Operator: Good day, everyone, and welcome to the Teekay Shipping Corporation’s second quarter 2004 earnings release conference call. As a reminder, this conference is being recorded.

Now for opening remarks and introductions, I’d like to turn the conference over to Bjorn Moller of Teekay Shipping Corporation. 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 second quarter of 2004 earnings presentation. Mr. Moller and Mr. Evensen will review this presentation during today’s conference call.

I will now read the forward looking statements. Please allow me to remind you the various remarks we may make about future expectations, plans and prospects for the company and the shipping industry constitutes forward looking statements for purposes of the Safe Harbor Provision under Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by these forward looking statements as a result of various important factors, including those discussed in our annual report on Form 20-F dated December 31st, 2003 on file with the SEC.
I will now turn it over to Mr. Moller to begin.

Bjorn Moller: Thank you, (Scott), and good morning, ladies and gentlemen. Thanks for joining us on today's call and as Scott said, we'll be referring to the numbered slides posted on our Web site, teekay.com.

Turning first to slide number three, Teekay had a very busy quarter; our net income was $98.5 million, which is the highest figure we've ever recorded in the second quarter. Our fixed rate segments delivered another record quarter with cash flow from vessel operations of $76 million on top of the $107 million generated by our spot segment. Global oil demand at present is growing at the highest level in 25 years and this means continued high tanker demand going forward.

We completed the acquisition of Naviera Tapias on schedule in the quarter. We quickly demonstrated the strategic value of our new LNG platform by securing valuable 20 year contracts for three new LNG carriers from Ras Gas. We completed the previously announced two for one stock split during May and subsequent to the quarter, we sold our 16 percent share ((inaudible)) which resulting in a total gain on these shares acquired in July of 2003 of $90 million.

This morning, I'll review the tanker market and the highlights in each of our business segments and Peter Evensen will discuss our financial results. I'll begin with a look at tanker market dynamics which continued to be very positive. Turning first to tanker demand, on slide number four, we saw a big step up in global oil demand in the quarter with year on year growth of 5.2 percent. Demand continued to be extremely strong in China and in several other large emerging economies. But European and U.S. demand growth also accelerated rapidly suggesting a more broad based rise in oil use consistent with the highest worldwide GDP growth in more than two – in two decades.
In its July report, the IEA again raised its forecast for 2004 overall, predicting that oil demand will grow by 3.2 percent this year, the highest rate of growth since the 1970s and in its first look at 2005, it expects continued oil demand growth, predicting a further increase of 2.2 percent next year. The IEA’s also forecasting demand in the fourth quarter of this year to rise by an average of two and a half million barrels per day compared to the quarter just completed.

Slide number five, compares the development in the supply and demand for oil. The chart highlights that not only are today’s high volumes of oil supply, shown by the blue line, supported by the level of demand, shown by the bars, but with oil inventories below their five year averages, oil supply will have to increase even further to meet the ongoing growth and demand. And this will continue to drive an escalation in tanker demand. And I just picked up this morning that OPEC has announced that it will, in fact, be pumping about 30 million barrels a day in August. So that’s very positive news.

Next, turning to the tanker supply picture, on slide number six, the second quarter saw a slight net increase in the world tanker fleet of about one percent, with new tanker deliveries totaling six million tons against three million tons being deleted. The forward (auto book) through 2006 has remained largely unchanged for several quarters as shipyards are already full for this period. The (auto book) for 2007 remains low relative to prior years and the shipyard space for 2007 is now almost sold out. As you can see from the chart, new ship deliveries for the remainder of 2004 plus all of 2005 (are) expected to total 45 million tons while 25 million tons of tankers will be forced out of the world fleet under the (IMO) phase out during this period of which 21 million or seven percent of the existing fleet must cease trading less than nine months from now.

Slide number seven breaks down the development in the fleet size in each crude oil tanker segment. It shows that net supply growth will be modest across all segments relative to the expected high level of demand growth over the next 18 months. It’s worth noting that the size of the Aframax crude oil fleet, which has seen the highest percentage increase over the past 18
months, should remain static through 2005 when you exclude the part of the (auto book) made up of (LR2) product carriers destined for the refined products trade.

