TEEKAY SHIPPING LTD.

Moderator: Bjorn Moller
November 2, 2006
10:00 a.m. CT

Operator: Good day, ladies and gentlemen, and welcome to the Teekay Shipping Corporation's Third Quarter 2006 Earnings Release conference call.

During the call, all participants will be in a listen-only mode. Afterwards, you'll 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.

As a reminder, this call is being recorded.

Now for opening remarks and introductions, I would like to turn the conference over to Mr. Bjorn Moller, Teekay's President and Chief Executive Officer, Mr. Vince Lok, Teekay's Chief Financial Officer, and Mr. Peter Evensen, Teekay's Chief Strategy Officer. Please go ahead gentlemen.

(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 third quarter of 2006 earnings presentation.

Mr. Moller, Mr. Evensen and Mr. Lok 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 in 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 indicated 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, 2005, 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. Thank you for joining Peter Evensen, Vince Lok and myself on this morning's call.

Beginning with the highlights on slide number three, I'm very pleased to report to you on a very good quarter on which we delivered strong results through our business, return capital to our shareholders and progressed our drive to unlock the true value of Teekay.

Our net income was $79.8 million or $1.07 per share, more than double our result from one year ago on an EPS basis. We generated cash flow from vessel operations, or CFVO of $147.7 million, of which $87.5 million came from our fixed rate business segments.

Our strong performance was the result of the highest third quarter Aframax market on record, coupled with a high freed utilization across all of our segments. We took a major step in growing our business with our successful bid for Petrojarl ASA, which resulted in us acquiring approximately 64 percent of that company at a cost of $525 million.

We placed orders for two additional Suezmax tanker new buildings. We raised our regular dividend payments for the fourth year in a row, this time by 14 percent, for a total increase of 120 percent since 2003. And we bought back a further 230,000 of our shares.

We are on track to file the IPO registration statement of Teekay Offshore Partners during the fourth quarter. And finally Teekay LNG has agreed to acquire Teekay's interest in the RasGas 3 and Tangguh LNG projects.

Turning to slide number four, I'll review the main developments in our fixed rate tanker segment. CFVO was $70 million in the quarter, 18 percent above last year's figures, and ahead of our guidance last quarter. As expected, we saw improved cargo volumes this quarter, due to earlier than normal completion of North Sea summer oil field maintenance. But we also benefited from two other factors, namely the rollover of a number of shuttle tanker contracts at increased rates, and a high freed utilization due to very efficient fleet scheduling.

The growth of our Brazilian shuttle tanker business progressed as planned. Upon completion of conversion work in July, we delivered the first of three vessels under the long-term contracts announced earlier this year.

The second vessel is now undergoing conversion, and the third vessel will fall in early 2007 before commencing its long-term charter early in the second quarter of 2007. At that point we will have ten shuttle tankers in Brazil servicing petrol for us.

As I mentioned, we remain on track to file the Teekay Offshore Partners IPO Registration Statement during the fourth quarter. And while we are in the registration process, we are limited in what we can say about the prospects of the businesses in question. What we can talk about, however, is as shown on slide number five, the strategic rational of the acquisition of Petrojarl.

Petrojarl is a leading provider of sophisticated harsh weather FPSO's. It has 20 years experience in the FPSO business, and is recognized for its advanced offshore engineering expertise. It currently owns and operates four FPSO's in the North Sea, which is the most demanding regulatory offshore environment in the world.

Petrojarl's business is a natural extension of Teekay's offshore marine franchise. Their FPSO's are complementary to our shuttle and floating storage activities, and the combination makes Teekay a one-stop marine solutions provider in the growing global market for offshore oil production and transportation.

The background for the acquisition is that our performing a joint venture with Teekay earlier this year, Petrojarl came into play during August. In order to protect our access to this strategic business platform, we moved swiftly to acquire a 40 percent shareholding in the company before launching a mandatory bid for the remaining shares. And as of November 1, our ownership stood at 64 percent.

During the quarter Petrojarl was awarded a contract to provide an FPSO for the Siri field in Brazil from the first quarter of 2008. This FPSO project which involves the conversion of an older tanker to a floating production unit, will be the first FPSO built to produce from the large reserves of very heavy oil that exists off Brazil.

Turning to slide number six, our fixed rate LNG segment generated CFVO of 17.2 million, roughly in line with the same quarter last year. A major milestone was reached earlier this week when the first of our new buildings for the RasGas II project sailed from the building yard and commenced its 20-year fixed rate time charter.

With a cargo capacity of 151,700 cubic meters, the vessel shown in this photo taken at last month's two-ship naming ceremony in Korea is the largest LNG carrier every completed. The remaining two vessels for this project are expected to deliver and commence their charters by the end of the first quarter of 2007.

Teekay LNG Partners has recently agreed to acquire Teekay's interest in two other LNG projects, namely our 40 percent interest in all Q-Flex LNG's for RasGas 3, due to deliver in the second quarter of 2008, and our 70 percent interest in two LNG's for Tangguh due for delivery by early 2009.

Turning to the developments in our spot tanker segment on slide seven, our Aframax fleet earned $34,800 a day in the quarter, the highest result ever for a third quarter. On a pure Spot basis, that is excluding the effects of hedges mentioned in the footnote to the table on page three in our earnings release, our Suezmax fleet earned $46,200 a day.

Our Spot crude tanker fleet increased by net two Aframax vessels as we remained active in the in-shuttle market. And we placed orders for two further Suezmax new buildings, and this brings our Suezmax new building program to ten ships – the largest in the world. These ships are scheduled to deliver during 2008, 2009 in the lead-up to the 2010 IMO deadline beyond which many countries are expected to ban single haul tankers.

