TEEKAY SHIPPING LTD.

Moderator: Bjorn Moller
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Operator: Good day, ladies and gentlemen; thank you standing by and welcome to the Teekay Shipping Corporation first-quarter 2005 earnings release conference call.

During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session. At that time if you have a question, you will need to press star one on your touch-tone telephone. As a reminder, this conference is being recorded.

And now for opening remarks and introductions, I would like to turn the conference over to Mr. Bjorn Moller, CEO of Teekay Shipping Corporation. Mr. Moller, please go ahead, sir.

(Scott): Before Mr. Moller begins and before I read the forward-looking statement, I would like to direct all participants to our Web site at www.Teekay.com where you will find a copy of the first quarter of 2005 earnings presentation. Mr. Moller and Mr. Evensen will review this presentation during today's conference call.

I will now read the forward-looking statement. Please allow me to remind you that various remarks we may make about future expectations, plans and prospects for the company and the shipping industry constitute forward-looking statements for purposes of the Safe Harbor provision under Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicate by these forward-looking statements as a result of various important factors, including those discussed in our most recent annual report on Form 20F dated December 31, 2004, on file with the SEC.

I will now turn it over to Mr. Moller to begin.

Bjorn Moller: Thanks, Scott and good morning, ladies and gentlemen. Thanks for joining us. I'm pleased to report to you on another very good quarter for Teekay Shipping, and I'll begin by reviewing the highlights for the quarter on slide number three. We recorded net income of $279 million, or $3.19 per share. While this is in fact our highest ever quarterly net income, it was of course aided by gains on vessel sales. 144 million of this net income came from our operating earnings where we saw continued firm rates in our spot tanker segment and our fixed-rate businesses delivered another good quarter.

We record gains in the quarter of more than $100 million on asset sales. Over the past 15 months we have capitalized on high ship prices to conduct a $700 million disposal program of our single hull fleet which we view to be of limited strategic value in our trading system and we are now nearing the end of that program. With ship prices at record high levels, we continued our cyclical discipline preferring our cash to pay down debt, significantly reducing our net debt to total cap from 41.9 percent at the end of December to 33.6 percent at the end of March, and to complete a 3-million-share buyback program. Yesterday we announced a further buy-back program of $225 million referring our strong cash flow from operations and vessel sales. Teekay L&G Partners remains in registration with the SEC, and because of this we're limited in our ability to discuss our L&G business or indeed the registration process on today's call.

This morning I will give you a brief overview of tanker market fundamentals and discuss the main developments in our business. Turning to slide number four, I'll begin with tanker demand. In the first quarter, world oil demand, shown in the green bars, continued to grow at an above-average rate increasing by 2.6 percent from one year ago. None OECD economies accounted for almost two thirds of this increase with demand rising four percent. Chinese oil demand growth was eight percent for the quarter, having accelerated to 11 percent in March after a weaker start to the year. And this morning we heard that China's March crude oil imports jumped 23 percent from one year ago. As shown on the chart, the IEA's latest 2005 forecast for global oil demand growth stands at 2.1 percent.

Average global oil supply, the more direct driver of tanker demand shown here on the blue line – by the blue line, decreased marginally from the December quarter. However, a close-up of the first-quarter OPEC output figures, if you turn to slide number five, indicates that after the big cut in OPEC production from December to January, crude oil supply grew each month in the quarter as OPEC gradually reversed those production cuts due to strong oil demand and very high oil prices. Tanker demand followed the same trend starting the year at a lower level but gradually rising through the quarter. April OPEC production is shaping up to be even higher than in March and is approaching recent peak levels seen in October 2004. Current stated OPEC policy is to keep a lid on oil prices by building global oil inventories ahead of expected strong demand next winter. In order to supply enough oil to address both the ongoing growth in oil demand and the need for higher inventories, oil market observers expect that OPEC will need to maintain very high production for the reminder of this year, and this bodes well for tanker demand going forward.

Next I'll turn to the key development in the tanker supply on slide number six. During the quarter the world track fleet increased by 1.8 percent. As in most years, the pace of new deliveries picked up in the first quarter reaching 8.4 million tons of new capacity. Deletions remained unchanged from the prior quarter at 2.7 million tons. We saw no meaningful increase in scrapping in the lead-up to the IMO deadline on April 5th nor have we seen any major activity since that date. Shipping analysts who are following the dynamics around the IMO deadline have been working on vessel-by-vessel analyses of the category one ships impacted by the IMO rules.

However, due to imperfect data, this is proving difficult, especially so soon after the regulations became effective.

However, piecing together information from different sources as best we can, it would appear that of the 25 or so VLCCs and Suezmaxes identified as category one tankers in a study last autumn, roughly one quarter have been scrapped and one half have been sold for conversion to offshore projects. The remaining one quarter have not yet been fully accounted for but are assuming to be still trading having presumably undergone some form of conversion to category two. In the Aframax sector, the numbers are even more opaque. Of the approximately 44 Aframaxes identified last autumn, one third have been scrapped while the remaining vessels are presumed to be still trading, a good number of them probably having been modified to category two. And for ships below Aframax size, the information remains to be developed.