On slide number eight, we’ve updated the tanker supply and demand balance and this analysis continues to confirm that we can expect a tight tanker market for the next couple of years. The (inaudible) data on deliveries and scrapping show earlier indicates a net fleet increase of 20 million tons over the next six quarters through 2005. The IEA’s projected oil demand growth over this same period shows that all of these additional tankers will be needed to meet transportation requirements leaving no slack in the already fully utilized world fleet.

The data for 2006 shows the potential for a couple of percent growth in spare tanker capacity, but this space on the conservative assumptions that there will be a further slowdown in oil demand growth and that there will be zero voluntary scrapping above what is mandated by the (IMO).

Looking at the freight market on slide nine, tanker rates were lower in the second quarter than the near record level seen in the March quarter despite the fact that average OPEC production actually rose in the June quarter and despite the fact that tanker rates normally are closely correlated with OPEC production. However, when you look at what occurred, month by month, in both the first and second quarters, you’ll see that there was some monthly volatility in oil output and this caused rates to decline significantly in April before staging a gradual recovery over the rest of the quarter. If you look beyond the short term fluctuations, you can see from the chart that charter rate’s experiencing higher highs and higher lows trending together with rising OPEC production.

So summing up the market outlook, the combination of strong demand growth and capped supply suggests that the very positive tanker market environment is set to continue for the next couple of years.
Next, I'll review developments in our main business segments starting with our spot tanker segment on slide number 10. During the second quarter, Teekay’s spot market, TCE, declined in line with changes in the open market. However, our average Aframax TCE of $27,600 per day was still high at a historical context in this traditionally weaker quarter and this speaks to the strength of the current cycle. The size of our spot tanker fleet increased from 82 ships at the end of March to 86 ships at the end of June.

But our spot fleet was smaller than one year ago by five ships due to the sale of our oldest single hull tankers over the past 12 months offset by a number of new ships joining our fleet. We continue to be very active in adding ships to our spot fleet going forward. We have 11 new buildings on order in our spot segment. We’re busy in chartering modern tonnage in order to gain further exposure to the strong cycle and between new buildings and additional in charters, we already have five to six new ships due to join our fleet in the third quarter. During the quarter, we entered into agreements to sell four of our single hull ships as part of our ongoing fleet renewal and these ships will deliver to the new owners in July and August.

Slide number 11 highlights the importance of timing when it comes to acquiring spot tanker assets. As shown by the red line, (Aframax's) new building prices have risen by 50 percent from their levels in 2002 when Teekay ordered the eight Aframaxes that have now begun delivering into our spot fleet. And prices are up 30 percent since we placed our most recent order for six ships last January.

The lead time for new building – for new building order to date has doubled to 36 months or more. And the combination of longer lead times, higher steel prices, and a strong freight market has pushed the price up even more on new building resales shown by the blue line and modern second hand ships. These prices are up by around 70 percent from their low point. And while we remain optimistic about the tanker market and expect values to rise further, you’re not likely to see us making major acquisitions of spot assets at this point in the cycle because we have
already invested in our spot fleet in a very profitable manner and we consider the odds of achieving a superior return over the entire life of assets bought at today’s prices to be less attractive.

Peter will comment further on the gains we expect to realize on our current ship sales. Dismissing these and future gains on asset sales simply as a one time event fails to give Teekay credit for its consistent track record of disciplined tonnage acquisition.

Turning next to slide number 12, the highlights of our fixed rate segments revolves mainly the significant progress in our recently established LNG business. The acquisition of Naviera Tapias was completed as scheduled on April 30th and the integration of this company, now renamed Teekay Shipping, Spain, is well underway.

With the addition of the Tapias ships, as well as the commencement of previously announced long term FSO and shuttle contracts, our quarterly cash flow from vessel operations in our fixed rate segments increased to $76 million, a new record. Last week, we took delivery of our third LNG carrier and we have a number of further ships joining our fixed rate segments later this year.

During the quarter, we saw an early demonstration of the strategic value of our new LNG platform. In an exciting breakthrough, Teekay was awarded 20 year contracts for three LNG carriers. All told, Teekay now has approximately $7 billion in confirmed forward net revenues in its fixed rate segments.

On slide 13, we’re highlighting the attractive features of our new LNG contracts. 351,000 cubic meter LNG carriers for 20 year charters to Ras Gas, a joint venture between Exxon-Mobile and Qatar Petroleum. The contracts involve a low risk build to suit approach. With our close shipyard relationships and our buying power, we were able to achieve attractive vessel prices, equity returns are enhanced through attractively priced financing and the use of high financial leverage.
consistent with the long term, stable nature of these cash flows. And through this contract, Teekay has become one of the early strategic suppliers to Qatar.

