Operator: Good morning, ladies and gentlemen, thank you for standing by. Welcome to Teekay Corporation first quarter 2008 earnings release conference call.

During the call, all participants will be in the listen only mode. Afterwards, you will be invited to participate in a question and answer session. At that time if you do have a question, participants will be asked to press star one to register for a question. For assistance during the call please press star zero on your touch-tone phone to speak to an operator.

As a reminder, this call is being recorded.

Now for opening remarks and introductions I would like to turn the call over to Mr. Bjorn Moller, Teekay’s President and Chief Executive Officer and Mr. Vince Lok, Teekay’s Chief Financial Officer.

(Dave Drummond): Before Mr. Moller begins, I would like to direct all participants to our website at www.Teekay.com where you will find a copy of the first quarter 2008 earnings presentation.

Mr. Moller and Mr. Lok will review this presentation during today’s conference call.
Please allow me to remind you that our discussion today contains forward looking statements. Actual results may differ materially from those projected by those forward looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in our earnings release and the earnings release presentation available on our website.

I'll now turn it over to Mr. Moller to begin.

Bjorn Moller: Thank you, (Dave). Good morning, ladies and gentlemen. Thanks for joining us for our first quarter earnings call.

As usual, I'm joined by our CFO Vince Lok and for the Q&A session, we also have our Chief Strategy Officer, Peter Evensen available.

Starting with the highlights for the quarter on slide number three, we earned net income on an operating basis of $60.8 million or 83 cents per share. Cash flow from vessel operations or CFVO was $184.8 million with approximately one third coming from our spot business and the remainder from our fixed-rate businesses.

We repurchased close to 500,000 of our shares for $20.5 million, or around $41 per share. Q1 average tanker rates were higher than the previous quarter and this improving trend has continued into Q2 where we’re currently enjoying very high tanker rates due to strong fundamentals. And as I’ll be describing this morning, we’re actively executing on our 2008 value strategy which we presented to you last quarter.

Slide number four provides you with a quick reminder of that 2008 value creation strategy which is to grow each of our subsidiaries accretively through drop-downs of existing and future assets from Teekay Corporation and from third party acquisitions.
The benefits to Teekay are twofold. To increase the performance fees we receive from our daughter companies, thereby increasing free cash flow and return on investment capital at Teekay. And to increase the share price of our daughter companies in order to raise the sum-of-the-parts value.

On slide number five we highlight our recent progress on executing on this strategy and I’ll spend a few minutes talking you through these developments.

It was another active quarter for Teekay LNG partners shown in the box on the bottom left of the slide. We dropped down to two Kenai LNG carriers which were chartered back to Teekay for 10 years plus options. And this month we also dropped down the first of four RasGas three LNG carriers.

TGP management plans to recommend distribution increases in connection with these drop-downs. TGP completed a $200 million following equity offering of which Teekay participated for 50 million. The general partner owned 100 percent by Teekay will soon move up to the 25 percent tier in the incentive distribution rights.

The box above TGP marked gas shows new business developed by Teekay for drop-down to TGP at a future date.

As you will have seen from our earnings release Teekay announced it will be taking over from I.M. Skagen the building contracts for two multigas vessels to be constructed in China. On delivery in 2010 these ships will be dropped down to TPG who will charter them to Skagen for 15 years.
Looking next at Teekay tankers in the middle column TNK declared its first full quarter dividend of 70 cents per share representing an annualized yield of approximately 12 percent.

Teekay dropped down two Suezmax tankers to TNK early in the second quarter. This early fleet growth coupled with the rise in Q2 tanker rates points to a very attractive dividend payment for TNK for the current quarter. Teekay is entitled to an incentive fee of 20 percent of dividends paid above $3.20 per share.

At the corporate level Teekay sold four Handymax Product tankers for $175 million. These ships which were acquired as part of the OMI transaction last year were not considered core to Teekay.

Finally turning to Teekay offshore partners on the right, Teekay announced it has offered TOO a drop-down of 25 percent of OPCO. If agreed, this transaction should provide accretive growth to TOO and move the GP up the IDR splits from its current level of two percent.

At the Teekay level in the offshore sector the Siri FPSO went on-hire in Brazil where it is now pioneering the offshore production of heavy oil with an API of below 12. We continue to see a lot of opportunities in the offshore production storage and transportation area.

Teekay Petrojarl is actively bidding on new FPSO products but we are continuing our disciplined approach in an environment where many of our competitors are experiencing cost overruns and project delays. We are confident that we can compete in this space as illustrated in Petrojarl recent bid for the (Toopee) project in Brazil although that contract was awarded to another contractor who had one of the few existing idle FPSO units. We know from the subsequent publication by Petrogas of all bids, that Petrojarl submitted the most competitive bid among those offering a conversion solution.
It is worth mentioning that we have recently established a Teekay office in Brazil to increase our marketing in this important offshore oil and gas growth market. Petrojarl also actively negotiating contract extensions on some of its existing FPSO units as it seeks to re-price current rate in line with today’s stronger market.