As we highlighted last quarter, any ships converted to category two will typically enjoy only a short life extension before the next tier of the IMO phase-out catches up to them. Even if they do remain in the world fleet for that extra period of time, these ships will probably have a limited impact on effective global supply. We would expect their utilization to be very low due to customer discrimination and other restrictions such as the ban on the carriage of heavy oils on non-double hull ships.

It is notable that China recently announced its adoption of the new IMO rules plugging one of the biggest potential loopholes that might have undermined their effectiveness. It is still early days after the IMO deadline. We may find that its effect will be more gradual as opposed to the expected brick wall. We would not be surprised to see many of these ships gradually ceasing to trade in the coming months, and any weakness is tanker rate should see scrapping volumes pick up quickly.

Looking finally at the forward tanker order book, it looks as if the combination of record ship building prices and delivery lead times reaching three years has finally caused ordering to slow. At the end of March, the order book stood at 25.7 percent of the world fleet, down from 26.8 percent at the end of December. The amount of new orders placed over the past four quarters dropped by one third compared to the previous four quarters, and over the last couple of months the slow-down has been even more pronounced. Annualized ordering in February and March was only 50 percent of 2004 levels.

Looking next at the overall tanker market on slide number seven, lower tanker demand early in the quarter due to the OPEC production coupled with the large number of new building deliveries just after the new year set tanker rates on a downward trajectory which lasted for much of the quarter. As OPEC production gradually came back onstream, there was a partial recovery in tanker rates of the latter part of the quarter, but accompanied by increased short-term volatility which has carried into April. The dynamics of the Aframax rates in the Pacific were better than the general market.

After a weak start to the year, two factors caused rates for double hull tankers in that region to increase to more than $50,000 a day by March. First, several terminal operators in the region introduced voluntary bans on single hull ships loading from their facilities leading to increased demand for double hull ships. Then as the April 5th IMO ban on carriage of heavy oils approached, fuel oil traders bid up double hull rates even further to ensure tonnage for their requirements. In April, rates have come off their highs in the quarter as trading patterns in the Far East have settled down, yet rates still remain good by historical standards.

We continue to focus on the extent and effect of discrimination against single hull tankers because we believe it is an important dynamic in the outlook for double hull tanker rates. Our analysis suggests that discrimination varies by segment and region but that it is generally on the rise. In the Mediterranean, the long-standing divide in rates between single hull and double hull trades is now so pronounced that the two hull types rarely even compete against each other.

In the West Africa Suezmax trades, the TCE differential is broadening with single hull under-performing double hulls by around $10,000 a day partly due to getting paid lower nominal freight rates, but more significantly due to greater average waiting time between cargoes. The single/double differential is similar or slightly higher in the VLCC market and in the Indo-Pacific Aframax markets waiting time incurred by single hull appears to be on the rise.

In all of these markets, during periods of slower market activity the earnings differentials tend to widen significantly due to increased waiting time on single hull tonnage, and as the proportion of double hull ships in the world's fleet increases with the in-flow of new buildings, we expect to see the utilization in the single hull fleet continue to deteriorate.

Turning to slide number eight, looking at the forward tanker market. We expect rates in the near-term to remain at seasonal lows from the combined impact of increased tanker supply and early-than-normal annual North Sea oilfield maintenance, although rates are still at historically strong levels. We expect fleet utilization to improve during the second half of the year based on assumptions of OPEC maintaining high oil production, full North Sea production being back in place, the addition of new non-OPEC production expected to come onstream, and increased scrapping from a delayed shake-out of the IMO regulations. We believe that these factors should lead to higher rates later this year.

On slide nine we show the key development in Teekay's spot tanker segment for the quarter. Our previously announced sales of nine ships was completed with all of the ships delivering to their new owners in the quarter. We also agreed to sell a further four single hull tankers, three Aframaxes which have subsequently been delivered the new owners earlier this month, and our remaining single hull Suezmax which is expected to deliver in the end of the second quarter or early in the third quarter. And we anticipate recording a gain from a sale of these four ships totaling $25 million. This leaves with us with only two owned single hull ships in our spot fleet.

Year-to-date, two Aframax new buildings have joined our fleet through early April and six more remain on order. In the quarter we fixed our in-chartered VLCC Venture Spirit for a three-year out-charter commencing in early April. This arbitrage deal is expected to generate a profit to Teekay of more than $25 million during the three-year period. The decision to charter the ship out was based on customer relations considerations and profit taking.