We view the risk adjusted financial returns on the Ras Gas project to be very attractive. But while we cannot speak to the details of our Ras Gas contract specifically due to confidentiality provisions, on slide number 14 we’ve laid out some approximate economics for upcoming LNG projects based on generic parameters.

In the example, we’ve used a fully built up cap ex cost of $190 to $195 million per vessel, annual cash flow of approximately $20 million, and 80 percent debt financing using today’s long term interest rates. The resulting annual returns for the equity of 16 percent cash on cash and 18 percent ROE. The accretion for this type of low risk project averages 10 cents per share and we will have created incremental value for our shareholders of approximately $46 million or 53 cents per share, per ship.

As we have stated before, we are excited about our LNG business, not only because of the attractive financial returns to be had, but also because of its tremendous growth potential. The ever growing momentum in the LNG sector is illustrated by slide number 15. The chart on the left shows what (McKenzie’s) estimates of growth in LNG production through 2010 and they’re estimating a compounded annual growth rate of 10 percent.

When we announced the Tapias acquisition in March, our analysis already indicated dramatic future growth in the demand for LNG shipping, identifying the need for a total world fleet of approximately 325 LNG carriers by 2010. As shown in the table, this figure has already increased by more than 40 ships to 365 ships, due to new or expanded projects that have come to light just these past few months.
With an existing fleet of 165 ships and a current order growth of 80 ships, new orders will still have to be placed for a further 120 LNG carriers over the next two to three years if the necessary level of tonnage supply is to be ready by 2010 and Qatar alone is expected to require an additional 50 LNG carriers by 2010.

I'll hand it over to Peter now to talk about our financials – Peter.

Peter Evensen: Thanks. As Bjorn has said, the second quarter was another strong quarter for Teekay in terms of both net income and cash flow from vessel operations reflecting strong spot rates and further growth in our fixed rate segments. Consequently, Teekay generated its highest ever second quarter net income of $98 million.

Looking at the operating results of each of our segments, on slide 16 of the presentation, you will notice that we now have a new segment commencing this quarter to reflect the results of our LNG business that Bjorn spoke of. Overall, cash flow from vessel operations for the three months ended June 30th, 2004 was comparable to the same period of 2003, at just over $182 million.

However, the contribution from our spot tanker segment decreased by $19 million or 15 percent to $106.5 million compared to $126 million in the second quarter of 2003. This decrease was due primarily to the net decrease in calendar ship days resulting from the sale of older single hull vessels during the past 12 months prior to taking delivery of our double hull new buildings as part of our fleet renewal program.

The results of our two fixed rate segments reflect our continuing investment in this area. The fixed rate tanker segment generated $70.5 million in cash flow from vessel operations during the second quarter compared to $56.2 million in the second quarter of 2003, an increase of 25 percent. This increase was primarily due to the inclusion of Teekay Shipping, Spain’s fixed rate
((inaudible)) tanker results from May 1st, 2004 and the addition of five conventional tankers on long term fixed rate chartered to Conoco-Phillips.

Our fixed rate LNG segment generated $5.5 million in cash flow from vessel operations during the second quarter, representing the results from Teekay Shipping, Spain’s two existing LNG carriers from May 1st, 2004. And we took delivery of a third LNG vessel earlier this month and expect the fourth in late 2004.

Turning next to slide 17 and reviewing the remaining income statement figures in comparison to the second quarter of 2003. Net interest expense was $25.8 million this quarter compared to $20.4 million in the second quarter of 2003, due primarily to the additional interest resulting from our purchase of Tapias. Deferred income tax expense was $6.1 million this quarter compared to $13.9 million in the second quarter of 2003. The higher tax expense in the previous year related primarily to income from Naveria’s conventional tanker business, which has since been restructured offshore and whose results are no longer taxable in Norway.

Other income of $5 million primarily comprises a $2.2 million gain on the sale of 126,000 shares in ((inaudible)) during the second quarter. Dividend income of $5.7 million received from ((inaudible)) and the income from $2.1 million from our (VOC) equipment partially offset by unrealized foreign exchange losses of $5.4 million primarily from the euro denominated debt of Teekay Shipping, Spain.