Finally let me say to those of you who have been asking for better financial information on Teekay to illuminate the effect of our drop-down strategy, we heard you. In appendix B to the earnings release we have shown disaggregated financial statements for Teekay and its publicly listed subsidiaries for the first time and Vince will walk you through this new reporting format during his comments and we look forward to your feedback.

On slide number six we show our updated sum-of-the-parts value which currently stands at $63.44 per Teekay share. As you saw in the previous slide we’re working hard to raise the sum-of-the-parts. We also believe that as we continue to execute on our value creating strategy we will narrow the current 25 percent gap between the sum-of-the-parts value and Teekay share price.

Turning to slide number seven I would like to discuss the spot tanker market which is phenomenally strong at the moment. In fact, based on rates so far this quarter, this is shaping up to be the strongest Q2 spot tanker market on record.

We have booked 65 percent of our Q2 Aframax spot days at an average TC of $38,000 a day and we have booked 60 percent of our Q2 Suezmax spot days at an average TC of $62,000 a day. Current market rates for both of these segments are well above these levels.

In light of this strong market we are pleased to be able to reflect on having executed a number of fleet growth initiatives. Our acquisition of OMI which is now approaching its one year anniversary and our more recent acquisition of ConocoPhillips’ six ship Aframax Fleet, were well timed. Also,
the six Suezmax new buildings we have scheduled for delivery in the next 12 months were
ordered at favorable prices that should translate in a low net income breakeven of $23,000 a day.
This means that in a $60,000 a day spot market, each of these ships would add approximately 18
cents of EPS annually to Teekay Corporations results.

When we look at what’s driving tanker rates it’s comforting to realize that the market appears less
driven by short-term events and more by solid fundamentals.

On the following few slides I will review the three reasons we see for the current strong market.

Turning to slide eight, reason number one is strong tanker demand growth driven by both higher
oil volumes and growing average transportation distances. While oil demand is flat to slightly
negative in the U.S. and Europe, demand is powering ahead in non OECD countries.

China and developing Asia currently account for 70 percent of global oil demand growth. In Q1
China oil imports were up by 15 percent year on year. Newly published statistics by China
highlight that full 35 percent of its imports are now being sourced from the Atlantic basin, three
times the volumes of five years ago.

This highlights the fact that in broad terms the marginal barrel of oil is being produced in the
Atlantic and is being consumed in the Pacific. There’s a related trend of new or growing long-
haul trade routes such as Venezuela to China and India, Brazil to California, Angola to China and
so on. In other words, it takes more tankers to move the same amount of oil than it used to.

Reason number two for the strong market on slide number nine is that the required additional
tankers to move that oil may not actually become available due to limited supply growth. In Q1
the world tanker fleet grew by only 0.6 percent from the end of 2007. Deliveries were almost
entirely offset by ships being converted for offshore or dry-dock use. And also scrapping activity reemerged due to record high prices for scrap steel.

Many observers have predicted net fleet growth this year based on the published order book. The table on this slide takes at closer look at 2008 fleet numbers. The number of new building deliveries projected by Clarkson’s is shown the column marked 2008 deliveries as per CRS.

Based on our firsthand experience of a six month delay on our own Suezmax new buildings in China which are being built at a relatively well established shipyard, we have adjusted Clarkson’s expected 2008 deliveries in the next column on the basis that half the scheduled 2008 Chinese new buildings will be delayed by six months. This would, for example, reduce Suezmax deliveries from 21 per Clarkson to 17 per our calculation.

The deletion figures in the sold for conversion and scrap column are a Teekay estimate. They include ships which have already left the fleet this year plus ships mandated out in 2008 by the IMO, plus tankers sold in 2007 for conversion but which have not yet converted. Plus 50 percent of ships reported sold in 2008 year-to-date for conversion.

We have conservatively assumed no further conversion sales or any voluntary scraping for the remainder of 2008. Based on these, in our opinion, realistic assumptions overall Aframax, Suezmax and VLCC fleet growth could be as little as one percent this year as shown in the right-hand column.

Reason number three for the strong market on slide 10 is what we have termed operational constraints. This is a list of factors which in aggregate meaningfully reduce the effective utilization of the world fleet.
Single-hull discrimination continues to grow. Korea which has been a leading user of single-hull tonnage has set aggressive reduction targets for single-hull use. The 20 percent of world tankers that make up the single-hull fleet is feeling the net tighten around it.