Our clean petroleum product tanker fleet enjoyed another good quarter, with our large and medium-sized ships earning on average $26,500 a day. And we increased the clean fleet by one ship through the in-charter of an additional MR product tanker.

On slide eight, we show the seasonal development in Aframax rates this year, compared to the two prior years. As you can see average rates in the third quarter were much stronger this year, in fact 40 percent stronger than the average seen in 2003, 2004 and 2005. Put differently, winter started early this year for the Aframax market.

One evident driver of tanker rates was the rise in tanker demand, the result of global oil production in the quarter hitting another record high. However another element was the cumulative effect of several smaller factors – a phenomenon which led us to state on our last earnings call that we felt the effective world tanker freed utilization if actually greater than the observed utilization.

Interestingly, the latest estimates from (PLA-2) support this point, showing an unexpected increase in the overall freed utilization to more than 90 percent in the quarter. And you'll recall that 90 percent is normally considered full utilization.

Looking at rates so far in the current quarter, we have not yet seen quite the same fourth quarter jump in rates that we saw last year, partly because there were no trade route disruptions due to hurricanes this year, and partly because of a slight reduction in November of (overt) cargo nominations related to an off production cut.

Nonetheless as you can see, Aframax rates actually firmed during October. Our fourth quarter is shaping up nicely with approximately 50 percent of our Spot voyage days locked in with an average at an average Aframax rate of $36,000 a day.

On slide number nine we compare Aframax and VLCC rates year-to-date. Normally we would consider tanker demand to be fungible across the world fleet. However, right now we are seeing a temporary but pronounced shift away from OPEC production, assuming that OPEC follows through on its targeted cuts, and towards non-OPEC production which is currently growing faster than normal.

As the chart shows, when tanker demand is growing faster on shorter non-OPEC hauls as opposed to long haul OPEC routes, medium size tankers benefit more than VLCC's.

Looking ahead at the supply and demand fundamentals on slide ten, a strong global economy led by China and India is expected by the IEA to drive global all-demand growth of 1.7 percent in 2007. We are also expecting to see the typical strong seasonal demand during this upcoming winter.

Over the next couple of quarters non-OPEC production is expected to continue to grow faster than normal, rising by 900,000 barrels per day in the current quarter, and a further 800,000 barrels per day next quarter, setting the stage in 2007 for the fastest growth in non-OPEC production since 2002.

This should continue to generate strong demand growth, particularly for medium size tankers. Longer term, non-OPEC growth is expected to slow while OPEC production capacity is expected to grow by 6 million barrels per day by 2010. As OPEC gradually regains market share, the resulting growth in longer haul trades will raise the global ton mile tanker demand.

(Inal) factors during the upcoming winter are expected to add to voyage times and tonnage demand. These typically include phosphorous transit delays which have already begun and are running at three days in each direction, also weather delays and ice conditions.

On the supply side, the basic math of new building deliveries minus mandatory scrapping points to fleet growth of seven percent next year; however this does not take into account any voluntary scrapping or any removals for offshore conversion projects which have been growing in number.

Another factor reducing effective supply is the widening discrimination against non double-haul tankers. And this is especially true for medium and smaller sized tanker segments which call on ports more often than VLCC's.

In summary, we expect a good winter market, particularly for medium size tankers, and we expect the overall tanker market to relatively comfortably absorb new tonnage deliveries in 2007. This should lead to another year of volatile but overall firm rates.

Finally turning to slide 11, before I hand it over to Vince I wanted to take this opportunity to congratulate Peter and Vince on their well-deserved promotions announced yesterday. Peter has been appointed to a new position of Executive Vice President and Chief Strategy Officer and Vince have been appointed to the position of Senior Vice President and Chief Financial Officer.

Both Peter and Vince have been major contributors to our company's success and are key members of our management team. I thank Peter for his excellent leadership as Teekay's CFO over the past three and a half years and I look forward to working closely with him in his new role as we further develop our existing business segments and pursue new opportunities.

I also look forward to working more directly with Vince as he takes over the CFO role and as he and his team continue to build on Teekay's financial achievements and support our growth plans.

So it is with great pleasure that I now hand it over to you, Vince, to discuss our financial results in more detail.

Vince Lok: Thanks Bjorn. Overall we had a strong third quarter in all of our segments. We generated our highest third quarter Aframax rate and reported our second highest third quarter earnings per share in Teekay's history.

Net income for the quarter was $79.8 million or $1.07 per share. This included a number of items that, on a net basis, had the effect of increasing net income by $2 million or 3 cents per share. Without these items, which largely relate to unrealized foreign exchange-related items, and a gain on sale of an older shuttle tanker, net income would have been $77.8 million or $1.04 per share, which is up almost 150 percent from the comparable figure in the prior year's third quarter.

Looking at the operating results of each of our segments on slide 12 of the presentation, overall cash flow from vessel operations, or CFVO, for the third quarter increased by 39 percent to $147.7 million compared to $106 million in the third quarter 2005.

Our fixed-rate tanker segment generated $70.3 million in CFVO during the third quarter compared to $59.6 million in the third quarter of 2005. This increase was primarily due to the higher utilization of the shuttle tanker fleet as a result of the completion of seasonal maintenance of offshore oil facilities earlier than in the prior year.

In addition, the time charter rates on certain of our shuttle tankers increased as a result of recent contract renewals that were concluded at higher rates. The $70.3 million in CFVO came in $8 million higher than what we had previously estimated during last quarter's earnings call mainly because we were able to more effectively schedule our shuttle tanker fleet given the visibility we had on the oil field maintenance schedules.

