

TEEKAY SHIPPING CORP  
Form 6-K  
August 14, 2002

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 6-K**

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of  
the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2002

**TEEKAY SHIPPING CORPORATION**

(Exact name of Registrant as specified in its charter)

TK House  
Bayside Executive Park  
West Bay Street & Blake Road  
P.O. Box AP-59213, Nassau, Bahamas  
(Address of principal executive office)

[Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.]

Form 20-F  Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes  No

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82-\_\_\_\_\_]

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**

**REPORT ON FORM 6-K FOR THE QUARTERLY PERIOD ENDED June 30, 2002**

**INDEX**

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Independent Accountant's Report.....

Consolidated Statements of Income  
for the three months ended June 30, 2002 and 2001.....

Consolidated Balance Sheets  
June 30, 2002 and December 31, 2001.....

Consolidated Statements of Cash Flows  
for the six months ended June 30, 2002 and 2001.....

Notes to Consolidated Financial Statements.....

Schedule A to the Consolidated Financial Statements.....

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations.....

Item 3. Quantitative and Qualitative Disclosures about Market Risk.....

PART II: OTHER INFORMATION.....

SIGNATURES.....

**INDEPENDENT ACCOUNTANT S REVIEW REPORT ON INTERIM  
FINANCIAL STATEMENTS**

To the Shareholders and Board of Directors of  
**Teekay Shipping Corporation**

We have reviewed the accompanying consolidated balance sheet of Teekay Shipping Corporation and subsidiaries as of June 30, 2002, the related consolidated statements of income for the three and six-month periods ended June 30, 2002 and 2001, and the consolidated statements of cash flows for the six-month periods ended June 30, 2002 and 2001. Our review also included Schedule A listed in Index Item 1. These financial statements and schedule are the responsibility of the Company s management.

We were furnished with the report of other accountants on their review of the interim information of Uglan Nordic Shipping ASA, a wholly owned subsidiary, whose total assets as of June 30, 2002 and whose net voyage revenues for the six-month period ended June 30, 2002 constituted 22 per cent and 18 per cent, respectively, of the consolidated totals.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the report of other accountants, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements and schedule referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Teekay Shipping Corporation and subsidiaries as of December 31, 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, not presented herein, and in our report dated February 8, 2002, we expressed an unqualified opinion on those consolidated financial statements. We did not audit the financial statements of Uglan Nordic Shipping ASA, a wholly owned subsidiary, which statements reflect total assets and net voyage revenues constituting 21 per cent and 10 per cent, respectively of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Uglan Nordic Shipping ASA, is based solely on the report of other auditors. In our opinion, the information set forth in the accompanying consolidated balance sheet and related schedule as of December 31, 2001, is fairly stated, in all material respects, in relation to the consolidated balance sheet and schedule from which they have been derived.

Vancouver, Canada,  
July 25, 2002

/s/ ERNST & YOUNG LLP  
Chartered Accountants

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**  
**(in thousands of U.S. dollars, except per share amounts)**

	Three Months Ended June 30, 2002	2001	Six 20
	\$	\$	
	=====		
	(unaudited)		
<b>NET VOYAGE REVENUES</b>			
Voyage revenues	186,935	276,048	375,

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Voyage expenses	57,127	62,227	109,
Net voyage revenues	129,808	213,821	265,
<b>OPERATING EXPENSES</b>			
Vessel operating expenses	42,663	39,274	83,
Time-charter hire expense	13,496	16,346	26,
Depreciation and amortization	36,763	36,100	72,
General and administrative	14,327	11,761	28,
	107,249	103,481	210,
<b>Income from vessel operations</b>	22,559	110,340	55,
<b>OTHER ITEMS</b>			
Interest expense	(14,478)	(18,080)	(29,
Interest income	1,001	2,849	1,
Other (loss) income (note 8)	(5,131)	1,132	(8,
	(18,608)	(14,099)	(35,
<b>Net income</b>	3,951	96,241	19,
<b>Earnings per common share</b>			
- Basic	0.10	2.42	
- Diluted	0.10	2.35	
<b>Weighted average number of common shares</b>			
- Basic	39,631,949	39,807,935	39,593
- Diluted	40,348,900	40,941,121	40,278

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

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

(in thousands of U.S. dollars)

As at  
June 30,  
2002  
\$

=====

(unaudited)

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**ASSETS**

**Current**

Cash and cash equivalents (note 5)	174,115
Marketable securities	-
Restricted cash (note 5)	11,123
Accounts receivable	56,046
Prepaid expenses and other assets	27,695

**Total current assets** 268,979

Marketable securities 13,763

**Vessels and equipment (note 5)**

At cost, less accumulated depreciation of \$867,045 (December 31, 2001 - \$801,985)	1,924,863
Advances on newbuilding contracts (note 7)	141,008

**Total vessels and equipment** 2,065,871

Investment in joint ventures	28,306
Other assets	28,433
Goodwill (note 4)	89,189

2,494,541

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current**

Accounts payable	20,843
Accrued liabilities	71,579
Current portion of long-term debt (note 5)	52,366

**Total current liabilities** 144,788

Long-term debt (note 5)	876,581
Other long-term liabilities	45,725

**Total liabilities** 1,067,094

**Minority interest** 19,842

**Stockholders' equity**

Capital stock (note 6)	470,570
Retained earnings	938,285
Accumulated other comprehensive loss	(1,250)