A growing number of ship days are being lost due to a variety of infrastructure bottlenecks such as ships waiting to unload due to lack of shore tank capacity, ships serving as floating storage, as we’re currently seeing in Iran where 1.5 percent of the world tanker fleet is tied up, or ships being used as hidden storage by oil freighters. Stretched repair yards, lengthening the average dry docking stay for ships.

As always there are a number of temporary factors influencing the fleet as well. And finally, and this is probably a factor which tends to be overlooked by many observers, is the effect of high bunker prices. The optimal economical speed of a ship is the function of the price of fuel and the prevailing freight market.

More than a year ago when bunker prices were well below today’s levels, the major container lines began slow steaming their ships due to pressures on operating margins. The result was a significant contraction in container shipping capacity. Based on today’s bunker prices of close to $600 per ton a modern Suezmax tanker needs to generate a TCE of more than $50,000 a day to justify maintaining full speed of 15 knots.

Below this TCE level it is more economical to reduce speed to 14 knots. Doing so however, would mean taking approximately six percent more days to complete a given voyage. At a macro level, this equation represents a major self-regulating factor in tank supply that should put a flaw on the spot rates at a high TCE level. It is interesting to note that in 2004 the previous peak year for tanker rates, bunker prices were less than one-third of today’s levels and therefore did not provide the same underpinning to market rates as is the case now.
On slide 11, we reintroduce a graph from the past showing the close correlation between global fleet utilization and spot tanker rates. It is generally accepted that 90 percent represents full utilization of the world tanker fleet and above this level spot rates tend to spike dramatically. According to Platou world tanker fleet utilization is now back above 90 percent explaining the market strength we are currently enjoying. While it is still too early to rule out the prospect of seasonal weakness later this summer fundamentals point to a very tight tanker market overall for 2008.

I’ll now hand it over to Vince for the financials, Vince.

Vince Lok: Thanks Bjorn and good morning everyone.

Net income for the first quarter was 60.8 million or 83 cents per share. When excluding the items listed in appendix A of our earnings release, which relate mainly to unrealized losses from foreign exchange translation and interest rate swaps.

Looking at our operating segments on slide 13 we generated $185 million in cash flow from vessel operations or CFCO’s the first quarter compared to $138 million in the previous quarter.

The offshore segments CFCO declined by two million from the fourth quarter of 2007 mainly reflecting an increase in the number of off hire days in our shuttle tanker and FPSO fleets due to unexpected repairs partially offset by a decrease in vessel operating expenses.

In the first quarter, two of our (settle) tankers incurred a total of 102 days of unscheduled off hire which resulted in a $3.8 million reduction in revenues.

Our new Siri FPSO commenced its charter in Brazil on February first. However, the CFCO from this unit was not material in the first quarter due to start up costs and that full production did not
commence until early in the second quarter. We estimate that the second quarter for the CFCO for offshore segment will be slightly higher than the first quarter because the full impact from the Siri FPSO and lower expected off-hire days will mostly be offset by higher maintenance costs for the offshore fleet. As we begin to move into the usual summer maintenance season in the North Sea.

CFCO from the fixed rate tanker segment increased by one million, primarily due to the net increase in the fleet size. For the second quarter we expect CFCO from the fixed-rate tanker segment to increase to approximately 26 million as a result of the addition of two MR Product tankers which recently commenced five year charters to ConocoPhillips.

We had another strong quarter in our liquefied gas segment generating record high CFCO of $39 million up four million from the prior quarter. The increase was the result of the acquisition of the two Kenai LNG carriers in December 2007 partially offset by the impact of five off-hire days on the (Cataloona) Spirit in the first quarter.

We expect the gas segments CFCO to decrease to approximately 37 million in the second quarter due to the scheduled dry-docking of two LNG carriers and one LPG carrier.

The first RasGas-3 LNG carrier delivered in May, however as these vessels are equity accounted for since we own a 40 percent interest in these vessels, the results will not be reflected in our reported CFCO going forward.

The CFCO contribution from our spot tanker segment increased by 43 million compared to the prior quarter primarily due to the increase in spot tanker rates and an increase in the size of the spot tanker fleet resulting from the acquisition of the ConocoPhillips vessels.
In order to improve the comparability of our TCE results to market indices in our earnings release we have split the TCE’s and revenue days within our spot tanker segment between charters that are less than one year, which we refer to here as spot and charters one to three years in initial length which is referred to as time charter.

Our spot Aframax and Suezmax fleets earned an average TCE of 36,200 and 46,700 per day respectively in the first quarter. And as Bjorn mentioned earlier the spot rate so far in the second quarter are above the first quarter levels.

Turning next to slide 14 and reviewing the remaining income statement figures in comparison to the prior quarter. G&A expenses were $67.7 million compared to $60.1 million in the prior quarter. This increase was primarily due to higher business development costs particularly in our offshore segment, the timing of certain expenditures and the continuing depreciation of the U.S. dollar.