Our fixed rate LNG segment generated $17.2 million in CFVO during the third quarter, which was virtually unchanged from the $17.7 million in the third quarter of 2005. On October 31, we took delivery of our fifth LNG carrier in which we have a 70 percent interest. As previously agreed, this vessel, along with two other RasGas II LNG carriers currently under construction, were sold to our 68 percent owned subsidiary Teekay LNG Partners.

We currently have eight LNG new buildings on order, two which are scheduled to deliver to the first quarter of 2007 and the remaining six are scheduled to deliver during 2008 and 2009. The contribution from our Spot tanker segment more than doubled to $60.2 million compared to $27.8

million in the third quarter of 2005. This increase was due to the rise in Spot tanker rates, partially offset by a reduction in the size of our spot tanker fleet.

Our spot Aframax fleet earned an average TCE rate of $34,800 per day in the third quarter. That's up from $24,800 per day earned in the same period last year. It should be noted, however, that our Spot tanker fleet increased from the previous quarter by 285 days as a result of in-chartering three additional vessels during the third quarter.

Turning next to slide 13 and reviewing the remaining income stated figures in comparison to the third quarter of 2005, G&A expenses were $39.8 million compared to $40.5 million in the third quarter 2005. This $700,000 decrease is not directly comparable because the 2006 quarter included a $2.3 million expense for stock options as per our adoption of (STAZ B) 123.

Excluding stock option expense, G&A expenses actually declined by $3 million from the previous year due primarily to a reduction in crude bonuses and restricted stock unit expenses. Excluding the end-tax of the acquisition of Petrojarl, we currently expect G&A expenses to run in the low $40 million range for the fourth quarter which includes an estimated stock option expense of approximately $2 million.

The $7.1 million gained on sale of vessels included a $6.4 million gain on the sale of an older shuttle tanker in which we had a 51 percent interest. As we consolidate the results of this vessel, 100 percent of the gain is included in this line item and the 49 percent minority interest share of this gain is deducted as part of minority interest expense which is shown further down in the income statement.

During the third quarter of 2006, we incurred $2.9 million in restructuring costs primarily relating to the relocation of certain operational functions which we discussed earlier this year. In the fourth quarter, we will have completed this reorganization and expect to incur an additional $2 million in restructuring charges.

Net interest expense increased to $26.3 million in the third quarter from $21.3 million a year ago primarily due to the interest incurred from the acquisition of Petrojarl and the expiry of certain of our more favorable interest rates swaps partially offset by the repurchase of $32 million of our bonds and the conversion of our exchangeable preferred units to equity in February of 2006.

We recognized an income tax recovery of $4.9 million this quarter which was primarily related to unrealized foreign exchange losses. So, on a net basis, we incurred an income tax expense of less than $200,000 in the third quarter.

Minority interest expense for the third quarter was $7.3 million of which $3.2 million relates to the 49 percent minority interest share of the gain on sale of vessel I mentioned earlier, and the remainder relates primarily to the minority interest in Teekay LNG Partners.

Other items net of $1.2 million comprises mainly of income from our VOC assets partially offset by an unrealized loss on interest rates through options.

Turning to slide 14, we present the September 30 balance sheet and compared it to the June 30 balance sheet. Other assets have decreased by $63 million, which is due primarily to the decrease in the value of our interest rate swap which hedge our floating rate debt. Advances on new building contracts have increased by $78 million from $287 million at June 30, as we continue to progress our new building program.

The $356 million investment in Petrojarl and the corresponding increase in long-term debt is a result of our purchase of approximately 43 percent of Petrojarl as of September 30. As Bjorn mentioned, subsequent to the quarter, we purchased additional shares to bring our total interest to approximately 64 percent for a total cost of $524 million.

We mentioned we financed the Petrojarl share purchase using a combination of our existing revolving credit facilities and a new short-term $600 million acquisition facility to secure it this quarter. We will provide more information on the impact of Petrojarl on our results in the coming months.

Our total liquidity as of September 30 was $937 million down slightly from the $965 million at June 30; however, we completed a number of financing and refinancing in October, the effect of which has increased our current liquidity to approximately $1.5 billion. Net or restricted cash, net debt to capitalization was 42 percent at the end of the quarter, an increase from 37 percent at June 30. This is due primarily to our investment in Petrojarl.

Turning to slide 15, from August 1 to October 31, we have repurchased approximately 230,000 shares for a total cost of $10.2 million – a slower pace than the previous quarter pointing to short-term liquidity needs of the Petrojarl purchase.

If the remaining share repurchase authorization of approximately $122 million is completed, an average price of about $41 per share, we will have repurchased over 22.3 million shares or 27 percent of our outstanding shares since November 2004, when our initial share repurchase was announced. Looking forward to the fourth quarter results, we have fixed approximately 50 percent of our Spot voyage teams and an average Aframax TCE rate of 36,000 per day.

On slide 16 our rule of thumb EPS guidance is a quarterly EPS of six cents per every $1,000 Aframax TCE above our net income break-even of $15,500 per day. This, however, excludes the impact of Petrojarl, which is likely to be consolidated with Teekay's results starting in the fourth quarter.

Since Petrojarl's current contracts are at below market levels, Petrojarl's results will likely be slightly dilutive to Teekay's results until their contracts renew and when new projects, like the Siri project, are added.

