in terms of the incremental value of the ships given the day rates?

Bjorn Moller: Thanks for the question. I have to be very candid with you. I think we're very lucky on (Torm). The fact that the dry bulk market in that company, as well as their ownership of a large (private) company in Denmark Northern caused their stock price to jump significantly.

We did acquire the shares in (Torm) because we view it as a strategic opportunity in the product tanker market. And (Torm) is the leader in that segment, and so this is a long-term holding for Teekay. But as I say, I think we lucked out on the dry bulk market, but we'll take it. As far as the – so, just to be specific, it does not signal our intention of entering the dry bulk market.

As far as the market value of Teekay's fleet compared to the book value it is high. I don't have the number in front of me. That's maybe something we can generally look at, but we don't, you know, we don't comment, or we don't write up our ships, of course, and so I mean we kind of leave it to analysts to make an analysis of the NAV of Teekay's fleet. It's not something we really look at that closely.

Ethan Silverman: Can I ask a follow-up question?

Bjorn Moller: Sure, go ahead.

Ethan Silverman: Is there any correlation between the higher spending by (Royal Exploration) offshore that potentially you'll see in capital spending by major oil companies? And leveraging your earnings?

Bjorn Moller: I think it's interesting that the combination of our shuttle business and our spot business you can argue that's now into hedging in that, if you have very low oil prices or low exploration that typically plays into the hands of OPEC and their market share in the long run which is very accretive to tanker demand because the long haul nature of OPEC crude oil.

On the other hand, if oil prices are high and if the E&P is taking place in, outside of the Middle East it's a lot of business taking place offshore in deep water, and that plays into the hand of the shuttle tanker business.

And so, I guess there is that element of complementary investment for us. And so, of course, you know, we have an ambivalent view of it, but on the whole I think there is significant under investment in E&P at the minute, and the talk about oil companies raising the sustainable oil price at which they will develop projects I think that speaks to an increase in investment going forward.

Ethan Silverman: Thank you.

Operator: We will take our next question from Samir Chauhan of Sterne Agee.

Samir Chauhan: Good morning, guys. With the few quarters of Navion now in the bag what sort of pull through do you guys see from some of your other businesses that you might be able to generate? I guess in other words, are there any other opportunities that you guys see to expand that business into other geographical markets?

Bjorn Moller: Well, I think the biggest market for shuttle tankers is by far the North Sea market, but there are certainly other frontiers that either are growing or have the significant potential for growing. In Brazil, for example, we have six ships employed which were not employed there two years ago. And that includes two ships due to deliver later this year.

That's actually 10 percent of the world's shuttle tanker fleet. And so in terms of percentages that's a fairly significant growth in that market in a short period of time, and that is a market that continues to grow. And we expect to continue to renew charters on the existing tonnage down in that region.

Then there is a number of other frontiers where the shuttle business is beginning to show some potential, but it's actually interesting also that we don't just offer shuttle tanker services, we offer a broader spectrum of offshore services to our customers, including some projects where we've provided both the moorings and the shuttle tankers in a package, floating storage, and so on.

And so we actually have an opportunity to provide a lot of infrastructure and solutions to a variety of projects and geographic locations. And so we're quite excited about the know-how that we've acquired through Navion, combined with the know-how we already had in Teekay.

Samir Chauhan: All right, I appreciate it. Also, I guess there's been some talk about the Russian Far East pipeline. I mean what sort of impact do you see over the longer term, or in the near term on tanker demand from those, from that pipeline or any other ones that are being, I guess planned?

Bjorn Moller: Well, there's some doubt about that pipeline as far as I've read most recently. I think what's happening is in China demand is growing so quickly that if a pipeline were put in it would maybe cause less increase in tanker demand rather than the opposite. And should that pipeline be in question or should it not materialize then, of course, that would make tanker demand grow even more rapidly.

And so, there are a variety of places where, similar, around the Mediterranean Sea and the Caspian, there are a number of pipelines that are being discussed there but all of them are really to kind of manage part of the growth rather than to replace tanker demand.

Samir Chauhan: And that's more of a longer term impact, nothing near term?

Bjorn Moller: Correct.