As noted at the bottom of the income statement in our earnings release we had certain foreign exchange hedges in place which did not get hedge accounting treatment. Had we been able to get hedge accounting treatment, the reported G&A cost would have been roughly $2 million lower in the first quarter. We expect G&A expenses in the second quarter to be slightly lower than in the first quarter.

We incurred 1.5 million in restructuring charges during the first quarter. These costs related to the recurring of a tanker from an Australian crew to international crew. An equivalent amount was paid to us by the customer which is included in our revenues.

The increase to net interest expense was mainly related to unrealized losses from interest rate swaps which have not been designated as hedges as well as the Kenai LNG carriers in December 2007.
The total amount of these unrealized losses from interest swaps was 11-and-a-half million in the first quarter compared to 5.8 million in the prior quarter.

The income tax expense in the first quarter of 2008 was in line with expectations when excluding the affect of foreign exchange rates. Excluding the affect of these foreign exchange rates, we expect our tax recovery in the second quarter to be approximately $10 million which includes a $5 million one time cash tax recovery.

Foreign exchange loss in the first quarter of 2008 was 29 million which was mainly due to unrealized translation losses. Excluding the minority interest portion of the items in appendix A, minority interest expense in the first quarter would have been roughly 12.6 million which has increased from 7.1 million in the previous quarter due to the impact of the Teekay tankers IPO for a full quarter. Going forward, minority interest expense will of course vary depending on the results of Teekay tankers.

In keeping with our asset manager focus for the first time, we have also presented our balance sheet and income statements on a disaggregated basis separately showing the results of each of our publicly listed subsidiaries and of the parent company on a stand alone basis. We hope that this supplemental information will be useful particularly in illuminating the free cash flow generated by the parent company and to illustrate the strength of Teekay’s balance sheet on a standalone basis.

As you can see on slide 15 most of Teekay’s consolidated debt resides in its various subsidiaries and is non-recourse to Teekay Corporation. As of March 31st Teekay standalones NASDAQ was just under 1.4 billion however this amount is declining rapidly. For instance in early April Teekay Corp sold two Kenai LNG carriers to TGP for 230 million and two Suezmax tankers Teekay tankers for about 190 million.
Proforma for these two transactions, Teekay’s stand alone net debt was below $1 billion. As we continue to execute on our plan to drop down more assets into our daughter companies, Teekay’s standalones balance sheet should quickly de-lever which will provide us with further financial strength and flexibility going forward.

Slide 16 shows the disaggregated income statement and cash flow from vessel operations. For simplicity we have included Teekay stand alone 74 percent direct interest in OPCO’s results under the Teekay offshore column.

Teekay stand alone generates a significant amount of cash flow which was 49 million in the first quarter. Further, when Teekay Petrojarl Current FPSO contracts reset to current market rates there is significant upside to its cash flow from the SO operations.

Slide 17 illustrates the amount of cash flow generated during the first quarter from Teekay’s standalones perspectives. The distributions received from TGP, TNK, TOO and OPCO total 51 million in the first quarter. These cash flows are expected to increase as we grow the distributions in each of our daughter companies.

It is also important to note that we are still at the early levels of the GP incentive distributions which can grow exponentially as we start to move into the higher splits and as we grow the absolute size of each of our daughter companies.

Together with the 34 million in cash flow from the stand alone assets the total cash flow generated by the parent company in the first quarter was 85 million or $1.16 per share which is an attractive free cash flow yield, especially when you consider the upside potential of our FPSO’s and our GP’s,
Slide 18 shows the number of new buildings scheduled to deliver into our fleet during the remainder of 2008. All these vessels are fully financed and are either committed or suitable to be dropped down into our daughter companies. Our new building delivery pipeline provides us with significant built in growth in 2008 to further help increase hard cash flows.

We will now turn it over to Bjorn to conclude.

Bjorn Moller: Thank you, Vince. I just want to say that we are very excited about the progress we’re making in our strategic approach with news to report in each of our daughter companies and we are very excited about the momentum of the tanker market and Teekay’s recent growth in that sector as well.

So with that, we’d like to open it up to questions from the analysts and investors.

Operator: Thank you, ladies and gentlemen. Once again if you would like to ask a question, please press star one on your touch-tone phone now. If you are using a hands free device such as a speakerphone, please lift your handset prior to entering your request and if for some reason you would like to withdraw your request, you may do so by pressing the pound sign. Please stand by for your first question.

Your first question today will come from Jonathan Chappell of JP Morgan. Please go ahead.

Jonathan Chappell: Thank you. Good morning, guys.

Bjorn Moller: How you doing?