Overall we are expecting to report a strong fourth quarter in each of our segments. Also, as Bjorn mentioned, our pending initial public offering of Teekay's offshore partner is on track and we expect to publicly file a registration statement with the SEC during the fourth quarter.

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

Bjorn Moller: Thank you Vince. Let me close by saying that we are very pleased with the performance and the outlook for all of our business segments and especially our newest one, Petrojarl. And we believe that Teekay is well positioned to continue its successful growth.

Thank you for listening this morning, Vince, Peter, and I are ready to take your questions.

Operator: Thank you. Today's question and answer session will be conducted electronically. If you would like to signal for a question, you may do so by pressing the star key followed by the digit one on your touch-tone telephone. We do ask that anyone who is using a hands-free phone or speakerphone, please pickup the handset when asking your question. Once again, that is star one for any questions.

Our first question comes from Doug Mavrinac, Jefferies and Company.

Douglas Mavrinac: Great, thank you, good morning guys. I just have a few quick questions for you. Given the disconnect that we are seeing in the VLCC market versus the Aframax market, where are you seeing the most strength in terms of demand for Aframax tankers right now and do you expect that to remain the same or change somewhat for the balance of the year?

Bjorn Moller: We've been seeing pretty broad-based strength in the Aframax segment. We saw a strong market in the Asia Pacific earlier in the quarter, and then as we ended the third quarter coming into October we saw a very strong market in the North Sea and the Mediterranean. And we've seen at the moment the Caribbean the Aframax is the firmest market, close to 50,000 a day. So it's moving around a bit, but there's very good demand overall.

And I guess the new non-OPEC oil is mainly fixed income from the former Soviet Union, West Africa and Latin America. So we would expect to see a lot of strength in the Atlantic …

Douglas Mavrinac: OK, great. Thank you. And then from a longer term perspective, obviously with the number of Suezmax tankers you have on order of which that was increased during the quarter, you've obviously liked that particular sector. What about the Suezmax market makes it attractive to you over the longer term?

Bjorn Moller: It's adjacent to the Aframax market, and we would say that they are to some extent interchangeable, although the Aframax is probably still slightly more flexible. But with West Africa seeing a lot of the growth, that's the slightly longer haul than some of the other in non-OPEC hauls.

So we'll see, we believe, Suezmax and Aframax growth, so we want to be in both sectors. It also gives us optionality in terms of converting ships to shuttle tankers where the predominant size, in Brazil for example, is Suezmax. So we are able to use our position there in two ways.

Douglas Mavrinac: OK, great. And then final question has to do with the Petrojarl acquisition. Bjorn, can you add a little bit of color on, you know, how then integration is going, and kind of the next steps in terms of, you know, folding that into the Teekay portfolio?

Bjorn Moller: I'll let Peter handle that.

Peter Evensen: Yes, at present we aren't integrating Petrojarl into the portfolio because we're continuing to buy shares going forward. So while we are in the process of and have planned for the integration part of it, we haven't started that process yet because we haven't secured over 90 percent of the company yet.

Douglas Mavrinac: OK so, OK great. That's all I had. Thank you very much.

Bjorn Moller: Thank you.

Operator: Our next question comes from Jordan Alliger, Deutsche Bank.

Jordan Alliger: Yes, hi. Morning. You guys have done a good job with the acquisitions and consolidation in the past. Obviously this most recent one and another in the line. So where are your thoughts heading into the next year or so? You certainly have a good balance sheet and cash flow, very good. Sort of updated thoughts on where you'd consider or, you know, what you'd like to look at sort of from here depending on what the markets give you, I guess.

Bjorn Moller: Peter, do you want to take it?

Peter Evensen: Yes, I would say that we remain opportunistic about that. What Teekay has is the ability to invest in a number of business units. We've been growing our LNG units because that's something we can do at any point in the cycle.

And then we have moved into the offshore area because we think the growth aspects in offshore are probably among the best when you look at it on a medium-term basis. And that also is very complimentary to our other businesses.

On the Spot side we remain opportunistic, but I would say that we find it better to order new tonnage that suits Teekay's specs rather than to look at acquisitions of tonnage that isn't exactly our spec. And we don't see a reason to have to pay takeover premiums.

Bjorn Moller: And then we've been able to, I guess, use our significant in-charter strategy to still maintain significant operating leverage as we are sitting a bit on the sidelines in acquiring Spot assets in the shorter term.

Peter Evensen: And finally we think that Teekay's shares are a good investment. As Vince said, we've been aggressive purchasers of our shares, and we think that's probably the best investment we can make.

Jordan Alliger: And just refresh my memory. You mentioned the charter-in strategy, where are we in terms of charter-in sort of flow-in flow-out scenario? I think I saw in your presentation something about constant third quarter to fourth quarter. How does that look as we go into '07 and what would you strategize in that regard?

Bjorn Moller: Again that would be opportunistic, Jordan. I mean we're going to look at what rates are. I mean as you can imagine Aframax owners are pretty bullish right now in the pocket, so, we are going to be disciplined. At the end of the day, you know, we want to have a good shot at making money even though we also want to maintain the fleet size.

So I think the fact that we chartered three Aframax' in the third quarter is a pretty assertive move. And we'll just have to play that by ear by I would – I'd say it would be optimistic there as well.

Jordan Alliger: And just a final question. Understanding that you know with the non-OPEC picking up in some of those areas that you mentioned and helping out the Aframax rates in terms of where they stand now, you know, and you sort of mentioned normally you'd expect there to be a fungibility in the shipping markets.