**Total stockholders' equity** 1,407,605

2,494,541

Commitments and contingencies (note 7)

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

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands of U.S. dollars)

	<b>Six Months E</b> <b>2002</b> <b>\$</b> =====	<b>(unau</b>
Cash and cash equivalents provided by (used for)		
<b>OPERATING ACTIVITIES</b>		
Net income	19,642	
Non-cash items:		
Depreciation and amortization	72,841	
Gain on disposition of available-for-sale securities	1,130	
Equity income (net of dividends received: June 30, 2002 - \$1,748; June 30, 2001 - \$5,000)	(539)	
Future income taxes	6,991	
Other - net	796	
Change in non-cash working capital items related to operating activities	11,148	
<b>Net cash flow from operating activities</b>	<b>112,009</b>	
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	19,260	
Scheduled repayments of long-term debt	(25,897)	
Prepayments of long-term debt	-	
Increase in restricted cash	(3,290)	
Proceeds from issuance of Common Stock	3,225	
Cash dividends paid	(17,013)	
<b>Net cash flow (used in) from financing activities</b>	<b>(23,715)</b>	
<b>INVESTING ACTIVITIES</b>		
Expenditures for vessels and equipment	(80,373)	
Expenditures for drydocking	(13,546)	
Expenditure for purchase of Ugland Nordic Shipping ASA (net of cash acquired of \$26,605)	-	
Acquisition costs related to purchase of Ugland Nordic Shipping ASA	-	
Acquisition costs related to purchase of Bona Shipholding Ltd.	-	
Proceeds from disposition of available-for-sale securities	6,675	

Other	(1,885)
-----	
<b>Net cash flow used in investing activities</b>	<b>(89,129)</b>
-----	
(Decrease) increase in cash and cash equivalents	(835)
Cash and cash equivalents, beginning of the period	174,950
-----	
<b>Cash and cash equivalents, end of the period</b>	<b>174,115</b>
=====	

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

## TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (all tabular amounts stated in thousands of U.S. dollars, except share data) (Information as at June 30, 2002 and for the Three and Six-Month Periods Ended June 30, 2002 and 2001 is unaudited)

#### 1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission. 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 ). Certain information and footnote disclosures required by generally accepted accounting principles for complete annual financial statements have been omitted and, therefore, it is suggested that these interim financial statements be read in conjunction with the Company s audited financial statements for the year ended December 31, 2001. In the opinion of management, these statements reflect all adjustments (consisting only of normal recurring accruals), necessary to present fairly, in all material respects, the Company s consolidated financial position, results of operations, and cash flows for the interim periods presented. The results of operations for the three and six-month periods ended June 30, 2002 are not necessarily indicative of those for a full fiscal year.

#### 2. Acquisition of Ugland Nordic Shipping ASA

As of May 28, 2001, Teekay had purchased 100% of the issued and outstanding shares of Ugland Nordic Shipping ASA ( UNS ) (9% of which was purchased in fiscal 2000 and the remaining 91% of which was purchased in fiscal 2001), for \$222.8 million cash, including estimated transaction expenses of approximately \$7 million. UNS controls a modern fleet of 18 shuttle tankers (including three newbuildings on order) that engage in the

transportation of oil from offshore production platforms to onshore storage and refinery facilities.

The acquisition of UNS has been accounted for using the purchase method of accounting, based upon estimates of fair value. UNS operating results are reflected in Teekay's financial statements commencing March 6, 2001, the date Teekay acquired a majority interest in UNS. Teekay's interest in UNS for the period from January 1, 2001 to March 5, 2001 has been included in equity income for the corresponding period.

### 3. Cash Flows

Cash interest paid during the six-month periods ended June 30, 2002 and 2001 totalled approximately \$33.5 million and \$35.2 million, respectively.

### 4. Goodwill

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 142 (SFAS 142), Goodwill and Other Intangible Assets, which establishes new standards for accounting for goodwill and other intangible assets. SFAS 142 requires that goodwill and indefinite lived intangible assets no longer be amortized but reviewed for impairment during the first six months of 2002 and annually thereafter, or more frequently if impairment indicators arise. This statement is effective for existing goodwill beginning with fiscal years starting after December 15, 2001. During the six-month period ended June 30, 2002, the Company completed its transitional impairment testing required by SFAS 142 and has determined that goodwill is not impaired. Based upon the Company's goodwill balance at December 31, 2001, the Company estimates that adoption of SFAS 142 will result in an annual increase in net income of approximately \$4.5 million, by no longer amortizing goodwill.

## TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (all tabular amounts stated in thousands of U.S. dollars, except share data) (Information as at June 30, 2002 and for the Three and Six-Month Periods Ended June 30, 2002 and 2001 is unaudited)

### 5. Long-Term Debt

June 30,	December 31,	2002 \$
First Preferred Ship Mortgage Notes (8.32%) due through 2008.....		167,229
Term Loans due through 2010 .....		409,601



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Senior Notes (8.875%) due July 15, 2011 .....	352,117
	-----
	928,947
Less current portion.....	52,366
	-----
	876,581
	=====

The Company has two undrawn long-term Revolving Credit Facilities (the **Revolvers** ) available, which, as at June 30, 2002, provided for borrowings of up to \$479.4 million. The Revolvers are collateralized by first priority mortgages granted on 33 of the Company's vessels, together with certain other related collateral, and a guarantee from Teekay 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 June 30, 2002, the fair value of these net assets approximated \$170.8 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.