Now, let me also briefly comment on the relatively low TCE figure of 38,900 per day generated by our spot Suezmax fleet in the first quarter. As I mentioned in response to a question on our last call, our average Suezmax TCE figures are skewed by the fact that on several ships which we in-chartered at very low rates we also locked in the earnings for these ships through hedged trades mainly in the form of one particular physical lifting agreement, but also in part from a freight derivative transaction.

Finally, on slide number 10 we show the highlights of our fixed-rate segment. Cash flow from vessel operations was marginally lower than in the previous quarter as the addition of our fourth L&G carry in late December was offset by lower-than-expected utilization in our shuttle fleet. Shuttle utilization suffered from production problems at three oilfields during the quarter.

We also experienced better-than-normal North Sea weather in March which meant fewer revenue generating days per cargo due to reduced loading and transit times. With annual North Sea maintenance taking place earlier this year, we can expect the seasonal dip in shuttle activity to be more pronounced in the second quarter, but we should get some of this back through better utilization in the following quarter.

Looking further ahead, the level of new inquiry for shuttle transportation continues to be encouraging, reflecting the high offshore oil activity that has resulted from higher oil prices. And, finally, during the quarter we completed the previously reported sale of one older shuttle tanker.

I'll now hand it over to Peter Evensen to discuss our financial results. Peter.

Peter Evensen: Thank you. As Bjorn has said, our net income this quarter amounted to 279 million or $3.19 per share which included 102 million in vessel sale gains and 33 million in foreign currency exchange related items.

Looking at the operating results of each of segments on slide 11 of the presentation, overall cash flow from vessel operations for the first quarter decreased to 222 million from 261.6 million in the first quarter of 2004. The contribution from our spot tanker segment decreased by 56.9 million, or 30 percent, to 134 million compared to 191.3 million in the first quarter of 2004. This decrease was due primarily to the net 10-percent decrease in revenue days resulting from the sale of our older vessels during the past 12 months, including eight spot trading vessels in the current quarter.

It is worth pointing out that our change in fleet composition, more chartered-in newer double hull tankers, and less older single hull owned tankers gives rise to an exaggerated drop in operating cash flow, but not in net income. This is because the contribution to the cash flow from vessel operations, or CFVO, from chartering-in double hull tankers is less than owning older single hull tankers because time charter expense includes an interest expense element. However, the impact to the net income line is not as great because a chartered-in vessel does not have any interest expense below the income from operations line.

Our spot Aframax fleet earned an average TCE rate of 39,600 per day in the first quarter, down slightly from the 40,900 per day earned in the same period last year.

In order to present the results of our spot tanker segment on a basis consistent with our shipping company peers, commencing this quarter we have calculated time charter equivalent, or TCEs, as net voyage revenues divided by revenue days for all the periods presented. Revenue days represent calendar ship days less off-hire days. We previously calculated TCE as net voyage revenue divided by calendar ship days without deducting off-hire days.

The fixed-rate tanker segment generated 70.8 million in cash flow from vessel operations during the first quarter compared to 70.3 million in the first quarter of 2004. This increase was primarily due to the inclusion of Teekay Shipping (Spain's) fixed-rate Suezmax tankers offset by lower revenue from our shuttle tanker operations for the reasons Bjorn has stated. Our fixed rate L&G segment generated 16.9 million in cash flow from vessel operations during the quarter, representing the results from Teekay Shipping Spain's four L&G carriers.

Turning next to slide 12 and reviewing the income statement figures in comparison to the first quarter of 2004. The results for the first quarter of 2005 included gains on vessel sales in the first quarter of 2005 of 101.9 million, primarily from the sale of nine older vessels and one new building Suezmax tankers. We have elected to principalize the value of the future earning streams of these vessel up front at very attractive levels rather than taking them over time into our earnings. General and administrative expenses, G&A, were 33.7 million compared to 27.6 million in the first quarter of 2004. This increase is primarily the result of the appreciation of non-U.S. dollar currencies, higher accruals for performance-based bonuses, and the acquisition of Teekay Shipping Spain in April 2004. We currently expect G&A expenses to run in the mid 30-million range per quarter for the next few quarters.

As the new accounting rules requiring stock options to be expensed have been recently deferred by the SEC, we now do not expect G&A to be impacted by the related stock option expense until the first quarter of 2006.

Net interest expense increased to 29.5 million in the quarter from 20.3 million in the first quarter of 2004 primarily due to the additional interest expense resulting from the addition of the (Tapias) fleet. We recognized the net income tax recovery of 9.3 million this quarter compared to an income tax expense of 2.1 million in the first quarter of 2004. The 9.3 million income tax recovery includes six million relating to unrealized foreign exchange losses and the remainder is due mainly to corporate reorganization of some of our shuttle tanker operations in Norway.

Unrealized foreign exchange gains for the quarter resulted in from the strengthening of the U.S. dollar and included 27.2 million related to the euro-denominated debt of Teekay Shipping Spain and deferred taxes denominated in Norwegian kronen. Our annualized return on equity for the quarter was 47 percent, an outstanding result.