You know, if you had a scenario where OPEC actually was disciplined on the production cuts and utilization in the VLCC markets did soften at some point. Does that lag – at least historically the lag has eventually gone away and you've had that knock-on effect to the other ship classes. I mean is that something that would still occur or there are things that may be fundamentally different?

Bjorn Moller: I guess if you took – if you look at typical Middle East OPEC production about 80 percent of that is lifted by VLCC, 10 percent by Suezmax and 10 percent by Aframax. So when that production falls away you're going to have that proportion of ship days freed up.

So obviously over time the VLCC's can begin to look at West Africa and other movements. But, you know, they don't have the same flexibility, so you're going to see a partial and delayed erosion and rates of other segments but it's not going to be proportionate.

Then when it goes the other way when OPEC picks up again of course the VLCC's will disappear again leaving room. So I guess that historically there is a differential in Aframax and VL rates but the Aframax rates tend to be more sustained through the cycle. But then when it hits on the screws of course the VL's hit the ball out of the park.

Jordan Alliger: Right. OK, thanks very much.

Operator: We'll now go to Omar Nokta, Dahlman Rose.

Omar Nokta: Morning. Congratulations Peter and Vince on your promotion.

Peter Evensen: Thank you.

Omar Nokta: It looks like your relationship with Petrobras is expanding now with the Siri's billed FPSO contract and the ten shuttle tankers you've got with them also. Is this something that you're looking to build upon even further? And just in general is the deployment for the ten shuttle tankers you have with them, are those all in Brazil?

Bjorn Moller: The second question, the answer is yes – all in Brazil. And I mean we certainly feel that Brazil and Petrobras – although there are other oil companies operating off of Brazil as well. It is, you know, probably one of the most promising off shore frontier. And they're – you know, the weather characteristics and the quality commitment that they have there is such that this really plays into our strengths. So, you know we view that as complimentary to our strategy with the FPSO's really fitting in with our shuttle relationship with Petrobras.

Omar Nokta: Are there any other regions that you're looking to market potential FPSO's outside of Brazil?

Bjorn Moller: Yes we certainly will follow the various areas. The big frontiers are Brazil, West Africa, they're growing. We expect growth in the Gulf of Mexico, off Australia. And so this is overall – going to be a rapid growth market, but we will pick our spots. I think it will be – Petrojarl's niche is really harsh weather, high quality operations. So that is sort of exactly the quality niche that Teekay already has in its business, so that's a very good fit as well.

Omar Nokta: OK, and could you just give a sense of what the conversation cost will be for the – for that FPSO that you just contracted?

Vince Lok: Yes what we've said is that it's going to cost somewhere around $150 to $175 million.

Omar Nokta: OK.

Vince Lok: Of which the mass bulk of it is the conversion costs.

Omar Nokta: OK. Alright well thanks a lot guys.

Vince Lok: Thank you.

Operator: Our next question comes from Roy Stewart, Simmons & Company.

Roy Stewart: Thanks I think the last quarterly conference call you gave some quite good kind of macro data point. And in your opening remarks you did talk about some softening in nominations for November loadings in the Middle East.

So I was just wondering, you know, can you confirm that's what you're seeing and is that what you're seeing now or your expectation going forward that you are going to see reduced loadings out of the Middle East.

Bjorn Moller: Well in fact some of those loadings had already slowed down as Saudi Arabia was producing the lowest quota in October of the heavy grades actually because there was less demand for that oil.

So I guess we already began to see that impact but there's clearly an intention to demonstratively show compliance and so a couple – Nigeria has some outages for other reasons. Venezuela and Indonesia are not even performing to their quotas because of production difficulties.

So in countries like Saudi Arabia, Kuwait, and one or two other countries they're going to make – you know they're going to make sure that they're seen to be reducing. So it's not going to be a significant amount I mean we're going to see 1.7 million barrels of new oil from non OPEC over the next two quarters. And the time it takes to ramp out the million – 1.2 million barrels drop in OPEC I'm not sure that we will really see an actual decline in the amount of oil on the market.

Roy Stewart: OK, and I guess last quarter as well you ordered a Suezmax which I think was relatively full or higher price then we might seen in some new builds and again this time maybe 5 million a piece. I think part of that was some of the shuttle tanker features that you put on those vessels is that the similar story with these units?

Bjorn Moller: Not in this case but you know we view that we have put ((inaudible)) prospects for that shift and this will be profitable for us.

Roy Stewart: OK and last one. With the Petrojarl you know Prosafe had decided not to accept the offer that you were making for their kind of considerable share holding. I guess do you think that's just more to do with the three-month time limit about them having to pass back the profit on their shares and I think that ends or runs out at the end of November and so are you comfortable that you'll get up to that 90 percent which obviously you need the Prosafe shares for?

Peter Evensen: We think we'll ultimately get 90 and then 100 percent of the company. Why Petrojarl has decided not – excuse me why Prosafe has decided not to sell you have to ask them but as you point out they have a gain of $70 million if they wait past roughly November 20.

Roy Stewart: Yes. That was how I read it. OK that's it for me thanks.

Bjorn Moller: Thank you.

Operator: Our next question comes from Terese Fabian, Fidelity & Company.

Terese Fabian: Good morning can you address a little bit on the timing of the renewal of the Petojarl contract?

Bjorn Moller: I think we're going to defer any discussion on the Petrojarl until we're going to give complete guidance on that as I said when we make over 90 percent and we begin to consolidate it in. So we will give you much more information on that later.

Terese Fabian: OK let me ask a more general question. When you have long term fixed rate contracts do you generally build in escalator clauses or are they more or less set in stone?