The dilutive impact in the second quarter from our outstanding stock options and mandatory convertible preferred units was approximately 2.5 million and 2.3 million shares respectively. This dilutive effect has increased as a result of our increasing stock price.

Turning to slide 18, we have presented our June 30, 2004 balance sheet with and without Teekay Shipping, Spain to illustrate the impact of the recent acquisition. Teekay Shipping, Spain has a
total of $393 million of restricted cash as of June 30th, 2004 resulting from its two LNG carriers that are accounted for as capital leases. Under terms of these arrangements, Teekay Shipping, Spain is required to have on deposit the amount of the charter payments and these deposits are funded with an equivalent amount of debt.

This results in the amount of cash and debt over what we would normally be recorded by the amount of the required restricted cash. Accordingly, both the interest expense and the interest income include approximately $3 million relating to these deposits. However, there is no impact on net interest expense since the interest rate on the cash deposits is equivalent to the interest rate on the corresponding debt.

The addition of $185 million to intangible assets represents the value of the LNG and Suezmax long term contracts acquired which are amortized to income over the terms of the contracts. The goodwill amount relating to the acquisition of Tapias was $48 million. Other long term liabilities of Teekay Shipping, Spain include $93.4 million of derivative instruments related to interest rate swaps which are amortized as a reduction to interest expense over the terms of the swap.

Treating the mandatory exchangeable preferred issue as equity, net debt to capitalization increased from just under 35 percent at the end of the previous quarter to 49 percent at the end of the current quarter. This is due primarily to the acquisition of Teekay Shipping, Spain partially offset by the significant amount of cash flow generated from vessel operations during the second quarter. Had the proceeds from the sale in July 2004 of our Torm shares and four single hull vessels been included in our balance sheet, at the end of the quarter, our net debt to capitalization would have been only 46 percent.

Turning to slide 19, we reported last week the sale of our entire shareholding in Torm. We held this shareholding just over one year and are pleased to be able to report an after tax gain on sale of approximately $90.2 million. Including the $5.7 million we received as a dividend in April, the
Total return on our initial investment was over $250 million – excuse me, 250 percent. While Teekay has decided to sell its stake in Torm, we continue to believe it’s an excellent company with a bright future and importantly, this sale does not change Teekay’s commitment to growing in the product tanker market.

In the last year, we have converted three of our Aframax new buildings on order into LR2 tankers and have also expanded our in chartered product tanker fleet so that we now have 10 small and six large product tankers operating primarily in the Atlantic.

As you can see on slide 20, we have very significant operating leverage in our spot tanker segment. The size of our spot fleet means that for every $1,000 a day increase in Aframax rates, our EPS increases by approximately eight to nine cents per quarter and our net income breakeven in 2004 is estimated to be $13,000 a day. Based on the second quarter’s average Aframax TEC rate of $27,500 per day, the resulting EPS was $1.13. Based on Clarkson’s Aframax TEC rates reported thus far in the third quarter of approximately $31,000 per day and assuming this average prevails for the entire quarter, the resulting EPS using our formula of taking 90 percent of Clarkson’s rate would be approximately $1.20 for the third quarter, based on $28,000 a day before including the $113 million or $1.30 per share gain we expect to recognize in the third quarter from the sale of our investment in Torm and the four single hull vessels.

Finally, we have fixed approximately one third of our total spot ((inaudible)) days in the third quarter at an average of $30,000 per day. However, the market has been trending higher recently as TEC rates have been higher than that average in our recent fixtures.

I will now turn the mike over to Bjorn to conclude.

Bjorn Moller: Thanks Peter. Allow me to take a brief step back before we open it up to questions. The analysis of the general tanker market that we’ve just presented to you this morning I think is fairly
representative of how our industry looks at the market over the next few years. It assumes that future oil demand will grow at less than half of its current rate and that there will be zero scrapping of tankers beyond what is dictated by regulation, mainly because it’s impossible to forecast voluntary scrapping.

As an industry, we seem to be spending a lot of time trying to answer the question ‘How long will this market last based on these assumptions?’ As we find ourselves in the midst of an extended super cycle brought on by a combination of unforeseen higher oil demand and systemic underinvestment in new tankers, this raises the issue of whether the tanker industry, for once, may be at risk of not being optimistic enough.

With pressures on shipping from regulations and public scrutiny weeding out substandard ships and with global demand for raw materials continuing at extremely high levels, every area of shipping is straining to keep up with demand. Perhaps we need to start considering an alternative question which a growing number of people outside the industry have already asked, ‘Will there even be enough ships to meet global demand?’

