TEEKAY SHIPPING CORP
Form 6-K
May 15, 2003

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 March 31, 2003

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 __X__ Form 40- F _____

[Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):_____]

Yes _____ No __X__

[Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):_____]

Yes _____ No __X__

[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 __X__

[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 MARCH 31, 2003

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ITEM 1 - FINANCIAL STATEMENTS

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 March 31, 2003, the related consolidated statements of income for the three-month periods ended March 31, 2003 and 2002, and the consolidated statements of cash flows for the three-month periods ended March 31, 2003 and 2002. Our review also included Schedule A listed in Index Item 1. These consolidated 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 Ugland Nordic Shipping AS, a wholly-owned subsidiary, for the three months ended March 31, 2002 and whose total assets as of March 31, 2002 and whose net voyage revenues for the three-month period ended March 31, 2002 constituted 22 percent and 18 percent, 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, 2002, 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 13, 2003 (except for Note 15(b) which is as of February 19, 2003.), we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet and related schedule as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet and schedule from which they have been derived.

Vancouver, Canada,	/s/ ERNST & YOUNG LLP
April 22, 2003	Chartered Accountants

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

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

	Three 2003 $
NET VOYAGE REVENUES	
Voyage revenues	282
Voyage expenses	69
Net voyage revenues	212
OPERATING EXPENSES	
Vessel operating expenses	42
Time-charter hire expense	12
Depreciation and amortization	39
General and administrative	14
	109
Income from vessel operations	103
OTHER ITEMS	
Interest expense	(14
Interest income	
Write-down of vessels *(note 10)*	(26
Other loss *(note 7)*	(9
	(49
Net income	53
Earnings per common share	
- Basic	
- Diluted	
Weighted average number of common shares	
- Basic	39,740,
- Diluted	40,451,

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 March 31, 2003 $
	(unaudited)
ASSETS	
Current	
Cash and cash equivalents *(note 4)*	247,639
Restricted cash	2,275
Accounts receivable	86,473
Prepaid expenses and other assets	31,192
Total current assets	367,579
Marketable securities	14,141
Vessels and equipment *(notes 4 and 10)*	
At cost, less accumulated depreciation of $991,783 (December 31, 2002 - $940,082)	1,909,681
Advances on newbuilding contracts *(note 6)*	139,915
Total vessels and equipment	2,049,596
Restricted cash *(note 4)*	6,520
Deposit for purchase of Navion ASA *(note 2)*	76,000
Investment in joint ventures	55,225
Other assets	36,792
Intangible assets net	7,609
Goodwill	90,257
	2,703,719
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current	
Accounts payable	21,747
Accrued liabilities	65,092
Current portion of long-term debt *(note 4)*	92,695
Total current liabilities	179,534
Long-term debt *(note 4)*	979,192
Other long-term liabilities	64,565
Total liabilities	1,223,291
Minority interest	21,095
Stockholders' equity	
Capital stock *(note 5)*	467,941
Retained earnings	999,042
Accumulated other comprehensive loss	(7,650

Total stockholders' equity	1,459,333
	2,703,719

Commitments and contingencies (note 6)

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)

Three Months Ended March 31,	**2003** **$**
	(unau
Cash and cash equivalents provided by (used for)	
OPERATING ACTIVITIES	
Net income	53,579
Non-cash items:	
Depreciation and amortization	39,130
Loss on disposition of available-for-sale securities	-
Gain on disposition of vessels and equipment	(1,005)
Write-down of vessels and marketable securities	31,702
Equity income (net of dividends received: March 31, 2003 $2,046; March 31, 2002 $Nil)	1,160
Deferred income taxes	3,322
Other net	(475)
Change in non-cash working capital items related to operating activities	(38,323)
Net cash flow from operating activities	89,090
FINANCING ACTIVITIES	
Net proceeds from long-term debt	155,733
Scheduled repayments of long-term debt	(19,258)
Prepayments of long-term debt	(200,000)
Increase in restricted cash	(10)
Proceeds from issuance of Common Stock	1,755
Cash dividends paid	(8,541)
Net cash flow from financing activities	(70,321)

INVESTING ACTIVITIES	
Expenditures for vessels and equipment	(62,891)
Expenditures for drydocking	(5,019)
Proceeds from disposition of assets	18,000
Proceeds from disposition of available-for-sale securities	-
Other	(5,845)
Net cash flow from investing activities	(55,755)
(Decrease) increase in cash and cash equivalents	(36,986)
Cash and cash equivalents, beginning of the period	284,625
Cash and cash equivalents, end of the period	247,639

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 March 31, 2003 and for the Three-Month Periods
Ended March 31, 2003 and 2002 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, 2002. 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-month period ended March 31, 2003 are not necessarily indicative of those for a full fiscal year.