Jonathan Chappell: Bjorn, can you remind us on the Petrojarl contract renewals, when do they officially expire? How early before those expirations are you attempting to get the kind of mark to market
rates and really what’s your alternative if you can’t get the current contracts renewed at market rates? Are there other potential opportunities for those assets?

Bjorn Moller: Yes, I guess there’s some disclosure on the Teekay Petrojarl and report but essentially the Siri FPSO which is now producing in Brazil is on a two option one year contract. That’s been widely publicized and the discussions in the early stages on ongoing production opportunity for that vessel but that’s not so pressing but we are confident that that ship will probably expend all or most of its technical and operational lie in Brazil.

We have currently two contracts in the North Sea that are likely to end in 2010 and one of them is under active negotiation and the other one I guess is under consideration. So, I would hope that we would have something in the next couple of quarters to report. On the renewal side hopefully we’ll have some new projects that we can also secure.

Jonathan Chappell: OK, sticking with the offshore segment, the refinery shutdowns and disruptions earlier in the second quarter in the North Sea, did that have any significant impact on you’re shuttle tanker business or any of your business out in that area?

Bjorn Moller: I think what happened in the North Sea was because the freight market was strengthening and that caused our customers to try and use the shuttle tankers for slightly longer voyages. They have I guess, under the time charter provision, the right to go to different destinations. They pay the same day rate which is like in the mid fifties today and so if it’s a weak spot market, they will typically shuttle the crude to nearby storage gathering facilities and ship it out on VL’s Suezmax’s transAtlantic. But if the spot market is very hot they actually can choose to directly deliver crude oil on shuttle tankers into the Mediterranean, the U.S. So, typically if you have a disrupted market, especially in a firm freight market then they know they tend to use up more shuttle days. So, we certainly would not have suffered any idle time from that.
Jonathan Chappell: OK, and then finally there is large discrepancy in the different Aframax markets over the last several weeks and months. I kind of grew up on Teekay, understanding that half of your business is done in the Pacific basin and half basically in the Carib’s. Are you more flexible now? Are you getting more exposure to potentially the North Sea and the Med markets which had been hotter of late recently?

Bjorn Moller: Yes we are and we’re still using the same rule of thumb but I guess we have a more varied underlying (train pesson). I think vessel days sold in the second quarter reflect the fact that the first month of the second quarter April, was quite a bit weaker in the Pacific than it was in the Atlantic. But, that has since caught up so that current day rates in the Pacific are 40, 45 thousand and that’s similar to the Caribbean market.

So, we are certainly doing more in the Mediterranean and of course with our Suezmax business, we’re generally doing a lot more in the Atlantic than we are in the Pacific. So, we have moved a few ships from the Pacific into the Mediterranean this last few months in response to the strong rates. We’ve also traded a couple of LR2 product carriers from clean into dirty to take advantage of that big differential. So, we’re quite flexible.

Jonathan Chappell: OK, very helpful. Thanks Bjorn.

Bjorn Moller: Thank you.

Operator: Thank you and your next call will come from Mr. Urs Dur from Lazard Capital Markets. Please go ahead.

Urs Dur: Good morning, guys.

Bjorn Moller: Hello, Urs.
Urs Dur: Hi. Saw you on CNBC this morning. Guess you were up early.

Bjorn Moller: You got that right.

Urs Dur: I was wondering if you could discuss because I appreciate your position on the order book and I tend to have a general agreement. How many conversions are you seeing on the Aframax side or is that specified in the presentation? I didn’t quite see that.

Bjorn Moller: Well, I think the number we used in our presentation was 45 Aframax’s so of course we’re only assuming that off of the vessels sold for scrap this year would go and all of the ships sold -- Sorry, let me repeat that.

Half of the ships sold for conversion in ‘08 so far, half of those are assumed to actually go ahead this year where as all of the ships that were sold plus conversion last year we assume will get done by the time the year is over. So, we think that’s pretty conservative assumption.

Urs Dur: Do you see next year in your assumptions going forward, next year a similar tightness and do you see issues in regards to scrapping going forward considering the phase out there is going to be an awful lot of tonnage that will be legislatively redundant in the vast majority of the trading world. Do you see bottlenecks with scrapping and do you see a similar tightness next year with the fleet growth.

Bjorn Moller: Well, we definitely have more inflow of new tonnage next year. That’s understood. Again we think China will have a bigger share next year and they will have the same kind of domino effect of delays. So that’s one thing that will possibly mitigate the incoming tonnage but its still going to be a big number. So the question is how can that be resolved? And on that front I would say clearly, I don’t think anybody’s talking about 20-15 phase out of single hulls.
The question is it 20-10s or are people going to start phasing the vessels out even sooner. Of course that depends on the market. It would be a bit of a self fulfilling support of the market. If the market were to weaken I think you’ll very quickly get people scrapping their ships at seven, $800 a ton light ship scrap price and you will also of course with a dry market being at a record level, the strong demand for offshore there’s really no reason single-hull tankers will not continue to be phased out. So, that’s even before we get to what the demand side is.