Turning the slide 13, we have presented our March 31, 2005, balance sheet and compared it with the December 31, 2004, balance sheet. Cash balances are running higher than normal primarily due to the rearrangement of our loan facilities in connection with the initial public offering of Teekay L&G partners. We expect our cash balances to return to lower levels in the second quarter.

Our net debt, including capital lease obligations, decreased by 396 million in the quarter. We used our significant cash flow from vessel operations and the proceeds from the sale of vessels to fund prepayments of long-term debt, capital expenditures for vessel construction, and the complete our initial share repurchase program.

Treating the mandatory exchangeable preferred issue into equity, net debt to capitalization declined from 42 percent at the end of the previous quarter to 34 percent at the end of the current quarter. This takes us to a net debt to cap level below where we were – where we were before purchasing Teekay Shipping Spain just 12 months ago.

Turning to slide 15, we retained significant operating leverage in our spot – or 14 – we retained significant operating leverage in our spot tanker segment. Our fleet renewal program on the spot side of the business, along with our increased fixed rate revenues, has changed our EPS rule of thumb slightly, reducing our operating leverage but also our break-even level.

Our current net income break-even Aframax TCE rate is estimated to be 13,000 per day. The size of our spot fleet means that for every 1,000 per day increase in Aframax rates our earnings per share increases by approximately 5.5 cents per quarter. Looking at the current quarter, we have fixed approximately 37 percent of our total spot voyage days and an Aframax TCE rate of $36,000 per day.

As Bjorn mentioned, we have – as we have successfully completed in the first quarter our previously announced buy-back of three million shares, we are pleased to announce our board of directors has approved the repurchase of up to an additional 225 million of our common stock which at today's share price equates to approximately 5.1 million shares, or six percent of the current number of shares outstanding.

This decision reflects the strength of our balance sheet, the strong cash flows from our operations and vessel sales, and our financial strategy of returning capital to shareholders when it cannot be profitably employed on a long-term basis in our business segment.

I'll now turn it over to Bjorn to conclude.

Bjorn Moller: Thanks, Peter. The debate rages on about the impact of high oil prices to the global economy and ultimately on oil demand. Oil prices are reacting to daily news stories and OPEC is trying to balance oil markets through all this noise. The resulting lack of visibility in oil supply will likely heighten the volatility in the tanker market. We believe this will benefit Teekay due to our flexible business model. Ultimately, in our opinion, as long as the economy remains reasonably healthy, tanker market fundamentals should continue to look strong for the rest of the year.

As we approach the conclusion of our 15-month single hull ship disposal program, I would like to take this opportunity to highlight the benefit to our shareholders from the sale of these ships at high prices. While we have realized aggregate gains of close to $200 million, we don't consider this program to be simply a series of one-time gains. Rather, it represents the deliberate realization of forward earnings on this segment of our fleet.

For example, for the eight single hulls which left our left in the first quarter, we have calculated that based on reasonable estimates for off-hire and waiting time these ships would have had to generate close to $30,000 per revenue day for their expected remaining useful life through 2010 to equal the price we obtained from their sale. So selling these ships at today's high values has, if you will, allowed us to have our cake and eat it too.

We have in a risk-free manner taken value off the table that in our estimation well exceed what the ships could reasonably expect to earn over their remaining lives, and we have been – we have responded to customers' demand for double hull tonnage.

Thank you for listening in this morning, and we'll be happy to take your questions.

Operator: Thank you. Our question-and-answer session will be conducted electronically. If you do have a question or comment at this time, we do ask that you please signal us by pressing star followed by the digit one on your touch-tone telephone. One again, that is star followed by the digit one on your touch-tone telephone at this time. We do ask those participants who are using a hands-free phone or a speakerphone to please pick up the handset when asking your question. We'll pause for a moment to assemble our roster. And once again for our phone audience, that is star one on your touch-tone telephone if you do have a question or comment at this time.

We'll take a question first from Magnus Fyhr with Jefferies & Company.

Magnus Fyhr: Thank you. Congratulations for a quarter. Just a couple of questions. First, you mentioned, you know, the Suezmax rates for the quarter was reduced by freight derivatives and also some of your ((inaudible)). What should we – how long – how long does the – do these carry into the second or third quarter, what should we expect for the rest of 2005?

Bjorn Moller: I think you should expect that that will continue, because those are basically square trades. We took in ships and, you know, locked them away on contract. Or to put it differently, we had a contract opportunity and were able to get ships in to service the contract. And in another example, we in-chartered a vessel and squared it away against a equal length freight derivative. So that will continue. It's a relatively small segment, so it's having a disproportionate impact.