2. Acquisition of Navion ASA

On April 7, 2003, Teekay completed its acquisition of 100% of the issued and outstanding shares of Navion ASA, on a debt-free basis, for approximately $800 million in cash. As of March 31, 2003, the Company had made a deposit of $76.0 million towards the purchase price; the remaining unpaid portion of the purchase price was paid upon closing. The Company funded its acquisition of Navion by borrowing under a $500 million Revolving Credit Facility, together with available cash and cash generated from operations and borrowings under other existing credit facilities.

Navion, based in Norway, operates primarily in the shuttle tanker and the conventional crude oil and product tanker markets. Its modern shuttle tanker fleet, which as of March 31, 2003, consisted of eight owned and 16 chartered-in vessels (including four vessels chartered-in from the Company's shuttle tanker subsidiary Ugland Nordic Shipping AS ("UNS")), provides logistical services to the Norwegian state-owned oil company, Statoil ASA, and other oil companies in the North Sea under fixed-rate, long-term contracts of affreightment. Navion's modern, chartered-in, conventional tanker fleet, which as of March 31, 2003 consisted of 12 crude oil tankers and 11 product tankers, operates primarily in the Atlantic region, providing services to Statoil and other oil companies. In addition, Navion owns two floating storage and off-take vessels currently trading as conventional crude oil tankers in the Atlantic region, and one gas carrier on long-term charter to Statoil. Through Navion Chartering AS, an entity owned jointly with Statoil, Navion has a right of first refusal on Statoil's oil transportation requirements at the prevailing market rate until December 31, 2007.

The acquisition of Navion will be accounted for using the purchase method of accounting, based upon estimates of fair value. In accordance with accounting principles generally accepted in the United States, Navion's results will be consolidated with Teekay's commencing April 7, 2003, the closing date. Given that this business combination was completed after the balance sheet date of March 31, 2003, the Company will disclose the allocation of the purchase price and other financial information relating to the transaction in its Report on Form 6-K for the quarterly period ending June 30, 2003, as it is not practical to do so in this Report.

3. Cash Flows

Cash interest paid during the three-month period ended March 31, 2003 and 2002 totaled approximately $25.3 million and $27.5 million, respectively.

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Long-Term Debt

	March 31, 2003 $
Revolving Credit Facilities......................................	-
Premium Equity Participating Security Units (7.25%) due May 18,	

2006	143,750
First Preferred Ship Mortgage Notes (8.32%) due through 2008......	167,229
Term Loans due through 2010	408,967
Senior Notes (8.875%) due July 15, 2011	351,941
	1,071,887
Less current portion...	92,695
	979,192

As of March 31, 2003, the Company had two long-term Revolving Credit Facilities (the "Revolvers") available, which, as at such date, provided for borrowings of up to $440.7 million. The Revolvers are collateralized by first priority mortgages granted on 33 of the Company's vessels, together with other related collateral, and a guarantee from Teekay for all amounts outstanding under the Revolvers.

The 7.25% Premium Equity Participating Security Units due May 18, 2006 (the "Equity Units") are unsecured and subordinated to all of the Company's senior debt. The Equity Units are not guaranteed by any of the Company's subsidiaries and effectively rank behind all existing and future secured debt. Each Equity Unit includes (a) a forward contract that requires the holder to purchase for $25 a specified fraction of a share of the Company's Common Stock on February 16, 2006 and (b) a $25 principal amount, subordinated note due May 18, 2006. The forward contracts provide for contract adjustment payments of 1.25% annually and the notes bear interest at 6.0% annually. Upon settlement on February 16, 2006 of the 5.75 million forward contracts included in the Equity Units, the Company will issue between 3,267,150 and 3,991,075 shares of its Common Stock (depending on the average closing price of the Common Stock for the 20-trading day period ending on the third trading day prior to February 16, 2006).

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 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 March 31, 2003, the fair value of these net assets approximated $187.4 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 March 31, 2003, totaled $409.0 million. All term loans of the Company are collateralized by first preferred mortgages on the vessels to which the loans relate, together with other collateral. All term loans, other than UNS term loans totaling $321.2 million, are guaranteed by Teekay. One term loan required a retention deposit of $6.5 million as at March 31, 2003.