Thank you for listening and we’ll be happy to take your questions.

Operator: Thank you very much. The question and answer session will be conducted electronically today. And anyone wishing to ask a question, may signal by pressing the star key followed by the digit one on your touch-tone telephone. And once again, that is star one to ask a question. And we’ll pause for just a moment.

And our first question today will come from Magnus Fyhr with Jefferies and Company. Please go ahead.
Magnus Fyhr: Thank you. Question for Bjorn on – I mean in the last five years you’ve built a, you know, created a unique platform with more fixed rate business while maintaining exposure to the spot market. What is, you know, left in the, you know, to build in the company? Where do you see some of the opportunities going forward? I mean you recently entered into LNG market which seems to have some good growth over the next couple of years.

Bjorn Moller: Yes, hi, Magnus. Well, I think we have an opportunity to grow our platform from every angle. We’re very optimistic about the spot market, feel very positive about it and we are active building our fleet there. We still have some older single hull ships and they’ll be obviously ongoing fleet renewal, but as I think I mentioned, we already have half a dozen ships lined up to join our fleet in the third quarter and we have more ships due to join in the fourth quarter and of course, a big new building program.

The LNG has got a lot of upside. Our shuttle business has grown since we took it over by a pretty good margin, so we think that can continue. So really I think the benefit of the platform is that we’re cross fertilizing and we are leveraging our position. So I don’t see any limit; it’s basically that we’ve completed the platform with the LNG and now we’re ready to grow every aspect of it.

Magnus Fyhr: Yes. One area which I mean Peter mentioned that the sale of the Torm stake was not an indication of the view of the future of that market. But that seems like a market where you definitely could expand going forward. Could you elaborate a little bit there on how you plan to grow that business?

Bjorn Moller: Well, we are actively growing it. We have a large part of the product business we acquired – Naviera was a kind of northwest European coastal business and whereas they only had a couple of long haul product tankers in their fleet. We’ve built that business, not in ship numbers
by very much, but certainly we've certainly tripled the exposure to the longer haul product
business since taking over Naviera and we have three ships in our fleet on order.

We remain active in that segment, so I would say that is an area for future growth. We have to
take our time.

Magnus Fyhr: OK. Just one more question, maybe more specific on the third quarter. Referring to the
chart on page 20, with 50 percent of, you know, the revenues booked for the quarter and OPEC
counting on further production increases, how confident are you that the third quarter rates will be
stronger than the second quarter?

Bjorn Moller: Well, looking at the – looking at the numbers at the moment, we’re seeing rates by Aframax
as over $40,000 in the Mediterranean and the U.K., strengthening in the Caribbean and also
strengthening quite rapidly in the Inner Pacific. So, I guess we (dipped) all the way down to
$25,000 a day during the second quarter and now we are closing in on over $40,000 a day. So I
think it’s quite a different market. The OPEC announcement that I just mentioned of this morning
is very positive. So you know, we think we’re in for an extremely good third quarter.

Magnus Fyhr: OK. Great. Thank you.

Operator: And next is Jon Chappell with J.P. Morgan.

Jon Chappell: Hey, guys. Talking about the LNG segment a little bit, are there any more projects, maybe
like the Ras Gas project, that are on the slate? Maybe not the same magnitude, but the same
kind of potential to sign ships in to long term contracts? Or is there the potential to get any more
ships tied to the Ras Gas project?
Bjorn Moller: I think the Ras Gas 2 project, as it’s technically called, is pretty much completed in terms of the ships being contracted. But you know, the fact is that there is an, you know, almost unbelievable amount of new projects in LNG. It’s like everyday, you know, our gas people are coming in telling us, you know, this guy suddenly told us he needed twice as many ships or this is a new project or this new terminal is on the drawing board. So, you know, it’s a wild market basically.

So, I’d say it’s a matter of making sure that we attract, you know – we – that we conclude business that is sufficiently attractive and we’re going to be very selective with that. But there’s going to be – you know, this is basic the highest growth sector in energy shipping.

Jon Chappell: I mean you showed some charts ((inaudible)) consultants showing the growth potential and you’ve kept a pretty disciplined strategy of, you know, only signing on for these expensive ships, if you had the contracts in place. But would you possibly move to speculative ordering because of the growth potential of this industry?