Magnus Fyhr: All right. Moving over to your fixed-rate business and maybe talk a little bit about your shuttle tanker business, maybe talking a little bit about some of the opportunities there going forward with new deep water fields coming on.

Bjorn Moller: Yes, it's difficult to be too specific obviously in active business development situations. But, firstly, I would say that, you know, there are a number of new marginal fields that we're seeing being discussed, and we have previously delivered both pure COA contracts as well as more kind of complex packages for some of those fields. That looks encouraging. We expect continued growth in markets outside of the North Sea. We are working on one project in a – in a whole new hemisphere for us for the shuttle business, which we hopefully can talk more about. So in general without being too specific I can just say we're encouraged by what we're seeing.

Magnus Fyhr: And do you see better opportunities on the fixed side or the spot side? I mean, you announced a buy-back program here indicating that, you know, it's better to buy back stock here, but ((inaudible)) (difference) between the segments?

Bjorn Moller: Well, I guess we – that's one of the segments we can't really talk about very much. So I guess in talking about the rest of our business – I've talked about the shuttle already, and as the – the spot tanker business, we are obviously taking the firm position that ships at record prices is not the best bet of Teekay right now with our cash.

Magnus Fyhr: OK and one just final question on scrapping. You mentioned that (it's) probably likely to pick up here in 2005. In prior presentations you've had a scrapping forecast. Do you currently have an internal scrapping forecast for '05?

Bjorn Moller: We don't have a forecast. We are I guess modeling as we showed last quarter numbers between 10 and 15 million tons. 2.7 million tons in the quarter is on track to be in that range. And given that we are still seeing we think people hanging in there as long as they can given relatively freight rates, we would hope this is the low part of the scrapping. So I'd say that looks like we're still on track for that forecast. But we could be surprised on the up side.

I mean, I don't think we should under-estimate the difficulty in getting ships around the costs these days. The whole tightening and enhanced surveys and so on which are, you know, some of the gory details of IMO that don't catch the headlines. There's a lot of scrutiny out there. So – and, you know, with new – with double hull tankers coming on at a good pace this year, I think the customers are definitely turning their attention away from single hulls, and in particular older single hulls.

Magnus Fyhr: Very good. Thank you.

Bjorn Moller: Thank you, Magnus.

Operator: Our next question will come from Harvey Stober, with Dahlman Rose & Company.

Harvey Stober: Thank you. I was just wondering if you're considering spinning off the shuttle tanker business, and if so what potential form that might take.

Bjorn Moller: We're not considering that. It is a, you know, very strong franchise that we operate there. The reason we consider it an integral part of Teekay is the synergy that it has both in terms of the adjacency with our spot fleet, the shuttle tankers transferable in and out of the spot fleet during pockets of lower activity, and we also believe we can leverage our global spot franchise as we try to expand our shuttle business. So I would say, you know, they are synergistic. There also significant customer overlaps. And, you know, that could change over time, but that's not currently under consideration.

Harvey Stober: Sure. Thank you very much.

Operator: Our next question will come from John Chappell, with JP Morgan.

John Chappell: Thank you. Good morning, guys.

Bjorn Moller: Hey, John.

John Chappell: I just had a question regarding the share buy-back program. Are there any restrictions, you know, with the pending L&G offering? Do you need to wait for that to be filed ((inaudible)) priced, or can you start now that you've already reported earnings for the first quarter?

Peter Evensen: No, we don't see any restrictions that the regulation of Teekay L&G would have on the share buy-back program.

John Chappell: OK. You did a great job paying down debt, obviously, to 33.6 percent. Is there a target that's a cap ratio you'd like to get to or there something you consider too low? And then a follow-up question to the – to the debt number. You know, the interest expense actually went up sequentially despite the fact that you've paid down a significant amount through the first quarter. Any reasoning for the interest expense hike?

Peter Evensen: That was more a question of the fact that we were running higher cash balances now. So we have – so we have some more negative carry over the fact that we have those cash balances. I would say with reference to the net debt that we are at the level that we're very comfortable with right now. As I said, we're back to the level we were before the acquisition of Teekay Shipping Spain.

John Chappell: Yes. OK, thanks, Peter and just one quick one for Bjorn on the shuttle tanker business. You'd mentioned the production problems in the North Sea. Have those been rectified yet?

Bjorn Moller: The three fields for the (Sonora, Dragon, and Ross) fields, I believe that the (Dragon) field, which is the most – you know, the biggest impact on us, is actually undergo early maintenance because of production problems, although I'm not, you know, an expert in that area. My sense is that that is being rectified, but it still reduced volume because of it's moving into a maintenance situation.

John Chappell: OK. Thanks, Bjorn.

Operator: Our next question will come from Tom Rinaldi with Brencourt.

Tom Rinaldi: On the conversion of single hulls to category two – I don't think you mentioned – how much time exactly does that buy the vessel?