Condensed financial information regarding Teekay, the 8.32% Notes Guarantor Subsidiaries, and non-guarantor subsidiaries of Teekay is set out in Schedule A of these consolidated financial statements.

The Company has several term loans outstanding, which, as at June 30, 2002, totalled \$409.6 million. 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. All term loans, other than UNS term loans totaling \$307.9 million, are guaranteed by Teekay. One term loan required a retention deposit of \$11.1 million as at June 30, 2002.

Pursuant to certain long-term debt agreements, the amount of Restricted Payments, as defined, that the Company can make, including dividends and purchases of its own capital stock, was limited as of June 30, 2002, to \$444.1 million. Certain loan agreements require that a minimum level of free cash be maintained. As at June 30, 2002, this amount was \$75.0 million.

### 6. Capital Stock

The authorized capital stock of Teekay at June 30, 2002 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. As at June 30, 2002, Teekay had 39,695,536 shares of Common Stock and no shares of Preferred Stock issued and outstanding.

As at June 30, 2002, 3,848,842 shares of Common Stock were reserved and available for issuance upon exercise of options granted or to be granted pursuant to its 1995 Stock Option Plan. As at June 30, 2002, options to purchase a total of 3,573,498 shares of Teekay's Common Stock were outstanding, of which 1,695,738 options were then exercisable at prices ranging from \$16.875 to \$41.190 per share and a weighted average exercise price of \$25.396 per share. The remaining outstanding options have exercise prices ranging from \$16.875 to \$41.190 per share and a weighted average exercise price of \$31.385 per share. All outstanding options expire between July 19, 2005 and March 11, 2012, ten years after the date of each respective grant.

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(all tabular amounts stated in thousands of U.S. dollars, except share data)**  
**(Information as at June 30, 2002 and for the Three and Six-Month Periods**  
**Ended June 30, 2002 and 2001 is unaudited)**

**7. Commitments and Contingencies**

As at June 30, 2002, the Company was committed to the construction of three shuttle, three Suezmax and two Aframax tankers scheduled for delivery between December 2002 and December 2003, at a total cost of approximately \$411.7 million. As of June 30, 2002, there have been payments made towards these commitments of \$132.1 million and long-term financing arrangements exist for \$42.2 million of the unpaid cost of these vessels. It is the Company's intention to finance the remaining unpaid amount of \$279.6 million through either debt borrowing or surplus cash balances, or a combination thereof. As of June 30, 2002, the remaining payments required to be made under these newbuilding contracts are as follows: \$37.3 million in 2002 and \$242.3 million in 2003. Upon delivery, the vessels will be subject to long-term charter contracts, which expire between 2009 and 2015.

Teekay and certain subsidiaries of Teekay have guaranteed their share of the outstanding mortgage debt in three 50%-owned joint venture companies. As of June 30, 2002, Teekay and these subsidiaries have guaranteed \$85.4 million of such debt, or 50% of the total \$170.8 million in outstanding mortgage debt of the joint venture companies. These joint venture companies own three shuttle tankers.

**8. Other (Loss) Income**

**Three Months Ended**

**Six Months Ended**

	<b>June 30, 2002 \$</b>	<b>June 30, 2001 \$</b>
(Loss) gain on disposition of available-for-sale securities	-	(229)
Equity income from joint venture.....	402	2,601
Future income taxes.....	(3,810)	(2,419)
Miscellaneous.....	(1,723)	1,179
	-----	-----
	(5,131)	1,132
	=====	=====

**9. Comprehensive Income**

<b>Three Months Ended</b>	<b>Six Months Ended</b>	<b>June 30, 2002 \$</b>	<b>June 30, 2001 \$</b>
Net income.....		3,951	96,241
Other comprehensive income:			
Unrealized loss on available-for-sale securities.....		(1,168)	(2,062)
Reclassification adjustment for loss (gain) on available-for-sale securities included in net income..		-	519
Cumulative effect of accounting change.....		-	-
Unrealized gain (loss) on derivative instruments.....		2,735	597
Reclassification adjustment for gain on derivative instruments.....		(361)	(267)
Comprehensive income.....		5,157	95,028

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(all tabular amounts stated in thousands of U.S. dollars, except share data)**  
**(Information as at June 30, 2002 and for the Three and Six-Month Periods**  
**Ended June 30, 2002 and 2001 is unaudited)**

**10. Derivative Instruments and Hedging Activities**

The Company uses derivatives only for hedging purposes. The following summarizes the Company's risk strategies with respect to market risk from foreign currency fluctuations, changes in interest rates, bunker fuel prices and tanker freight rates and the effect of these strategies on the Company's financial statements.

The Company hedges portions of its forecasted expenditures denominated in foreign currencies with forward contracts and a portion of its bunker fuel expenditures with bunker fuel swap contracts. As at June 30, 2002, the Company was committed to foreign exchange contracts for the forward purchase of approximately Norwegian Kroner 74.9 million, Canadian Dollars 64.4 million and Euros 2.9 million for U.S. Dollars, at an average rate of

Norwegian Kroner 8.32 per U.S. Dollar, Canadian Dollar 1.58 per U.S. Dollar and Euros 0.93 per U.S. Dollar, respectively. The foreign exchange forward contracts mature as follows: \$24.4 million in 2002, and \$28.1 million in 2003. As at June 30, 2002, the Company was committed to bunker fuel swap contracts totaling 42,600 metric tonnes, with a weighted-average price of \$110.17 per tonne. These swap contracts expire between July 2002 and May 2004.