Bjorn Moller: It all depends upon the contracts but I would say in general yes we do have escalation. Particularly on the LNG's we always have escalation on the operating contracts because over 20 years we either reset them to actual or they're tied to some index like the consumer price index. And on our shuttle tanker like the field contracts again we have escalation clauses in there because they are so long. So on the majority of our contracts we do have escalating – escalations for operating costs.

Terese Fabian: OK thank you. Let me ask another sort of question in the area of stock prices. Compared with many of your peers Teekay's share price has not appreciated at the same rate. What do you think is going on? I mean would they take a six month or a one year or a two year look?

Bjorn Moller: I would venture that, you know, we recognize that Teekay has been very good value that's why we've been aggressively buying our stock back. That is why we are also taking a number of steps to illuminate the true value of Teekay such as the flotation of Teekay LNG Partners the intended launch of Teekay offshore partners.

And I guess basically the very, very strong spot market over the last couple of years have probably overshadowed our very solid and profitable long term fixed rate strategy which I believe will come more into its own as we go forward. And I also think if you look at today I think Teekay's shares are valued much better then they were in relation to the peer group but we feel there is more value there so we will keep plugging away at it.

Terese Fabian: OK thank you.

Operator: Our next question comes from Jonathan Chapel, J.P. Morgan.

Jonathan Chapel: Thanks. Good morning, guys.

Male: Hi.

Jonathan Chapel: Bjorn you went over a lot of the different regions where you see potential for the offshore business but you left out the US Gulf. I realize it's not exactly harsh weather but there is a lot of optimism about potential deep water opportunities there.

My question is can you explain how the Jones Act works in the US Gulf offshore business and how your fleet and potentially Petrojarl's can or cannot operate there whether it FPSO's or shuttle tankers?

Bjorn Moller: I'd say I'm pretty sure I mentioned Gulf of Mexico as one of my regions but if I didn't I apologize.

Jonathan Chapel: Maybe you did and I missed it. Sorry.

Bjorn Moller: So the Gulf of Mexico is clearly going to be an interesting frontier for the FPSO and shuttle tanker business. I think what's interesting is the depth of the water there and the (subspeciology) which is challenging. Although there is also, you know a very well developed pipeline infrastructure. But as we've seen that infrastructure is certainly, you know, vulnerable due to hurricanes.

So we expect that there will be some FPSO projects. The FPSO business will not be subject to the Jones Act in that it doesn't transport cargo and so therefore we would be eligible to compete for FPSO projects in the Gulf of Mexico.

As far as shuttle tankers are concerned that would be subject to the Jones Act, so we would be restricted in the percentage of ownership we could have in that business. But I fully expect that we could add value and that we will seek to participate in the Gulf of Mexico shuttle tanker business to the extent we can.

Jonathan Chapel: Is there an opportunity for you to charter-in, or because you're still, you know, not a US based company chartering is not an option for shuttle tankers.

Bjorn Moller: There's various structuring you can do in that will allow you to participate into certain percentages. But I mean we will of course explore that. And we've got to see the projects develop and then we will be able to pursue them.

Jonathan Chapel: OK and do you have a sense to what the US lag shuttle tanker fleet consists of, and if there is enough capacity to meet most of the new wells and rig projects for the Gulf?

Male: Yes there are no US shuttle tanker not dynamic existing shuttle tankers at this point. It should be considered also that this is going to be a niche market it's probably not going to be a very large market. The distances are relatively short so you know you can do a lot of the work with relatively few tankers.

Jonathan Chapel: OK. And then lastly does the – assuming the Petrojarl acquisition goes through how does this impact the joint venture that you've already established with them?

Peter Evensen: Again I think we'll give guidance on that when we complete the purchase.

Jonathan Chapel: Thanks and again congratulations to Peter and Vince.

Peter Evensen: Thank you.

Vince Lok: Thank you.

Operator: We'll now go to Philippe Lanier, Bank of America.

Philippe Lanier: Yes good morning.

Male: Hey Philippe.

Philippe Lanier: Two very quick questions. First of all you have mentioned that you had to have some uplifts in some of your shuttle tanker contracts. Is it possible for you guys to quantify roughly how much per quarter that means for future revenue?

Peter Evensen: It's difficult to quantify. I think we mentioned last quarter we had about three or four vessels that had increases in their renewal rate. So I think you see that uplift that you've seen compared to the second quarter I think unfortunately that is due to that.

Philippe Lanier: OK, let me try a different tack and you can, I guess, or cannot answer it if possible. I'm using a run rate excluding your LNG business on a quarterly basis kind of normalized around $170 million a quarter for your fixed fleet or net revenue. Is that a fair metric use or has it moved up since kind of historical measures?

Peter Evensen: You're referring to the fixed rate tanker segment?

Philippe Lanier: Yes and that's assuming your normal operations absent any seasonal declines in the North Sea.

Peter Evensen: So you were using 170 with it?

Philippe Lanier: Yes.

Peter Evensen: I think what we saw in the third quarter is a good representation. I think as you saw last year in the third quarter it usually dips a little bit in the third quarter.

Philippe Lanier: Right.

Peter Evensen: But it – I guess if you used sort of an average of what we've experienced over the first three quarters of this year, I think going forward we'll probably see a slightly better rate then that given the renewals that you just mentioned and we're seeing very good utilization in our shuttle tanker fleet.

Philippe Lanier: OK. And then the second question I have with the sales you guys have announced to GTP for all the LNG vessels, I noticed that you didn't quantify that in either of the press releases, is that something you plan to do in the future or it will just show up as a wash on the balance sheet and therefore it's not going to be released?