So, I would say that there are so many wild cards I think that are going to disrupt the ability of the order book to overpower the market and I mean this slow speed thing that I described is a very significant factor. You know, if Suezmax rates were to drop below 50,000 a day, with people being rational, essentially you’d see six percent of supply side disappear overnight. Significant.

Urs Dur: That would be, so we’ll see. You’re right a lot of wild cards. Finally you mentioned and one sees if one looks at consensus across the board in tankers that people sort of expect seasonal slowdowns in third quarter or in the summer. I was wondering if you – you mentioned it just very briefly – but if you have any insight as to what the potential causes of that could be and what the potential offsets to that could be. Do you have any insight that you can provide there?

Bjorn Moller: Well I think a lot is going to be depending on stocking patterns this year which relate to (contango) speculations so, I guess if you’re going to see continued (backquidation) then you know, you’re probably not going to see any stock building or limited stock building over summer. Then you might get a weaker summer where as if you get more of a (contango) then I think you could see a run to replenish stocks in markets where stocks are a little on the low side.

Urs Dur: Excellent, thank you, very much.

Bjorn Moller: Thank you, Urs.
Greg Lewis:  Good morning, gentlemen.

Bjorn Moller:  Hello.

Greg Lewis:  I guess to follow-up on Urs last question, I mean given what’s happening in China with strong demand and you know, questions surrounding the order book it almost sounds like we’re looking at potentially ‘09 being better than, you know what was previously expected say three months ago.  Are you sort of comfortable with that sort of …

Bjorn Moller:  Yes, I think that there’s a generally firming undertone here.  The fact that we’re looking at the strongest Q2 on record now, at a time when we should have been you know seeing the usual seasonal weakness is mind boggling.  And the fact that it’s based on fundamentals rather than sort of disruption events speaks volumes I think.  So, I mean you look at how difficult it is to get dry docking space, how long a time ships are taking, repairing, how much it’s costing.  You know the value of scrap steel.  You know if you have a ship that’s due to be phased out in 2010 or is being discriminated out, why stick around.  So, I think you could actually see a lot of front loading of the single-hull phase-out.

Greg Lewis:  OK, so then given like the strong environment clearly that we’re in now and potentially that we’ll be in is it becoming more of a challenge for you to sort of charter in tonnage at what you would consider to be attractive rate?

Bjorn Moller:  Well, the market is firmer now than it was.  I still think you can, I mean what has so far been different between the tanker business and the (dryvol) business is the (dryvol) business is the
(dryvol) time charter rates have really gone up very significantly. You can do five year charters at very high rates if you have a vessel.

In the tanker side it's difficult to cover a ship long-term at high rates and conversely it's relatively easy to charter in a vessel for a three to five year period. So, the issue is you know are you getting the right quality of ship, right quality of owners and of course in our case we have the luxury of our new building program which is going to add operating leverage to us at a very good time.

So, we'll be opportunistic. I think there'll be some seasonality and people have amazingly short memories. The ship owners will adjust their rates based on a relatively shallow dip in the market sometimes. So, we'll play with it.

Greg Lewis: OK, great and next I have a few quick questions. One was on slide seven when you refer to that spot guidance. Is that just for the – I know that's for the spot segment but is that for just the spot vessels in the spot segment or is that the aggregate of the spot fleet which includes the longer term fixed-time charters.

Bjorn Moller: Yes that guidance is just for the spot portion of the spot segment so it's the less than one year component.

Greg Lewis: OK great. And then my other question was, and Vince you sort of mentioned you know with the typical seasonal slowdown in the shallow tanker business in Q2. Clearly we're in the middle of Q2 at this point. Is that going to be primarily in Q2 or should we sort of expect that to sort of straddle into Q3 as well?
Vince Lok: Yes, typically it’s higher in the second quarter and ((inaudible)) declines as we head in to the fall. So it’ll continue into the early part of the third quarter but then likely activity levels pick up near the end of the third quarter.

Greg Lewis: OK, but it will primarily be in Q2?

Vince Lok: That’s usually the peak seasonal maintenance period.

Greg Lewis: OK, sure and then actually you know just one last quick thing. You mentioned that you converted a couple of your LR tankers into crude tankers.

Bjorn Moller: Yes, we switched the trading (passem).

Greg Lewis: Yes, for the trading. Roughly to sort of clean those tanks to get them back into the product fleet, what sort of the timing and the cost of that?

Bjorn Moller: That depends what lot cargos are and so on. In our case we have a number of contracts to carry condensate in the Atlantic basin but some of which ((inaudible)) color sensitive so you can actually use those cargos as clean up cargos which allows you to make the cleanup and return process a lot easier. So, it’s not a major factor.