As at June 30, 2002, the Company was committed to interest rate swap agreements whereby \$70.0 million of the Company's floating rate debt was swapped with fixed rate obligations having a weighted average remaining term of 0.7 years. These agreements, which expire between December 2002 and May 2004, effectively change the Company's interest rate exposure on \$70.0 million of debt from a floating LIBOR rate to a weighted average fixed rate of 6.48%. 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.

The Company hedges certain of its voyage revenues through the use of a written freight call option. As at June 30, 2002, the Company had a written freight call option outstanding with a remaining term of six months, which could require payments to the counterparty if monthly average freight rates exceed a specified amount.

## SCHEDULE A

### TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

#### CONDENSED STATEMENTS OF INCOME AND RETAINED EARNINGS

(in thousands of U.S. dollars)

(unaudited)

	Three Months Ended June 30, 2002			
	Teekay Shipping Corp.	8.32% Notes Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations
	\$	\$	\$	\$
Net voyage revenues	-	9,038	155,852	(35,000)
Operating expenses	3,220	8,522	130,589	(35,000)
(Loss) income from vessel operations	(3,220)	516	25,263	
Net interest expense	(10,367)	-	(3,110)	
Equity in net income of subsidiaries	16,784	-	-	(16,784)
Other income (loss)	754	-	(5,885)	
<b>Net income</b>	<b>3,951</b>	<b>516</b>	<b>16,268</b>	<b>(16,784)</b>

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Retained earnings (deficit), beginning of the period	942,844	(13,524)	1,062,204	(1,048,
Dividends declared	(8,510)	-	-	
<b>Retained earnings (deficit), end of the period</b>	<b>938,285</b>	<b>(13,008)</b>	<b>1,078,472</b>	<b>(1,065,</b>

Three Months Ended June 30, 200

	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$	Elimin \$
Net voyage revenues	-	8,879	243,770	(38
Operating expenses	2,695	8,313	131,301	(38
(Loss) income from vessel operations	(2,695)	566	112,469	
Net interest expense	(3,217)	-	(12,014)	
Equity in net income of subsidiaries	103,130	-	-	(103
Other income	(977)	1,663	446	
<b>Net income</b>	<b>96,241</b>	<b>2,229</b>	<b>100,901</b>	<b>(103</b>
Retained earnings (deficit), beginning of the period	777,618	(18,928)	818,886	(799
Dividends declared	(8,481)	-	-	
<b>Retained earnings (deficit), end of the period</b>	<b>865,378</b>	<b>(16,699)</b>	<b>919,787</b>	<b>(903</b>

(See Note 7)

SCHEDULE A

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF INCOME AND RETAINED EARNINGS**  
(in thousands of U.S. dollars)  
(unaudited)

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Six Months Ended June 30, 2002

	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$	Elimin \$
Net voyage revenues	-	17,977	317,783	(69,
Operating expenses	5,834	15,707	258,847	(69,
(Loss) income from vessel operations	(5,834)	2,270	58,936	
Net interest expense	(20,818)	-	(6,568)	
Equity in net income of subsidiaries	44,341	-	-	(44,
Other income (loss)	1,953	-	(10,297)	
<b>Net income</b>	19,642	2,270	42,071	(44,
Retained earnings (deficit), beginning of the period	935,660	(15,278)	1,036,401	(1,021,
Dividends declared	(17,017)	-	-	
<b>Retained earnings (deficit), end of the period</b>	938,285	(13,008)	1,078,472	(1,065,

Six Months Ended June 30, 2001

	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$	Elimin \$
Net voyage revenues	-	17,660	520,304	(78,
Operating expenses	5,488	17,053	249,348	(78,
(Loss) income from vessel operations	(5,488)	607	270,956	
Net interest expense	(5,963)	-	(21,251)	
Equity in net income of subsidiaries	250,988	-	-	(250,
Other income (loss)	1,392	1,663	(987)	
<b>Net income</b>	240,929	2,270	248,718	(250,
Retained earnings (deficit), beginning of the period	641,149	(18,969)	671,069	(652,
Adjustment for equity income on step acquisition	198	-	-	
Dividends declared	(16,898)	-	-	
<b>Retained earnings (deficit), end of the period</b>	865,378	(16,699)	919,787	(903,

(See Note 7)

## SCHEDULE A

## TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

**CONDENSED BALANCE SHEETS**  
(in thousands of U.S. dollars)  
(unaudited)

	As at June 30, 2002			
	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$	Elimin
<b>ASSETS</b>				
Cash and cash equivalents	3	-	174,112	
Other current assets	375	790	189,699	(9)
Total current assets	378	790	363,811	(9)
Vessels and equipment (net)	-	258,499	1,807,372	
Advances due from subsidiaries	318,522	-	-	(31)
Other assets (principally marketable securities and investment in subsidiaries)	1,631,224	-	42,196	(1,63)
Investment in joint ventures	-	-	28,306	
Goodwill	-	-	89,189	
	1,950,124	259,289	2,330,874	(2,04)
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>				
Current liabilities	21,923	1,932	216,933	(9)
Long-term debt	519,346	-	402,960	
Due to (from) affiliates	-	(98,965)	471,208	(37)
Total liabilities	541,269	(97,033)	1,091,101	(46)
Minority Interest	-	-	19,842	
Stockholders Equity				
Capital stock	470,570	23	5,943	(
Contributed capital	-	369,307	136,766	(50)
Retained earnings (deficit)	938,285	(13,008)	1,078,472	(1,06)
Accumulated other comprehensive loss	-	-	(1,250)	
Total stockholders equity	1,408,855	356,322	1,219,931	(1,57)
	1,950,124	259,289	2,330,874	(2,04)