Bjorn Moller: We haven’t made a determination if that was logical for us, so we are focused on the build to suit approach. And so, that’s our strategy at the moment.

Jon Chappell: OK. Thanks, Bjorn.

Bjorn Moller: Thank you.

Operator: We’ll now go to Natasha Boyden with Sidoti & Company.

Natasha Boyden: Hi, good morning, gentlemen; great quarter. I just wanted to I guess to go back to the Torm sale. I guess the question that struck me was why did you sell at this particular moment? Was there any particular reason?
Peter Evensen: Well, first of all, we liked where the price was, but when we looked at Torm going forward, the valuation was as much a function of the bulk market as it was the product tanker market. So, we don’t think that our investors are encouraging us to be in the bulk market. So when we looked at it, we – and given the sort of growth prospects we have in other sorts of product tanker investments as Bjorn was talking about, we thought this was the right time to go into the market and be able to affect a sale of that magnitude.

Natasha Boyden: OK. Great. Thank you. And then, I just have a question on the Ras Gas vessels. I think you said in the release that they’re the largest – that they will be the largest ever built. Do you foresee or could there be any kind of technical problems with that if they’ve never sort of been built before?

Bjorn Moller: No. They’re a proven design and they’re simply incrementally slightly bigger. There are some new designs being developed for future Qatar projects, including Qatar Gas 2 or QG2. There’s talk of ships of 200,000 to 250,000 cubic meter; that would be, you know, a little bit different. However, these ships are, you know, standard ships, but just slightly bigger.

Natasha Boyden: OK. Great. Thank you very much.

Operator: And next is Jin Chun with Dahlman, Rose, Weiss.

Jin Chun: Good morning, gentlemen; another great quarter. Just had some additional questions regarding the current spot environment; I was wondering if you could give us some more color on the product tanker market, divided by the large and small segments, as well as the Suezmax market. It seems like that seems the only one that’s smaller was in the quarter.
Bjorn Moller: Yes. Well, I guess looking at the Teekay fleet, as you see in the press release, some of the
– I mean we have fairly small large product tanker fleet and you know, you can have some
volatility if you have a repositioning voyage during the quarter that can affect the time chart
equivalent. The open market for large product tanker is actually quite strong right now; it’s
around $40,000 a day and it seems to be firming. So I think that’s just volatility around a very
small sample.

Jin Chun: OK. That’s all. Thank you very much.

Bjorn Moller: Thank you.

Operator: And next is Walter Lovato with Passport Capital.

Walter Lovato: Yes, good morning.


Walter Lovato: A couple of questions; did I understand correctly that 50 percent of Q3 revenues are
booked and that the average rate you booked is $30,000 a day?

Peter Evensen: Hi, Walter; Peter Evensen. One third of Q3 has been booked at an average of $30,000 a
day on the spot side.

Walter Lovato: OK. Great. Second, could you list the – sort of the vehicle – I’m sorry, the vehicle, vessel
delivery program schedule say over the next two quarters?

Bjorn Moller: Well, we have two new buildings in spot fleet – I presume you’re talking about the spot fleet
or you’re also talking about the ((inaudible)) fleet?
Walter Lovato: Both.

Bjorn Moller: OK. I’ll try and piece together here from a list I have where we have two Aframax tankers joining our spot fleet in the third quarter and we have at least three probably four and possibly more in chartered ships joining our fleet in the third quarter in the spot market. Then in the fourth quarter, we will have at least probably a couple of in chartered ships and a new building Suezmax delivering. And let's see, what else do we have? We have taken delivery of one LNG new building in July and we expect another LNG new building in the fourth quarter which will join our long term fixed rate fleet. And I think we have one Suezmax – actually, there’s not a spot Suezmax; that’s in the spring. The Suezmax joining us is a long term chartered to a Spanish customer in the fourth quarter.

All right. We can’t give you more details than that.

Walter Lovato: Sure. That’s fine. And the time chart – so you’re getting – when you say the time chartered in vessels in the third quarter could be greater than three …

Bjorn Moller: Correct.

Walter Lovato: … are those – are those time charter rates being decided now? Or do you have options which you may call?