Peter Evensen: So you're referring to the IPO or the sale?

Philippe Lanier: No, the sale of the LNG's to the LNG partnership.

Peter Evensen: Yes, there is – because Teekay LNG Partners has consolidated with Teekay Parent, there is no gain or loss on those sales. And those sales are actually at cost down to Teekay LNG as per the agreement – the MLP.

Philippe Lanier: Great.

Peter Evensen: So consolidated there's no gain or loss.

Philippe Lanier: Right. I mean as I understood it, and tell me if I'm wrong, part of that deal, or embedded in that deal was the implication that any interest expense carried over the period while those vessels were being built would be reimbursed by Teekay LNG Partners.

And since we can't see it in the balance sheet, since you guys are consolidating it, is it possible for you guys to confirm that's the case and quantify how much Teekay's going to be reimbursed for undertaking the burden?

Peter Evensen: That's right, when I say cost it includes our cost on capital or capitalized interest on the installment payments that Teekay's making, so we charge a comp to capital of eight percent on that.

Philippe Lanier: OK, thank you very much.

Operator: And the next question comes from Scott Burk, Bear Stearns.

Scott Burk: Good morning gentleman. I've got just one quick question about your capital plans for 2007. The number went up by quite a bit, $190 million or so, is that primarily due to the FPSO conversion that you're planning to do? Just looking at the capital expenditures for the fixed rate for the…

Bjorn Moller: Yes, that's right; we've included $75 million related to the Siri project which is 50 percent of the $150 million that Peter mentioned earlier.

Scott Burk: OK. And speaking of the FPSO business, you know, with the drop in oil prices we've seen in the last couple of months, have you seen any impact in terms of interest in those projects? I guess the question gets to whether there's any producer sensitivity to oil prices, in terms of going forward with more those types of projects.

Bjorn Moller: Certainly not at these levels. And interestingly, I guess what some of the major oil companies are experiencing in Russia, I guess it's narrowing the places where they can replenish reserves. And off shore oil is clearly that sweet spot for them. So, that's the first thing.

Secondly, I guess the projects that will be competed for by Petrojarl, already, kind of, on the shoot, because all the drilling that's going on now, is going to lead to significant increases in oil production off shore.

And thirdly, the fact that OPEC is deciding to defend price and not market share, I think, again is a very positive signal that prices are going to remain such that all companies will invest in E&P.

Scott Burk: OK, thanks. So if there was an impact, it also wouldn't happen, you know, 'til many years out because of the projects that you'd be drilling for.

Bjorn Moller: That's right.

Scott Burk: They're already in presence.

Bjorn Moller: Correct.

Scott Burk: And then, kind of speaking of OPEC, you talked about Venezuela a little bit earlier. That would effect your, you know, kind of the Aframax market a little bit more. Have you seen any change in stems for Venezuela, you know, as a big vocal opponent of OPEC cutting? Have you seen any changes there from actual production, you know, production levels?

Bjorn Moller: We have not and that would be relatively small volumes. I guess it's worth remembering that Venezuela's also supplying China now with oil. So, on a total ton mile basis with Venezuela is actually adding to the tank in the market at the moment.

Scott Burk: All right, thank you very much.

Bjorn Moller: Right, thanks.

Operator: The next question comes from Justine Fisher, Goldman Sachs.

Justine Fisher: Good morning.

Bjorn Moller: Good morning.

Justine Fisher: The first questions that I have are just a couple of other mechanics questions about Petrojarl. Realizing that what you can talk about going forward is quite limited, but, first of all, how will Teekay account for the Petrojarl stake in the fourth quarter, you know, either assuming you can purchase the remaining shares in the fourth quarter, or maybe even if that happens in the first quarter? Will it just be like an equity stake on an income statement or?

Bjorn Moller: Justine, since we own 64 percent right now, and it's by year-end, on the basis that we own more than 50 percent right now, we will consolidate Petrojarl into our fourth quarter results. We haven't picked up any equity in the third quarter given that we were basically required to sharers during the month of September, and that portion of third quarter income is not material.

You'll see Petrojarl consolidated Teekay's results in the fourth quarter.

Justine Fisher: OK, and then, I guess we'll get guidance going forward on the fourth quarter call?

Bjorn Moller: That's right.

Justine Fisher: OK, and then, regarding the financing of the Petrojarl acquisition, would it mean, I guess there was probably $400 million of debt or maybe more issued to finance at acquisition. Any prospects or ((inaudible)) for repaying that debt?

Peter Evensen: I think we have borrowed the money to purchase the $524 million, and we have plans to either turn out that debt or other ways that we will raise capital for it. But we'll give guidance on that later.

Justine Fisher: OK, and then, the second couple of questions were just about OPEC in the general market. Not to kick a dead horse, here, but there's some other tanker companies that have said, well, we don't think, you know, that OPEC will actually abide by the production cuts even if they announce them.

It sounds like you guys at least think that there will be more likelihood that the cutbacks actually take place? I mean is there, you know, is there a way that OPEC can get around cutting production even though trying to appear like they're doing that on face?

Bjorn Moller: Well, if you have a couple of hours I guess we can discuss that, but…

Justine Fisher: I'll call you later.

Bjorn Moller: We obviously are not necessarily closer to that information than our competitors are. Our observation is that there's significant resolve after some initial internal bickering with OPEC a few weeks ago, they’ve come out very unified and we are just taking that at face value that they're going to pull through with some of that.

But we've had many examples where they was less discipline. But I think this states a very basic time, based on the oil prices, so that they let it slip too far a long way down and I think they realize that. But my projection and speculative guess is that they will actually do something.