Bjorn Moller: If you refer to a slide that was in our presentation last quarter, there is a – there's a table that indicates how long extension category one ships – sorry – the phase-out schedule of category two ships. And so it averages one to two years I think we indicated. If every category one ship converted to a category two, the average extension would be slightly over one year.

Tom Rinaldi: I see.

Bjorn Moller: Of course that isn't happening. But the – it'll be between one and three years.

Tom Rinaldi: OK. And on the new buy-back, is that set up for the offering of the L&G business or should we think of that as a completely separate thing?

Peter Evensen: That is a completely separate thing.

Tom Rinaldi: OK. That's all I have. Thanks.

Bjorn Moller: Thank you.

Operator: Next we'll hear from John Kartonas with Smith Barney.

John Kartonas: Yes, good morning. First of all, on the income tax recovery gain, I guess this is the first quarter you're recording a gain there. And even if you include the six million, you still have a gain. How should we think about this going forward?

Peter Evensen: Well, because of the accounting rules, whenever we have a strengthening of the U.S. dollar, which we had this quarter, that's going to result in getting gains, because our foreign currency loans are translated to be lower in U.S. dollars. But we think that with the reorganization that we're doing we should have minimal tax expense going forward. So these kind of movements should decline a little bit on the tax expense side.

John Kartonas: I see. Also, on the – on the Aframax segment, as you mentioned earlier the Indo-Pacific market is much stronger than the Caribbean or the Med market. Why is the fact that you don't have like vessels going to trade at that market?

Bjorn Moller: Well, on the Aframax side there really is not a huge amount of movement of cargo from the Indo-Pacific to the Atlantic hemispheres. So the arbitrage movement is difficult unless you want to go empty. And, you know, we're seeing a fair amount – it's interesting, we're seeing a fair amount of new buildings coming out, mainly of Korea and Japan, into the back yard of the Indo-Pacific markets. Yet I think some of those owners are more comfortable trading their ships in their own back yard, which is the Atlantic basin. So we're actually seeing ships voluntarily moving into the Atlantic. But if people can get there, I'm sure they would try. But it's not easy to move ships around very quick other than through expensive empty repositioning.

John Kartonas: Is there any benefit having customer relationships in that region that gives you an advantage of that?

Bjorn Moller: I would say that is absolutely the case. Teekay has a number of very important frame contracts there with big customers where we give customers a number of scheduling benefits, but we gain benefits in return by having a better visibility and a better look at all of the cargoes in the region. So our competitors see I think a somewhat smaller cargo volume than we do every day.

John Kartonas: I see. Thank you.

Operator: Next we'll hear from Justine Fisher, with Goldman Sachs.

Justine Fisher: Hi. The first question that I have – or there are a few questions – are with respect to time chartering. First of all, given that OMI recently announced some time charters out of its tankers, would you look to put some of your tankers currently operating on the spot market onto time charters, obviously at the right price. But, you know, are you – A), are you looking to do that, and, B), are you seeing oil companies come to you asking for that?

Bjorn Moller: Well, you saw the reference to the VLCC fixture we did. That was a clear example of opportunistically, you know, locking in a profit at the same time as, you know, forging a greater and closer relationship with a particular customer. On the Aframax segment, we have done some of that, again customer related. But we have done a lot of that kind of coverage through our fixed-rate segment. So in a sense we're doing that all the time. So I would say we are comfortable with a mix of spot and fixed-rate and we will look at these things opportunistically.

Justine Fisher: I guess I probably should have asked this question first, but I was going to ask you for a bit more color on the VLCC deal. You're – can you give us a bit more information as to maybe what the rate you're chartering it out at and how that deal worked? Because you said your time chartering that in.

Bjorn Moller: I can't be – yes. This is a ship we in-chartered two and three years ago at a very low rate and which has a period plus options behind it. We have effectively squared away remaining firm period of our in-charter but have still – we still the options available to us at the end of the charter. So we have that up-side. I can't be specific about the rate because of contractual considerations, but it's been reported in the trade press sort of in the low to mid 50,000 per day on the out-charter side. And I'll leave that for you to consider.

Justine Fisher: OK. And then as far as Teekay chartering in additional vessels, I mean, you've said time and again that that's the company's strategy. And I can see on the fleet changes that there are some in-charters that you're going to be taking this year. But is Teekay looking to charter in a significant amount of additional ships given where rates are? Is the company more actively looking to do this or will the fleet size stay more or less the same?

Bjorn Moller: We will be opportunistic. The time charter rates don't gyrate as much as the spot rates do. For example, charter rates for – to in-charter one-year Aframax tankers have come down a bit, but not necessarily as much as the spot market. So these things tend to move a little more slowly. We will be, you know, following that market. We have a comfortable size fleet, so that if we don't see the opportunity we can service our customers quite comfortably. If we did see the window open, we would – we would react.