Bjorn Moller: There are a number ships excluded from that number and we have already declared a number of options on ships at very attractive numbers, but to give you sense of our positive outlook, some of the new in charters we’re doing on Aframax is, you know, closing in on $30,000 a day for in charters. So, you know, we obviously view the upcoming six to 12 months with quite a lot of positive outlook.
Walter Lovato: And what’s the timeframe on those in charters?

Bjorn Moller: They vary in commencement from now until August we have one ship we’re negotiating for commencement in the fourth quarter which could be October – November.

Walter Lovato: And the duration?

Bjorn Moller: Duration is ranging from six to 12 months at the moment.

Walter Lovato: So, $30,000 a day for 12 months?

Bjorn Moller: I’m sorry.

Walter Lovato: So there are, you know – whatever – you would consider time chartering in an Aframax for a year at $30,000 a day?

Bjorn Moller: We are getting close to that and in most cases, we’re able to negotiate optional periods beyond that which also have value.

Walter Lovato: Yes. OK. Final question I have is at what point, or if at all, does the (Bosferous) Straits – what do you call it? The – become a problem in the winter in terms of being too congested?

Bjorn Moller: It is simply a matter of daylight – hours of daylight. So the amount of traffic through there, the amount of demand for passage, is pretty stable based on output from the Black Sea, oil output from the Black Sea. But there are restrictions against transiting of tankers during hours of darkness. So, obviously, with the swing in daylight hours between summer and winter, that’s the main factor. So that will start becoming and in fact in November, October – November.
Walter Lovato: OK. Thank you very much.

Bjorn Moller: Thank you.

Operator: And as a reminder, if you do have a question, please press star one.

And we’ll now go to Justine Fisher with Goldman Sachs.

Justine Fisher: Good morning. I just have a few questions related to the balance sheet. I know that you said that as of the end of the quarter, you reported in the press release that you have $321 million approximately of revolver availability? Could you go over how much you had drawn under your revolvers then? Just how much that, you know – what that leaves drawn?

Peter Evensen: Sure. Hold on one second. You want to know how much we had …

Justine Fisher: How much you had drawn. I know you had $321 million available, so how much have you drawn then under your revolvers? Because I know they reduce semi-annually.

Peter Evensen: Yes, but every time we take delivery of a new building, we’re adding more revolving capacity.

Justine Fisher: OK. So – or you know, then a better question may be how much …

Peter Evensen: So we had – so we had approximately $550 million in liquidity before the sale of the Torm shares at the end of the quarter and we anticipate that our total liquidity by August will be over $1 billion by taking delivery of ships which carry debt facilities with them.
Justine Fisher: OK.

Peter Evensen: So it'll move from $550 up to roughly $1 billion.

Justine Fisher: OK. And then, any – I guess there’s a $130 million of proceeds from Torm and then $102 million from the sale of the four older ships?

Peter Evensen: Yes.

Justine Fisher: Do you have any planned uses for those?

Peter Evensen: No, right now those are going to debt reduction.

Justine Fisher: OK. And then, there were some rumors that I saw a few weeks ago obtaining a new bank facility, a $500 million one; can you comment on that?

Peter Evensen: Yes. We have – we’re into the market to refinance some existing debt which actually gave us a little bit more capacity. When I included that $1 billion number in August that will represent the closing of that $500 million facility which has since been syndicated and is over subscribed. So, we’ll be closing that in the next month.

Justine Fisher: OK. Thank you.

Peter Evensen: Thank you.

Operator: And we’ll now go to Brandi Shaw with Beekman Capital.
Brandi Shaw: I was wondering it looks like there's 80 new LNG on order to try to complete that need for 120 ships. My question being and I know this is a little bit longer term out, is there any reason to expect that you guys may be needing to put in a orders at these higher market prices in order to obtain some ships to help meet that demand?

Bjorn Moller: Just to clarify, the 80 ships is and the 120 ships is in addition to the 80. There's a need for 365 ships and there are 165 in the world fleet. So 200 ships are needed; 80 have been ordered and 120 need to be ordered. Based on our build to suit approach, you know, in a way, you know, our rates that we offer to customers will be linked to the project costs and that will include the price of the ships. So the ship prices are moving around a bit and I guess some people have made a speculative bet that this was or is a good time to order ships, based on future price increases.

It is very likely prices will go up; in fact, they are rising now. However, we will be able to price the higher costs of the ships into the bids that we submit.

Brandi Shaw: OK. Thank you for the clarity.

Bjorn Moller: Thank you.