As at December 31, 2001

	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$	Elimi
<b>ASSETS</b>				
Cash and cash equivalents	-	-	174,950	
Other current assets	1,101	472	186,946	(
Total current assets	1,101	472	361,896	(9
Vessels and equipment (net)	-	264,768	1,778,330	
Advances due from subsidiaries	346,430	-	-	(34
Other assets (principally marketable securities and investments in subsidiaries)	1,599,746	-	42,783	(1,59
Investment in joint ventures	-	-	27,352	
Goodwill	-	-	87,079	
	1,947,277	265,240	2,297,440	(2,04
<b>LIABILITIES &amp; STOCKHOLDERS</b>				
<b>EQUITY</b>				
Current liabilities	24,813	1,319	197,193	(9
Long-term debt	519,463	-	403,816	
Due to (from) affiliates	-	(90,131)	503,145	(41
Total liabilities	544,276	(88,812)	1,104,154	(50
Minority Interest	-	-	18,977	
Stockholders' Equity				
Capital stock	467,341	23	5,943	(
Contributed capital	-	369,307	136,766	(50
Retained earnings (deficit)	935,660	(15,278)	1,036,401	(1,02
Accumulated other comprehensive loss	-	-	(4,801)	
Total stockholders' equity	1,403,001	354,052	1,174,309	(1,53
	1,947,277	265,240	2,297,440	(2,04

(See Note 7)

**SCHEDULE A****TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**

**CONDENSED STATEMENTS OF CASH FLOWS**  
(in thousands of U.S. dollars)  
(unaudited)



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	Six Months Ended June 30,		
	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$
Cash and cash equivalents provided by (used for)			
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operating activities	(14,105)	10,564	115,550
<b>FINANCING ACTIVITIES</b>			
Proceeds from long-term debt	-	-	19,260
Scheduled repayments of long-term debt	-	-	(25,897)
Other	14,108	(8,833)	(22,353)
Net cash flow from (used in) financing activities	14,108	(8,833)	(28,990)
<b>INVESTING ACTIVITIES</b>			
Expenditures for vessels and equipment	-	(1,731)	(92,188)
Other	-	-	4,790
Net cash flow used in investing activities	-	(1,731)	(87,398)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>3</b>	<b>-</b>	<b>(838)</b>
Cash and cash equivalents, beginning of the period	-	-	174,950
<b>Cash and cash equivalents, end of the period</b>	<b>3</b>	<b>-</b>	<b>174,112</b>

	Six Months Ended June 30,		
	Teekay Shipping Corp. \$	8.32% Notes Guarantor Subsidiaries \$	Non-Guarantor Subsidiaries \$
Cash and cash equivalents provided by (used for)			
<b>OPERATING ACTIVITIES</b>			
Net cash flow from operating activities	3,296	11,676	279,732
<b>FINANCING ACTIVITIES</b>			
Net proceeds from long-term debt	245,233	-	284,500
Scheduled repayments of long-term debt	-	-	(40,886)
Prepayments of long-term debt	(22,045)	-	(356,690)
Other	(226,918)	(11,301)	241,648
Net cash flow (used in) from financing activities	(3,730)	(11,301)	128,572
<b>INVESTING ACTIVITIES</b>			

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Expenditures for vessels and equipment	-	(376)	(122,204)
Expenditure for the purchase of Ugland Nordic Shipping ASA	198	-	(176,651)
Other	-	1	13,709
	-----		
Net cash flow from (used in) investing activities	198	(375)	(285,146)
	-----		
<b>Increase (decrease) in cash and cash equivalents</b>	(236)	-	123,158
Cash and cash equivalents, beginning of the period	294	-	181,006
	-----		
<b>Cash and cash equivalents, end of the period</b>	58	-	304,164
	=====		

(See Note 7)

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES**  
**JUNE 30, 2002**  
**PART I FINANCIAL INFORMATION**

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**RESULTS OF OPERATIONS**

**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. As at June 30, 2002, the Company's fleet consisted of 96 vessels (including eight newbuildings on order, five vessels time-chartered-in, and three vessels owned by joint ventures), for a total cargo-carrying capacity of approximately 9.8 million tonnes.

During the six months ended June 30, 2002, approximately 46% of the Company's net voyage revenues was 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 six months ended June 30, 2002, approximately 19% of net voyage revenues was generated by time-charters and COAs priced on a spot market basis. In the aggregate, approximately 65% of the Company's net voyage revenues during the six months ended June 30, 2002 was derived from spot voyages or time-charters and COAs priced on a spot market basis, with the remaining 35% 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 Umland Nordic Shipping ASA**

As of May 28, 2001, the Company had purchased 100% of the issued and outstanding shares of Umland Nordic Shipping ASA ( UNS ) (9% of which was purchased in fiscal 2000 and the remaining 91% of which was purchased in fiscal 2001), for \$222.8 million in cash.