Pursuant to 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 March 31, 2003, to $461.0 million. Certain loan agreements require that a minimum level of free cash be maintained. As at March 31, 2003, this amount was $80.4 million.

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Capital Stock

The authorized capital stock of Teekay at March 31, 2003 was 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 March 31, 2003, Teekay had 39,759,515 shares of Common Stock and no shares of Preferred Stock issued and outstanding.

As at March 31, 2003, the Company had reserved 5,736,040 shares of Common Stock for issuance upon exercise of options granted or to be granted pursuant to its 1995 Stock Option Plan. As at March 31, 2003, options to purchase a total of 4,484,176 shares of Teekay's Common Stock were outstanding, of which 2,485,980 options were then exercisable at prices ranging from $16.875 to $41.190 per share, with a weighted-average exercise price of $28.486 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 $33.362 per share. All outstanding options expire between July 19, 2005 and March 10, 2013, ten years after the date of each respective grant.

Under Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation", and as amended by Statement of Financial Accounting Standards No. 148 ("SFAS 148"), "Accounting for Stock-Based Compensation-Transition and Disclosure", disclosures of stock-based compensation arrangements with employees are required and companies are encouraged (but not required) to record compensation costs associated with employee stock option awards, based on estimated fair values at the grant dates. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 ("APB 25") "Accounting for Stock Issued to Employees". As the exercise price of the Company's employee stock options equals the market price of underlying stock on the date of grant, no compensation expense has been recognized under APB 25. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation.

	Three Months Ended March 31, 2003 $
Net income - as reported	53,579
Less: Total stock-based compensation expense	2,063
Net income - pro forma	51,516
Basic earnings per common share:	
As reported	1.35
Pro forma	1.30
Diluted earnings per common share:	
As reported	1.32
Pro forma	1.27

TEEKAY SHIPPING CORPORATION AND SUBSIDIARIES

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6. Commitments and Contingencies

As at March 31, 2003, the Company was committed to the construction of one shuttle, three Suezmax and ten Aframax tankers scheduled for delivery between July 2003 and December 2005, at a total cost of approximately $600.3 million, excluding capitalized interest. As of March 31, 2003, payments made towards these commitments totaled $129.3 million and long-term financing arrangements exist for $193.1 million of the unpaid cost of these vessels. It is the Company's intention to finance the remaining $277.9 million through either debt borrowing or surplus cash balances, or a combination thereof. As of March 31, 2003, the remaining payments required to be made under these newbuilding contracts are: $164.3 million in 2003, $188.5 million in 2004 and $118.2 million in 2005. The shuttle and Suezmax tankers and two of the Aframax tanker newbuildings will be subject to long-term charter contracts upon delivery. These charter contracts expire between 2009 and 2015.

The Company is also committed to a capital lease on an Aframax tanker that is currently under construction and is expected to deliver in the fourth quarter of 2003. The lease will require minimum payments of $66.9 million (including a purchase obligation payment) over the 15-year term of the lease.

Teekay and certain of its subsidiaries have guaranteed their share of the outstanding mortgage debt in three 50%-owned joint venture companies. As of March 31, 2003, Teekay and these subsidiaries had guaranteed $81.7 million of such debt, or 50% of the total $163.5 million in outstanding mortgage debt of the joint venture companies. These joint venture companies own three shuttle tankers.

The Company enters into indemnification agreements with certain officers and directors. In addition, the Company enters into other indemnication agreements in the ordinary course of business. The maximum potential amount of future payments required under these indemnification agreements is unlimited. However, the Company maintains appropriate liability insurance that limits the exposure and enables the Company to recover any future amounts paid, less any deductible amounts pursuant to the terms of the respective policies, the amounts of which are not considered material.

7. Other Loss

	Three Month
	March 31, 2003 $
Loss on disposition of available-for-sale securities..........	-
Gain on disposition of vessels and equipment.................	1,005
Write-down of marketable securities..........................	(4,910)
Equity income..	785
Deferred income taxes..	(3,322)
Miscellaneous..	(3,131)

	(9,573)

8. Comprehensive Income

	Three Month
	March 31, 2003 $
Net income	53,579
Other comprehensive income:	
Unrealized gain on available-for-sale securities	368
Reclassification adjustment for loss on available-for-sale securities included in net income	4,910