Operator: And once again if you do have a question, please press star one at this time. And we’ll now go to Ole Slorer with Morgan Stanley.

Ole Slorer: Yes, hi, Bjorn. Very good quarter, very good market. I can't say what's going to spoil the party on the sort of six to nine month ((inaudible)). Looking pretty positive. But looking into next year and assuming that the IEA is correct in their oil demand assumptions for a change and you have kind of 1.8 million barrels, certainly our oil analysts here seem to believe that Canada is going to be the biggest single supplier of incremental oil next year, heavy oil, and that doesn't
take any shipping. Nobody seems to talk about the ((inaudible)) pipeline that’s opening in the second quarter; it’ll take market share away from the Middle East. We could get ((inaudible)) coming up and running and even the (IEA) is looking for 1.2 million barrel of incremental OPEC oil supply next year versus kind of record high this year.

So we’ll have most of the oil coming from the east, is it possible that you get more of a distribution of Middle East exports east, shorter haul, more oil in the west satisfied by short haul in those shipping legs? And you can actually see a declining kind of year over year tanker development in the second half of next year, despite a very good kind of increment in oil demand.

Bjorn Moller: Well, I guess there’s no doubt ((inaudible)) that the world’s going to need a lot of oil and I guess the issue, frankly, is more beginning to be is there going to be enough oil rather than is there going to be too much. I mean Canada is not going to – I mean we’re right here and we follow some of those projects. You know that is moving, trending upwards, but there’s not going to be watershed changes in production in Canada. Many of the short haul routes that you talk about, like (Shahan) to (Baku) and other short haul projects are actually very positive for Aframax tanker demand.

Any incremental oil production that moves by sea is incremental to tanker demand and there’s going to be oil – I mean I don’t like to second guess the IEA because they’re obviously very thoughtful and have a lot of people that follow the market, but you look back at the initial forecast they had of 2004 oil demand growth, it was 1.7 percent when they first covered 2004. Now they’re saying 3.2 percent.

So, I think that with things like China and other emerging economies jumping ahead by over 20 percent year on year growth in oil demand, I think the real issue is I think the oil will come in from everywhere we can get it and it will be incremental to tanker demand on the whole. So we think that the supply and demand balance is very tight.
Ole Slorer: Even into the second half of next year?


Ole Slorer: OK, Bjorn, thanks for that.

Bjorn Moller: Thank you.

Operator: And Jin Chun with Dahlman, Rose, Weiss has a follow-up question.

Jin Chun: Hi, gentlemen. We saw recently that another public company actually took single hull assets because of their positive view on the market. I was wondering if that was a consideration in your tactical strategy, as opposed to chartering in additional assets at high prices.

Bjorn Moller: Well, I guess it’s a good question. We want to keep as much exposure to the strong cycle as we can and we are making a lot of steps to do that. We have a very large spot fleet, let’s not forget the size of the company’s offering leverage. So, you know, if we sell single hull ships, certainly there’s an opportunity cost associated with that, but the prices of single hull ships is also very high.

And so, we are doing what we think is an excellent hybrid, namely taking some of the chips off the table on the high price of single hull ships, coupling it with in charters that maintain our operating leverage. So it’s a very carefully thought through strategy and you know, we – it doesn’t speak, in any way, to the fact we feel other than extremely positive about the spot market.
Jin Chun: Is there an additional possibility that once you have these ships chartered in that they would –
there’s a potential of also a purchase down the road as well, especially since you had a chance to operate them (at) first hand and they will be also longer (life) assets, as well?

Bjorn Moller: Yes. I mean that’s an option. I think generally what we’re saying and I think show in one of our charts, we believe that asset prices are at a point right now where they may go higher, but they’re already quite high. And we feel that with our disciplined approach, we’ve done a lot of our fleet renewal and growth at a much lower point in the cycle. So, what we’re doing – you know, in recognition that ships are probably a little pricey right now, we are chartering in to make sure that we have the broadest access to the upside in the tanker market.

Jin Chun: Thank you very much.

Bjorn Moller: Thanks.

Operator: And it appears there are no further questions, so Mr. Moller, I’ll turn the conference back over to you for any additional or closing remarks.

Bjorn Moller: Thank you very much for joining us this morning. This was an exciting quarter for Teekay and we think the picture ahead is extremely positive. Hope you enjoy a great summer. Thank you.

Operator: Thank you very much, and that does conclude our conference for today.

END