UNS is the world's largest owner of shuttle tankers, controlling a modern fleet of 18 vessels (including three newbuildings on order) (the UNS Fleet ) that engage in the transportation of oil from offshore production platforms to onshore storage and refinery facilities. The UNS Fleet has an average age of approximately 9.5 years, excluding the three newbuildings on order, and operates primarily in the North Sea under fixed-rate long-term contracts. In addition, as of June 30, 2002, UNS owned approximately 10.3% of the publicly traded company Nordic American Tankers Shipping Ltd. (AMEX: NAT) ( NAT ), the owner of three Suezmax tankers on a long-term contract to BP Shipping.

The operating results of UNS have been consolidated in the Company's financial statements commencing March 6, 2001, the date that the Company acquired a majority interest in UNS. Minority interest expense, which is included as part of other (loss) income, has been recorded to reflect the minority shareholders' share of UNS' net income for the period from March 6, 2001 to May 28, 2001, when the Company acquired the remaining shares in UNS.

### **Results of Operations**

Bulk shipping industry freight rates are commonly measured at the net voyage revenue level in terms of time-charter equivalent ( 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 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 revenues and TCE rates.

TCE rates are primarily dependent on oil production and consumption levels, 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.

The Company's average fleet size decreased 0.8% and increased 7.1%, respectively, in the three and six-month periods ended June 30, 2002, compared to the same periods last year. The increase in the six-month period ended June 30, 2002 was primarily due to the acquisition of UNS in March 2001.

In response to a slowing global economy, a series of OPEC oil production cuts were made during 2001. These cuts resulted in a reduction in tanker demand, contributing to a significant decline in average TCE rates during the last three quarters of 2001. Average TCE rates continued to decline in the first six months of 2002 and have remained low during the third quarter of 2002 as a result of decreased world oil production. The Company's average TCE rate decreased 37.9% to \$18,430 and 44.9% to \$18,908, respectively, for the three and six-month periods ended June 30, 2002, from \$29,658 and \$34,290 in the same periods last year.

Net voyage revenues decreased 39.3% to \$129.8 million and 42.1% to \$266.0 million, respectively, in the three and six-month periods ended June 30, 2002, from \$213.8 million and \$459.0 million in the same periods last year. The

decrease for the three-month period ended June 30, 2002 was due primarily to a decrease in the Company's average TCE rate while the decrease for the six-month period ended June 30, 2002 was primarily due to a decrease in the Company's average TCE rate, partially offset by the increase in the Company's average fleet size.

Vessel operating expenses, which include crewing, repairs and maintenance, insurance, stores and lubes, and communication expenses, increased 8.6% to \$42.7 million and 13.5% to \$83.1 million, respectively, in the three and six-month periods ended June 30, 2002, from \$39.3 million and \$73.2 million in the same periods last year. The increase for the three-month period ended June 30, 2002 was primarily as a result of higher repairs and maintenance costs while the increase for the six-month period ended June 30, 2002 was primarily as a result of the acquisition of UNS and higher repairs and maintenance costs.

Time-charter hire expense decreased 17.4% to \$13.5 million and 21.8% to \$26.2 million, respectively, in the three and six-month periods ended June 30, 2002, from \$16.3 million and \$33.5 million in the same periods last year. The decrease in both periods was due primarily to a decrease in the average TCE rates earned by the 13 vessels in the oil/bulk/ore (O/B/O) pool managed by the Company and a decrease in the average number of vessels time-chartered-in by the Company. The minority participants' share of the O/B/O pool's net voyage revenues, which is reflected as a time-charter hire expense, was \$5.7 million and \$10.2 million, respectively, in the three and six-month periods ended June 30, 2002, compared to \$7.0 million and \$16.4 million in the same periods last year. The average number of vessels time-chartered-in by the Company, excluding the O/B/Os, was five in both the three and six-month periods ended June 30, 2002, compared to six in the same periods last year.

Depreciation and amortization expense increased 1.8% to \$36.8 million and 14.5% to \$72.8 million, respectively, in the three and six-month periods ended June 30, 2002, from \$36.1 million and \$63.6 million in the same periods last year. The increase in the three-month period ended was mainly due to an increase in drydock amortization expense, partially offset by the elimination of goodwill amortization in 2002. The increase in the six-month period ended June 30, 2002 was mainly due to the acquisition of UNS, which resulted in an increase in the average size and average cost base of the Company's owned fleet and an increase in drydock amortization expense, partially offset by the elimination of goodwill amortization. Depreciation and amortization expense included amortization of drydocking costs of \$5.2 million and \$9.9 million, respectively, in the three and six-month periods ended June 30, 2002, compared to \$3.5 million and \$6.5 million in the same periods last year.

General and administrative expenses increased 21.8% to \$14.3 million and 26.1% to \$28.5 million, respectively, in the three and six-month periods ended June 30, 2002, from \$11.8 million and \$22.6 million in the same periods last year. This increase in the three-month period ended June 30, 2002 was primarily a result of an increase in the number of shore staff. The increase in the six-month period ended June 30, 2002 was primarily a result of the acquisition of UNS and an increase in the number of shore staff.

Interest expense decreased 19.9% to \$14.5 million and 11.2% to \$29.2 million, respectively, in the three and six-month periods ended June 30, 2002, from \$18.1 million and \$32.9 million in the same periods last year. The decrease in the three-month period ended June 30, 2002 reflects lower interest rates. The decrease in the six-month period ended June 30, 2002 reflects lower interest rates, partially offset by the additional debt assumed as part of the UNS acquisition.