Justine Fisher: OK. And then the last question that I had was with respect to what ships you're going to – what ships Teekay may or may not sell going forward. It seems as though – I think that you have two single hull owned Aframaxes left and I think a couple of other single hull ships in the owned fleet. Are you definitely looking to sell these or is it – is the company definitely looking to get out of the rest of the single hull tankers?

Bjorn Moller: Subject to price. I guess it is a clearly articulated strategy. Two ships remaining in our spot fleet would be sold if we saw the right price, and we're considering that. We have I think maybe one or two older shuttle tankers which are under contract. Other than that, the fleet – the owned fleet will be entirely double hulled.

Justine Fisher: OK. And then I see you did decide to sell the Santiago Spirit. I'm sure you can't disclose exactly what the price was, or maybe you can. But, you know, will Teekay look to sell perhaps more of its Aframax new buildings as they are delivered, will the company sell those – choose to sell those new builds if the price is right as opposed to putting them in the fleet?

Bjorn Moller: Again, I mean, it's not a – there's not a strategy we – you know, that we normally follow. The sale of the Santiago Spirit was opportunistic. It was a ship acquired as a bit of a surplus to the (Tapias) transaction. And although it would have been, you know, eminently suitable in our fleet, we chose to sell it opportunistically. It's worth noting that we have retained the technical and commercial management of the vessel, so it will be in our fleet in terms of, you know, customer service and so on. But I think the whole – the whole issue that we are trying to convey is that we are very disciplined, but also we think we've been quite good at picking our moments both when it comes to selling and buying.

Justine Fisher: Great. Thank you.

Operator: Our next question will come from Philippe Lanier, with Banc of America Securities.

Philippe Lanier: Thank you very much. Congratulations on a great quarter.

Bjorn Moller: Thank you.

Philippe Lanier: On the – on the fixed rate business, perhaps I misunderstand you. Could you please explain to me how the contracts work in the shuttle tanker business that in some quarters when the – there is down-time that you're learning – earning less money on that business.

Bjorn Moller: Yes. Those are – we have two elements of business in our shuttle segment. We have some ships which are on either time charter or variable charter, which means that we get paid every day, you know, whether the ships or sitting or whether they're working. Another – so that's about probably half our shuttle fleet or a little bit less. The other part of our shuttle fleet is what we call offshore loading contracts where we service on a just-in-time basis and often on a fractional vessel use basis about oilfields in the U.K. and Norwegian North Sea.

And these are volume contracts, not where the – you get paid on a – on a fixed-rate per day when you are serving – when you are working under these contracts. So if you have a field shutdown, we would experience a loss of charter days and therefore a loss of revenue. But the benefit we have is that we have such a large portfolio that normal it smoothes itself out, except during the maintenance season in the summer. This is why you have some seasonality in our shuttle revenues despite the earnings being fixed rate on a – you know, the day rates being fixed. So the volumes can vary.

Philippe Lanier: OK. And just two quick more questions. First of all, on the product side, you know, it seems that the product market is quite strong and getting stronger. And with the – you know, the market advantage that you guys have in Asia, do you – do you see opportunities to expand the product fleet on an ownership basis and do you feel that the purchase market right now for product tankers versus crude tankers is more beneficial to the price per, you know, revenue you get in as compared to the crude?

Bjorn Moller: The product market is an area we intend to grow. We will be looking for the right windows. We have expanded our product fleet as you can see from the number of segment days. We have three large product tankers on order at this time that will join our fleet in the next six to 18 months. And we will look at in-charting ships. Again, it's a matter that the windows kind of open and close. At the moment we think prices are probably a little on the firm side for time chartering, although we have done some time chartering in the last six months.

Philippe Lanier: OK and then just tying in to that on the time chartering. You know, I noticed that you guys increased your time chartering in on the product side. Is that something that's announced on the Web site or is it something that we can track when you decide to change your time chartering fleet? Am I missing that?

Bjorn Moller: Yes, I guess we – our fleet is updated on the Web site. I guess we will – you know, we can normally get information on our Web site shortly after. We have in-chartered, you know, one MR product tanker in the last quarter as well as we have a joint operation with one customer where three ships have been in-chartered between us of which we have one of those vessels on our – you know, we have the – you know, we have one third exposure to that pool.

Philippe Lanier: OK.

Bjorn Moller: So – these are not dramatic numbers, but we are – we're looking to build the product business.

Philippe Lanier: OK. Thank you very much.

Bjorn Moller: So it gets bigger we will give you more data.

Philippe Lanier: Great. Thank you very much.

Operator: And once again just as a reminder to our phone audience that if you do have a question or a comment, please press star one on your touch-tone telephone. We'll go next to Walter Lovato with Passport Capital.

Walter Lovato: Good morning.

Bjorn Moller: Hi, Walter.

Walter Lovato: Just two quick questions. On the – on the share buy-back – which I think, by the way, obviously was a good idea – how did you come up with the figure of 225 million bucks?