Greg Lewis: OK, great thank you.

Bjorn Moller: Thank you.

Operator: Thank you and your next question will come from Justine Fisher of Goldman Sachs. Please go ahead.
Justine Fisher: Good morning.

Bjorn Moller: Hello, Justine.

Justine Fisher: I think that bundlers are probably excited to see the unit offerings from MOP’s going to pay down debt and I was wondering if there’s any – I mean I know you can’t comment on how imminent they might be but I mean how often do you maybe plan to do that or how much more of those can we expect. Is it going to be on a regular basis?

Vince Lok: We have a defined plan for the dropdowns. Of course its market sensitive but where we have a dropdown it depends upon going through the conflicts committee process. As we announced today we’re going through that process on Teekay offshore in order to have another 25 percent of OPCO move into Teekay offshore. And the other ones are on more of an opportunistic basis but we’re committed toward that schedule of trying to move more assets down into the daughters which have a lower cost of capital.

Justine Fisher: Can you remind us which assets are left at the top?

Vince Lok: We have of course all of our shareholding in Petrojarl is up at the top and we have about 30 tankers up there that are eligible to go down into Teekay tankers and then we have a few more fixed rate tankers that don’t automatically belong up there as well as of course 75 percent which we hope soon to be 50 percent of the OPCO or the offshore franchise.

Justine Fisher: So as far as the physical assets are concerned there’s only 30 tankers and then a few fixed rate tankers as well.

Vince Lok: That’s correct.
Justine Fisher: And is the goal to get all those out of OPCO?

Vince Lok: The goal isn’t to get them out of OPCO, the goal was to sell the rest of OPCO down into Teekay offshore but ultimately as it relates to those 30 tankers, yes we would like to have them inside of Teekay tankers.

Bjorn Moller: The 30 tankers are distinct from OPCO. Those are ((inaudible)) tankers.

Justine Fisher: And so the process would work whereby Teekay just continually drops assets down until Teekay Corp I guess is a holding company for all the penalties and assets.

Vince Lok: Teekay also is generating new transactions right, on tops of that. So, we can reemploy the funds as well into new projects which as we have said is part of our asset manager. We’re always looking at developing new projects and then there’s a warehousing component going on as well. So we hope if we can’t reemploy the money in good projects going forward, then of course we’ll have to look at returning it to the shareholders.

But, right now we have great opportunities in our offshore franchise and then of course we also have the trading of the conventional tankers that we do up at Teekay where we charter in ships and then we charter them out and play the spot market.

Justine Fisher: Right, but those still aren’t owned assets and so ultimately it seems like there may be no real owned physical assets at Teekay Corp and while Teekay Corp may be a conduit for additional growth projects, eventually those will be dropped down too, right?

Vince Lok: Yes, but all this takes a certain amount of time and with our FPSO’s we have – so yes you’re right in principal that that could happen but that assumes that all those people we have dedicated toward business development can’t find some great projects in the offshore realm and or the
shipping realm. I think the ConocoPhillips transaction for example in December which moved us
closer into one of what we would call a strategic customer is the right kind of thing that you’re
going to see Teekay moving toward because more customers want to use us for their outsourcing
needs. So, we actually see a wealth of opportunities up to Teekay. Having said that, we’re also
cognizant of trying to close the sum-of-the-parts.

Justine Fisher: OK and I have a question on the LNG market. I know that Teekay’s LNT vessels are on
very long-term charters and so it doesn’t really affect you but qualitatively have you guys – given
the fact that you were probably the first of the public tanker companies in the U.S. to get into LNG
years ago. Have you been disappointed by the way that market’s unfolded?

Vince Lok: I think we are realistic about the market which is that so much money is going into gas right
now that it can’t fulfill all of the projects so the projects have been delayed. This isn’t anything
new. We saw this in the early eighties when people were going to build a lot of refineries. Those
refineries ended up being delayed or sometimes not being built as the case was in the Mid East.

But there is a resource issue as I’m sure you’ll hear from other companies that are trying to build
the liquid faction. So, we have noticed that and of course we had to change our model and our
model involved going out and then buying more LNG’s that were on the water with long-term
contracts. Where you see Kenai you just saw us look at the Skaugen transaction.

We think there’s a lot of great opportunities there in order to consolidate what was a fragmented
market. So, for us the big question is changing the model. But definitely the amount of tenders
have moved on. We’re also moving into more value added strategies.

If it’s hard to get a liquefaction plant on land, we’re looking for example a floating LNG because
you can build those cheaper in shipyards and other offshore fabrication yards and then you can
float them in to other places. So, that’s all part of our strategy and that’s certainly what you’re seeing worldwide. This huge build out as people try to tap into their resources.