Interest income decreased 64.9% to \$1.0 million and 68.3% to \$1.8 million, respectively, in the three and six-month periods ended June 30, 2002, from \$2.8 million and \$5.7 million in the same periods last year. The decrease in both periods was mainly as a result of lower interest rates.

Other loss in the three and six-month periods ended June 30, 2002 was \$5.1 million and \$8.4 million, respectively, and was comprised mainly of income taxes, loss on sale of available-for-sale securities, minority interest expense, partially offset by equity income from 50%-owned joint ventures, dividend income from NAT, and foreign exchange gains. Other income in the three and six-month periods ended June 30, 2001 was \$1.1 million and \$2.1 million,

respectively, and was comprised mainly of equity income from 50%-owned joint ventures, dividend income from NAT, gain on the disposition of available-for-sale securities and foreign exchange gains, partially offset by income taxes, minority interest, loss on the disposition of available-for-sale securities and foreign exchange losses.

As a result of the foregoing factors, net income was \$4.0 million and \$19.6 million, respectively, in the three and six-month periods ended June 30, 2002, compared to net income of \$96.2 million and \$240.9 million in the same periods last year.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at June 30, 2002, the Company's total cash and cash equivalents was \$174.1 million, compared to \$174.9 million at December 31, 2001. The Company's total liquidity, including cash, short-term marketable securities and undrawn long-term borrowings, was \$653.5 million as at June 30, 2002, down from \$688.2 million as at December 31, 2001. The decrease in liquidity was mainly the result of cash used for capital expenditures, debt repayments, the payment of dividends, and an \$18.8 million scheduled reduction in the available borrowing limit of one of the Company's two long-term revolving credit facilities (the Revolvers), partially offset by net cash flow from operating activities during the first half of 2002. In the Company's opinion, working capital is sufficient for the Company's present requirements.

Net cash flow from operating activities decreased to \$112.0 million in the six months ended June 30, 2002, from \$294.7 million in the same period last year, mainly reflecting the significant decrease in TCE rates.

Scheduled debt repayments were \$25.9 million during the six months ended June 30, 2002, compared to \$40.9 million during the same period last year. There were no debt prepayments during the six months ended June 30, 2002. Debt prepayments during the six months ended June 30, 2001 totalled \$378.7 million.

As at June 30, 2002, the Company's total debt was \$928.9 million, compared to \$935.7 million as at December 31, 2001. The Company's Revolvers provided for additional borrowings of \$479.4 million as at June 30, 2002. The amount available under the Revolvers reduces semi-annually, with final balloon reductions in 2006 and 2008. The Company's 8.32% First Preferred Ship Mortgage Notes are due February 1, 2008 and are subject to a sinking fund which will retire \$45.0 million principal amount of the 8.32% Notes in February 1 of each year, commencing 2004. The Company's unsecured 8.875% Senior Notes are due July 15, 2011. 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 for the remainder of fiscal 2002 and the four following fiscal years are \$26.0 million (2002), \$63.6 million (2003), \$84.9 million (2004), \$111.1 million (2005) and \$130.9 million (2006).

Among other matters, the Company's long-term debt agreements generally provide for 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 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, was limited to \$444.1 million as of June 30, 2002. Certain of the loan agreements require that a minimum level of free cash be maintained. As at June 30, 2002, this amount was \$75.0 million.

Dividends declared during the six months ended June 30, 2002 were \$17.0 million, or 43.0 cents per share.

During the six months ended June 30, 2002, the Company incurred capital expenditures for vessels and equipment of \$80.4 million. These capital expenditures were primarily for the purchase of a 2001-built Suezmax tanker and for shuttle tanker newbuilding installment payments. Cash expenditures for drydocking were \$13.5 million in the six months ended June 30, 2002, compared to \$3.9 million during the same period last year.

As at June 30, 2002, the Company was committed to the construction of three shuttle, three Suezmax and two Aframax tankers. See Item 1 - Notes to Consolidated Financial Statements: Note 7 - Commitments and Contingencies.

The Company and certain subsidiaries of the Company have guaranteed their share of the outstanding mortgage debt in three 50%-owned joint venture companies. See Item 1 - Notes to Consolidated Financial Statements: Note 7 - Commitments and Contingencies.

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.

## **FORWARD-LOOKING STATEMENTS**

This Report on Form 6-K for the quarterly period ended June 30, 2002 contains certain forward-looking statements (as such term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 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; tanker supply and demand; supply and demand for oil; future capital expenditures; the Company's growth strategy and measures to implement such strategy; and the future success of the Company. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that 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. Important 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; changes in the offshore production of oil; 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 or less than anticipated levels of tanker newbuilding orders or greater or less than anticipated rates of tanker scrapping; changes in trading patterns significantly impacting overall tanker tonnage requirements; changes in 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 without limitation, 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 or Company expansion; the potential inability of the Company to renew long-term contracts; and other factors detailed from time to time in the Company's periodic reports, including its Form 20-F for the year ended December 31, 2001, 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.

## **TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES JUNE 30, 2002**

### **PART I FINANCIAL INFORMATION**

#### **ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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The Company is exposed to market risk from foreign currency fluctuations, changes in interest rates, bunker fuel prices, and tanker freight rates. The Company uses forward currency contracts, interest rate swaps, and bunker fuel swap contracts to manage currency, interest rate, and bunker fuel price risks, but does not use financial instruments for trading or speculative purposes. See Item 1 - Notes to Consolidated Financial Statements: Note 10 - Derivative Instruments and Hedging Activities.