Justine Fisher: And then on the heels of that, I think you mentioned over 90 percent utilization rate for the world fleet. And I can't remember what source you cited for the third quarter. Do you guys have any estimates as to where utilization is now?

Bjorn Moller: I would say it's probably around the same. I mean if you see OPEC cutting a million barrels a day, that would represent 1.5 percent. That might reduce tankers more globally by three percent. But they haven't actually done that entire cut and we've seen the (nano) big oil come.

So I would assume it's right around 90 still. And of course the fleet also is yet less efficient in the winter time because of various delays and scheduling. So, typically you see high utilization in the fourth and first quarters.

Justine Fisher: Great, thanks a lot.

Operator: And as a reminder that is star one if you have questions at this time. The next question comes from Peggy Corcillo, Iridian.

Peggy Corcillo: Hi, good morning.

Bjorn Moller: Hello.

Peggy Corcillo: Philippe asked the first part of my question. But can you talk about how many more shuttle tankers you might have coming up for contract renewals in the near term, maybe in 2007?

Bjorn Moller: Well the significant portion of our shuttle fleet, we operate around 40 vessels. And about 20 of those vessels are engaged in long-term what we call contracts of affreightment in the North Sea. So, those are all long-term and operate under volume contract.

Then you have about ten ships that are on long-term fixed rate contracts, running out, sort of, five to 15 years, and the remaining ten vessels typically operate in time charters which are about one to three year duration. So, we've rolled, I think it was three or four of these contracts in that last quarter at higher rates.

And I guess we'll see some maturity of the other ships on a staggered basis over the next one to two year, which would give you, kind of, a flavor of the size. So, I can't give you a lot of specifics. I don't have the numbers right here, but that would be a good rule of thumb, that we may roll, say, two or three vessels a year, maybe three or four.

Peggy Corcillo: Yes.

Bjorn Moller: And right now rates, you know, are quite a bit higher than they were a year or two ago, so any ships that come due for renewal, we would expect to do better than the current contract.

Operator: And we'll go next to Stephen Errico, Locust Wood.

Stephen Errico: Thank you. I have two questions. The shuttle, the offshore business or IPO, is that in any way predicated on the Petrojarl deal getting to 90 percent? Do you plan to put the Petrojarl assets in to that? That’s my first question.

Peter Evensen: The IPO is not predicated on Petrojarl. It's going forward on its own. We have announced that any future FPSO project that came out of the joint venture with Petrojarl would go in to the MLP. So, as with, when you start anything, it's the assets that you start with, that are, in a way, grandfathered.

And so, they would be eligible to go in to the MLP’s but we're not counting upon the Petrojarl assets going forward, because we started the MLP process prior to the shares in Petrojarl.

Stephen Errico: Great. And is it my understanding that you actually have filed this registration with the SEC but it's under a confidentiality clause? So, if you could just clarify, do you expect to publish a prospectus in the fourth quarter or do you actually expect the IPO to be affected in the fourth quarter?

Peter Evensen: We expect to file publicly in the fourth quarter. And as we said, we plan on doing an IPO either late in the fourth quarter or early in the first quarter with our preference being late in the fourth quarter.

Stephen Errico: And my last question, so hopefully it can save me from being on the TGP conference call, Peter, is can you comment on any acquisitions or what the acquisition market might be for your LNG MLP, at this point and time? And have you broadened that scope to look at things outside of LNG tankers?

Peter Evensen: We have broadened the scope and we are looking at acquisitions. But we have nothing to report that we've completed at this time.

Stephen Errico: OK.

Peter Evensen: But we are definitely looking.

Stephen Errico: Thank you very much for your time.

Peter Evensen: Thank you.

Operator: We'll now go to Daniel Burke, Johnson Rice.

Daniel Burke: Good morning.

Bjorn Moller: Hi.

Daniel Burke: Let me ask just one question on the Siri project if possible. I noticed the contract term looks like it's two plus one. And was curious, that seems short against the capital commitment in life of field. So, is that standard for FPSO contracts? And if not why is the contract for at least, it looks to be three years?

Bjorn Moller: Yes, well, I mean, you know, it's FPSO contracts are more typically three to five years, I would say, for leased FPSO's, and when oil companies expect to use them for more than ten years, they typically will own the assets themselves. In this particular case, this is the first FPSO which will be producing heavy oil of Brazil, so it's actually a fairly intricate project in which Petojarl has specific skills.

So, because of the, sort of, pioneering nature of that project, Petrojarl have wanted to initially keep it on a short leash. But if you look at the size of, about 40, 45 percent of Brazil's proven research on heavy oil, this will be the first asset that will be exploring that. So, it will give Teekay Petrojarl a really great position in that area.

So, we would be expecting, if things go the way Petrobras hope they do, that there would be a lot of work.

Daniel Burke: So, it would be your expectation that the FPSO will stay on the field longer than the initial term.

Bjorn Moller: Yes, that's certainly our projection, but we're not fixed firm beyond that period, so, obviously, that we're exposed to that, but we also see that as a great opportunity.

Daniel Burke: I understand. Thanks for the explanation.

Bjorn Moller: Right.

Operator: And Mr. Moller, we have no other questions. I'd like to turn the conference back over to you, for any additional or closing remarks.

Bjorn Moller: Hi, thank you very much and thanks, Vince, for taking the call here today, and I appreciate your interest and active participation. Have a great day.

Operator: Once again, Ladies and Gentlemen, that does conclude today's conference. You may now disconnect.

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