Samir Chauhan: OK.

Bjorn Moller: At the most, near-term pipeline situation is the (quarter on the Sayham) pipeline in Iraq, where they've still yet to restart the pipeline which used to export about 40 percent of Iraqi crude oil through the Mediterranean Sea instead of through the Middle East.

That pipeline continues to be a security problem. And, in fact, they're piping crude oil from Northern Iraq for a strategic pipeline domestically down to the Middle East Gulf, and they're about to open another tanker port called (Co Alimia) that has been dormant for a number of years, and that, actually the Iraqi oil production is very accretive to tanker demand right now.

Samir Chauhan: OK, and just a couple of housekeeping questions here. What do you guys see on the trend of operating expenses?

Peter Evensen: For our operating expense in the fourth quarter we're a little higher than in the third quarter, and we expect that to move back down to our third quarter run rate throughout 2004.

Samir Chauhan: I guess on a – what I mean to say, on a vessel operating expense, individual vessels, what do you see there? Is there anything that whether it's from insurance costs rising or anything like that that might be impacting over the next year or so?

Peter Evensen: Well, vessel operating expenses I think it'll be fairly stable in 2004.

Samir Chauhan: OK. And also, I guess, could you provide a little more guidance on DD&A? I think, you know, you sold some assets, and as well, the accelerated depreciation on the single hull vessels, there, what you might see in the first quarter as a run rate?

Peter Evensen: Sure, one second. I think we'll – our run rate on depreciation and amortization is about 200 million for the year, and so I think you can count no about 50 million in the first quarter.

Samir Chauhan: OK, guys. Appreciate it. Thank you.

Peter Evensen: Thanks.

Bjorn Moller: Thank you.

Operator: We will take our next question from Gary Goldstein of Gilford Securities.

Gary Goldstein: My question was asked by Jon. Just one clarification. At the beginning of the call there was, in the q-and-a period there was a question about single versus double in the North Sea, and Europe. That's what I thought I heard? That's no longer the case. I mean those ships are no longer (applying) European waters, correct?

Bjorn Moller: Actually, that's not entirely correct. There are some restrictions around the carriers of what is known as heavy oil, in single hull tankers around Europe.

Gary Goldstein: Right. (Turning cargoes).

Bjorn Moller: That is residual fuel oil and a few very heavy crudes, but other, most of the crude oil that moves around that region is, in fact, of a lighter nature. And so the phase-out of single hulls in Europe other than those restrictions I mentioned are driven by the IMO regulations.

Gary Goldstein: Thank you very much.

Operator: And once again, if you would like to ask a question, please do so by pressing star one. We will take our next question from Martin Roher of MSR Capital Management.

Martin Roher: Thank you, Operator. And thank you, Bjorn and Peter, for a very thorough presentation. They get better and better, and it's much appreciated. The question I have is I read a couple of articles about a potential major new Japanese airport project that could utilize a significant amount of capacity to build tankers. Is that something that has occurred yet, or is on the horizon, or any thoughts on that?

Bjorn Moller: Hi, Marty. Thanks for always being a supportive shareholder.

Martin Roher: It's a great job you're doing!

Bjorn Moller: Thanks. We're aware of the (Heneida) Airport Project in Japan. It's one of these illusive (Fesmogana's) out there, it's been talked about for the last six or eight years, and it seems that each year the Japanese shipyards are going to have in the back of their minds a potential for needing space for that.

But, again, unfortunately, the latest we're hearing is it's probably a little bit pie in the sky, and that some local, you know, noise pollution where, you know, discussions against the project. And so I wouldn't – we're not hanging our hat on that one, but it'll probably happen one day but that will be a positive when it does.

Martin Roher: Thank you very much, and good luck.

Bjorn Moller: Thank you.

Operator: We will take our next question from Jin Chung of Gilford Securities.

Jin Chung: Good morning, congratulations again, gentlemen. As Teekay becomes more of a full service company, going forward should we be expecting contracts of turnkey contracts as opposed to specific contracts with companies? Could you elaborate on that potential?

Bjorn Moller: We certainly could offer services where needed. A couple of examples where it's sort of emerging, I don't think it's likely to be a big trend. For example, in the North Atlantic we have shuttle tankers that carry crude oil from platforms to nearby storage terminals.