The following table sets forth the magnitude of these foreign exchange forward contracts, interest rate swap agreements, bunker fuel swap contracts, and written freight call option:

(in USD 000 s)	Contract Amount	Carrying Amount	
		Asset	Liability
<u>June 30, 2002</u>			
FX Forward Contracts	\$ 52,476	\$ 2,515	\$ -
Interest Rate Swap Agreements	70,000	-	2,088
Bunker Fuel Swap Contracts	4,693	535	-
Written Freight Call Option	2,999	-	429
Debt	928,947	-	928,947
<u>December 31, 2001</u>			
FX Forward Contracts	\$ 65,500	\$ -	\$ 343
Interest Rate Swap Agreements	85,000	-	2,429
Bunker Fuel Swap Contracts	4,769	-	328
Written Freight Call Option	5,998	-	857
Debt	935,702	-	935,702

For a more comprehensive discussion related to the general characteristics of Quantitative and Qualitative Disclosures about Market Risk, refer to Item 11. Quantitative and Qualitative Disclosures about Market Risk contained in the Company's Annual Report on Form 20-F for the year ended December 31, 2001.

**TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES JUNE 30, 2002 PART II OTHER INFORMATION**

Item 1 - Legal Proceedings

None

Item 2 - Changes in Securities

None

Item 3 - Defaults Upon Senior Securities

None

Item 4 - Submission of Matters to a Vote of Security Holders

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The Company's 2002 Annual Meeting of Shareholders was held on May 20, 2002. The following persons were elected directors for a term of three years by the votes set forth opposite their names:

<u>Terms Expiring in 2005</u>	<u>Votes For</u>	<u>Votes against or Withheld</u>	<u>Shares Which Abstained</u>
Thomas Kuo-Yuen Hsu	37,453,366	25,004	N/A
Axel Karlshoej	37,453,504	24,866	N/A
Bjorn Moller	37,453,216	25,154	N/A

The terms of Directors Bruce C. Bell, Dr. Ian D. Blackburne, C. Sean Day, Morris L. Feder, Leif O. Hoegh, and Eileen A. Mercier continued after the meeting.

Shareholders also ratified the selection of Ernst & Young LLP, Chartered Accountants, as independent auditors of the Company for the fiscal year ending December 31, 2002, as set forth below:

	<u>Votes For</u>	<u>Votes against or Withheld</u>	<u>Shares Which Abstained</u>
Ernst & Young LLP	37,436,672	11,356	30,342

### Item 5 - Other Information

None

### Item 6 - Exhibits and Reports on Form 6-K

- a. Exhibits
  - 15.1 Letter from Ernst & Young LLP, as independent chartered accountants, dated August 14, 2002, regarding unaudited interim financial information.
  - 99.1 Certification of Chief Executive Officer
  - 99.2 Certification of Chief Financial Officer
- b. Reports on Form 6-K
  - (i) On April 2, 2002, the Company filed a report on Form 6-K with respect to its Proxy Statement.

**THIS REPORT ON FORM 6-K IS HEREBY INCORPORATED BY REFERENCE INTO THE REGISTRATION STATEMENT OF THE COMPANY ON FORM F-3 FILED WITH THE COMMISSION ON OCTOBER 4, 1995.**



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEEKAY SHIPPING CORPORATION

Date: August 14, 2002

By: /s/ Peter S. Antturi  
Peter S. Antturi  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

**Exhibit 15.1**

To the Shareholders and Board of Directors of  
**Teekay Shipping Corporation**

We are aware of the incorporation by reference in the Registration Statement (Form F-3 No. 33-97746 filed with the Commission on October 4, 1995) and related prospectus of Teekay Shipping Corporation ( Teekay ) for the registration of 2,000,000 shares of Teekay common stock, with a par value of \$0.001 per share, and to incorporation by reference therein of our report dated July 25, 2002 relating to the unaudited consolidated interim financial statements of Teekay for the quarter ended June 30, 2002 that are included in its Form 6-K.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not a part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

Vancouver, Canada,  
August 14, 2002

/s/ ERNST & YOUNG LLP  
Chartered Accountants

**Exhibit 99.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

In connection with the Report of Teekay Shipping Corporation (the "Company") on Form 6-K for the quarter ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bjorn Moller, Chief Executive Officer of the Company, certify that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The Company is a foreign private issuer under the Securities and Exchange Act of 1934. Accordingly, this certification is being submitted on a voluntary basis and not for the purpose of complying with Section 906 of the Sarbanes-Oxley Act of 2002.

/s/ Bjorn Moller

Bjorn Moller  
Chief Executive Officer  
August 14, 2002

**Exhibit 99.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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In connection with the Report of Teekay Shipping Corporation (the "Company") on Form 6-K for the quarter ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter S. Antturi, Chief Financial Officer of the Company, certify that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The Company is a foreign private issuer under the Securities and Exchange Act of 1934. Accordingly, this certification is being submitted on a voluntary basis and not for the purpose of complying with Section 906 of the Sarbanes-Oxley Act of 2002.

/s/ Peter S. Antturi

Peter S. Antturi  
Chief Financial Officer  
August 14, 2002