Peter Evensen: Well, when we – when we looked at what cash flow we had coming forward and we looked at what we could reasonably be expected to buy over a certain period of time, we came up with the 225. As you see, we completed the first program faster than anticipated. So we came with another program. So I think the timing of the – of the sales will dictate the amount of share buy-back.

Walter Lovato: The timing of the sale – sorry ...

Peter Evensen: Excuse me. The timing of the purchases under – of the share buy-back program will dictate the amount. But this is an amount that we're comfortable that we will be able to purchase.

Walter Lovato: OK. And I mean, would you be comfortable purchasing the entire amount next week if the price was right?

Peter Evensen: I guess I would say potentially, but I'm not going to expose our hand as to when we will buy and at what price we will buy.

Walter Lovato: OK. And just – I don't know if you can answer this, but on the – on the L&G deal, can you talk about timing, when you think that might happen?

Peter Evensen: No, we're not comfortable talking about the registration process because we're in our quiet period.

Walter Lovato: OK. And then, lastly, on the rates. Where are the current sort of Caribbean, U.S. Gulf, and AG East Aframax rates?

Bjorn Moller: Well, I would say they're probably 25,000 to 30,000, 35,000, moving around like that. So you call it 30,000.

Walter Lovato: And fairly stable?

Bjorn Moller: They're moving around a bit. The east market is coming down, the Caribbean market is going up a bit.

Walter Lovato: OK. Thank you very much.

Bjorn Moller: Thanks, Walter.

Operator: And our final question will come from Justin Yagerman with Bear Stearns.

Justin Yagerman: Hey, good morning, guys. On the VLCC charter that you guys recently placed, I was wondering if there were any upside provisions in that. And then I guess in terms of where it'll be classified going forward, is that the conventional fixed-rate fleet, is that where it'll be moved on to?

Peter Evensen: Yes, it – there aren't any upside. It's a fixed-rate charter out and it's a fixed-rate charter in. And it will move to the fixed-rate segment, because –

Justin Yagerman: OK, good. So there's no spot component. And I guess in terms of interest expense going forward, you touched on why it was higher, but if you could give some guidance as to what you're modeling for the next few quarters as we – you know, you have paid down a nice amount of debt and what we should expect to see ((inaudible)) now on.

Bjorn Moller: Sorry, on what?

Justin Yagerman: On interest expense.

Bjorn Moller: OK, sorry. Peter.

Peter Evensen: Well, we don't give modeling on exactly how much will go forward. We should be reducing, as I said, the absolute amount of cash and the absolute amount of debt when we complete the Teekay L&G segment going forward. But we would expect that our cash flow should mean that we will continue to de-lever if we have the kind of market scenario which Bjorn outlined.

Justin Yagerman: OK, fair enough. And just lastly I guess. I was curious as to what your Suezmax earnings would have looked like had the FFAs not been in the calculation. Do you have a – you know, a TCE figure that ...

Bjorn Moller: Yes, I can give you a rough guidance. It probably would have been around 50,000 a day. But it would have been on what would have been left if you kind of look at our pure spot, it would really only cover about four Suezmaxes. And so that number, even though you take out the other factors that – the pure spot is likely to be quite volatile, the difference between a voyage kind of straddling the previous quarter or the next quarter or, you know, where you fit into the short-term volatility in the market can be – can influence that number quite a bit.

Justin Yagerman: Sure.

Bjorn Moller: So, again, it's a small segment.

Justin Yagerman: All right, thank you very much.

Bjorn Moller: Thank you.

Operator: And we will take more additional question from John Woodberry of Independence Capital.

John Woodberry: Oh, hi, guys. I don't know too much about sort of the rules about share repurchase, but are there any restrictions if you were to perhaps pursue the full amount of the recently announced share purchase. Would you be under any restrictions to buy any more this year or would you be capped out?

Peter Evensen: Well, the – our restrictions are that the board of directors has to authorize the amount of any share repurchase program. So if we complete the 225 million, then – and we wanted to do more, then the board would have to authorize a new share repurchase program, or at some point expand the existing 225 million going forward, which they may do at – when they want.

John Woodberry: I see. So that's the governing factor.

Peter Evensen: Yes.

John Woodberry: Terrific. Well, thank you for sincerely following through on the announcement.

Peter Evensen: That was the first announcement. Now we have the second announcement.

John Woodberry: I know, but …

Peter Evensen: Thank you.

John Woodberry: You bet.

Operator: And gentlemen, there appear to be no further questions at this time.

Bjorn Moller: OK. Well, thank you very much for joining us this morning. That was a good discussion. And enjoy the rest of your day. Talk to you next quarter.

Operator: And that does conclude today's teleconference. We would like to thank everyone for their participation and wish everyone a great day. And now at this time you may disconnect.

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