Justine Fisher: OK, thanks and then just one last question. How many of the senior notes were outstanding at the end of the quarter.

Vince Lok: Roughly about $250 million.

Justine Fisher: OK, thanks.

Operator: Thank you. You’re next question will come from Tim Mullen of Virginia National Bank. Please go ahead.

Tim Mullen: Good morning. As a follow-up on your slide 15 with the disaggregated balance sheet, what is the makeup of the long-term debt in capital leases? Particularly I’m wonder what part of that is made up of leases. The parent company only number.

Vince Lok: The parent company number, very little. Most of that is sitting in Teekay LNG where we have leases on the Suezmax’s and on a few of the LNG vessels. So, most of that in Teekay parents is in the form of debt and bonds.

Tim Mullen: Very good and also thank you for adding that disaggregated stuff. That’s very helpful.

Operator: Thank you ladies and gentlemen. Once again if you have any additional questions, please press star one on your touch-tone phone to ask. And your next question will come from Daniel Burke of Johnson Rice. Please go ahead.
Daniel Burke: Good morning. I was curious on the sale of the former LMI product carriers. Do you still have the other four I think and why are they non core and are you changing at all your outlook on the product sector?

Bjorn Moller: OK, before Handymax’s and MR’s even though they’re relatively close in terms of deadweight size they actually are relatively distinct markets. So, we have four of each. It does actually give you eight vessels in a particular pond. So we determined on the basis of other priorities around off shore and gas and spot tanker crude assets it wasn’t very likely that we would devote enough capital to build up a meaningful position in those two segments.

So, we had the opportunity to unload the Handymax tankers. We still have the four MR tankers. Two of those were placed on five year charter to ConocoPhillips at attractive rates. And the other two are trading – well actually they’re just coming off some time charters that we inherited but you know they’re not a long-term charter at this time.

Daniel Burke: OK, so no real changes …

Bjorn Moller: So just to add sorry, it’s a market with a lot of units so there are a number of fairly sizeable constellations to be formed by (Kimala) and other where they’re running like 50, 70 ships. So to have four ships or two ships it is not a factor. So that isn’t a Teekay ((inaudible)) placement.

Daniel Burke: OK, and then just one other one Bjorn. A lot of scrutiny around the situation in Chinese shipyards. You mentioned that you’re personally seeing six month delays. Be more color on is it componentry issues just general slowdown? Any more color you can give in your experience specifically what’s creating that delay?

Bjorn Moller: There are a number of factors. There’s quality and you know we have pretty high standards so a sizeable supervision team will drive the Chinese shipyards nuts until we’re happy
with the welding. So we'll reject blocks and have the, represent it and so on. That's one factor and the other factor is just the supply chain and the fact that the yards are not as productive as I think they expect it to be. So it's a combination of factors.

Daniel Burke: OK, great. Thanks for that.

Operator: Thank you and the next question will come from Roopesh Sahu of Teton Capital. Please go ahead.

Roopesh Sahu: Yes with regards to the OPCO dropdown to TOO, do you have any initial thought on how TOO will finance that? Either via debt or equity or a combination and then also how will you value OPCO. What's the preliminary plan on valuing the dropdown?

Vince Lok: As it relates to the first part of the question, how will you finance it that has to be done through equity? That isn't an asset that you can necessarily leverage. As it goes to the second one, Teekay has made an offer to Teekay offshore and Teekay offshore conflicts committee is evaluating that and is in active discussions in order to arrive at a price that is beneficial to Teekay offshore.

Roopesh Sahu: So will Teekay then accept TOO equity or would TOO do a secondary offering to third party investors?

Vince Lok: I don't think I want to be drawn on exactly what the financial plan is going to be at this point.

Roopesh Sahu: Would it be fair to say that the dropdown price that you offered Too is less than the indicated price of TOO’s trading if you understand me.
Vince Lok: Yes I think that’s a fair assumption that unless you do that the deals not going to be accretive and there’s no point in Teekay offshore buying any asset unless it’s an accretive asset.

Roopesh Sahu: You wouldn’t care to give us some sort of discount would you?

Vince Lok: I would not want to be drawn on what that value is right now.

Roopesh Sahu: OK and also ((inaudible)) TOO’s assets if I understand are predominately meaning like 85 percent or more of their asset value it relates to OPCO. Is that plus or minus correct?

Vince Lok: Yes.

Roopesh Sahu: OK, thank you very much.

Operator: Thank you and there are no further questions at this time. Please continue.

Bjorn Moller: OK, we’d like to thank you very much for attending this is an exciting time in the tanker market. We look forward to reporting to you next quarter. Have a great day. Thank you.

Operator: Thank you ladies and gentlemen this concludes the conference call for today. You may now disconnect your lines and have a great afternoon.

END