We have (VLCCs) that carry that crude oil to the same customer across the Atlantic, and we now own 50 percent of the biggest (labor end) company in the industry that (trans ships) that oil through to ports in the U.S. Gulf Coast and elsewhere. So that, if you will, is sort of an integrated logistics chain. And it's not currently being done. It's a turnkey, but could be done.

Another example of more of a turnkey project is the (Ardmore) Project in the North Sea, where we, our subsidiary in Norway has furnished a couple of moorings, as well as some shuttle tankers that were modified. I guess compares to as a turnkey project, as well. And we have done some floating storage projects that have elements of that. I don't think it's a trend, though.

Jin Chung: Thank you very much.

Operator: And once again, if you would like to ask a question, please do so by pressing star one at this time. We will take a question from Ethan Silverman of Silvertree Capital.

Ethan Silverman: Hi, thank you for following up on a couple of things. Two questions, given the price of scrap steel and the fact that you have existing contracts with the shipyards, is it the fact that they're taking it on the chin and question their margins to the point that since they've already contracted with you that they can't change pricing to raise your costs? Are they getting squeezed because they're, the price of raw materials coming in are that much higher?

Bjorn Moller: I believe that typically shipyards would move to try to lock-in the components when they enter into a shipbuilding contract, and so I guess in most cases it's sort of squared away at the time of ordering, and so it's simply whoever they bought the steel from that might have ended up selling it more cheaply.

However, what becomes more complicated when the lead-time at shipyards becomes this long because it's hard sometimes to hedge currency or hedge steel prices that far into the future, and so the shipyards become a little nervous about quoting, and then it's partly the increased costs and partly the uncertainty will drive the price up of ships and so that's why we're seeing prices continuing to rise, actually, beyond the 20 percent that I mentioned in my comments.

Ethan Silverman: OK, one final question. You mentioned the other companies, that they have an interest in liquid natural gas, availability of ships. These ships are highly expensive and take a long time to manufacture. Can you talk a little bit about how you would get your hands on some? If you would do it through a pool? If you would outright buy them, and given their costs, I mean how many of these things could you buy to really get meaningful exposure in the market?

Bjorn Moller: I'd say we're looking at what the options are in the (LNG) business. We certainly have the balance sheet probably more than pretty much anyone in the industry. And so if anybody can afford to enter I think it'll be Teekay. The question is can we do it on a profitable basis and on a basis that, you know, outperforms other investment alternatives that we have.

And so I can't really give you a clear answer. I think that, you know, there are opportunities for organic growth, and we've certainly, I think, can say that we don't have any current intentions to order speculatively. It will be sort of build-to-suit.

Ethan Silverman: OK, thank you very much.

Operator: We will take our next question from Jim Bussone, Delphi Management.

Jim Bussone: Good morning, guys. Things are looking really good.

Bjorn Moller: Thank you.

Jim Bussone: And just a quick question, so are there any other anticipated write-downs for '04?

Peter Evensen: No, we don't have any.

Jim Bussone: Great. And currently what are you getting for rates these days?

Bjorn Moller: The current (Clarkson) rates would, if you look at (Clarkson) you're seeing day rates for Aframaxes tankers in the Far East in the low 40s per day. The Mediterranean and North Sea, Caribbean, in other words Atlantic Aframaxes rates have come up a bit to say the low to mid 20s to the low 30s, which I guess seems low but when we consider that used to be a boon in the old days that's still not that bad.

Super tankers, (VLCCs), are probably generating around the mid-60s per day, and (Suez Max), the million barrel ships are probably generating in the mid, high 30s.

Jim Bussone: OK, great. Thank you.

Operator: And Mr. Moller, there appears to be no further questions at this time. I'll turn the conference back over to you for any additional or closing remarks.

Bjorn Moller: Well, I think we've exhausted our time here. Thank you very much for hanging in there for the whole hour with us this morning. We enjoyed presenting to you, and look forward to talking to you again in a quarter. Have a great day.

Operator: And that does conclude today's conference. Thank you for your participation, you may now disconnect.

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