

TEEKAY SHIPPING

Teekay's Second Quarter 2006 Earnings Presentation

August 3rd, 2006



Forward Looking Statements

This presentation contains forward-looking statements (as defined in Section 21E of the Securities Exchange Act of 1934, as amended) which reflect management's current views with respect to certain future events and performance, including statements regarding: the Company's future growth prospects; tanker market fundamentals, including the balance of supply and demand in the tanker market, and spot tanker charter rates; the Company's future capital expenditure commitments and the financing requirements for such commitments; the offers to Teekay LNG of Teekay's interests in LNG projects; the proposed initial public offering of Teekay Offshore Partners L.P., and the timing of filing a registration statement relating to the initial public offering; and the timing of newbuilding deliveries and the commencement of charter contracts. The following factors are among those that could cause actual results to differ materially from the forward-looking statements, which involve risks and uncertainties, and that should be considered in evaluating any such statement: changes in production of or demand for oil, petroleum products and LNG, either generally or in particular regions; greater or less than anticipated levels of tanker newbuilding orders or greater or less than anticipated rates of tanker scrapping; changes in trading patterns significantly affecting overall vessel tonnage requirements; changes in applicable industry laws and regulations and the timing of implementation of new laws and regulations; changes in the typical seasonal variations in tanker charter rates; changes in the offshore production of oil or demand for shuttle tankers; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; changes affecting the offshore tanker market; conditions in the United States capital markets, particularly those affecting valuations of master limited partnerships; shipyard production delays; the Company's future capital expenditure requirements; the Company's and Teekay LNG's potential inability to raise financing to purchase additional vessels; and other factors discussed in Teekay's filings from time to time with the SEC, including its Report on Form 20-F for the fiscal year ended December 31, 2005. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.



Highlights

- ▶ 2q06 net income of \$20.4 million, or \$0.27 per share (including specific items which decreased net income by \$29.4 million, or \$0.39 per share)
- ▶ Generated cash flow from vessel operations of \$120.7 million, of which ~\$80 million from fixed-rate businesses
- ▶ Strong second quarter spot segment performance on both an absolute and relative basis
- ▶ Declared in-the-money options for two additional Suezmax newbuildings, bringing Teekay's total N/B orderbook to 23 vessels
- ▶ Announced plans to create a Master Limited Partnership (MLP) for Offshore Business
- ▶ Announced \$150 million increase to share repurchase program
- ▶ Repurchased 1.3 million shares for a total cost of \$54.3 million *

* (since last updated on June 12, 2006)



Developments in Teekay's Fixed-rate Tanker Segment

- ▶ 2q06 CFVO of \$65.9 million, down from 2q05 due to timing of field maintenance
- ▶ 3q06 CFVO expected to be higher than 3q05
- ▶ Recent offshore business developments:
 - ▶ Dampier Spirit FSO – contract extended for a further 8 years
 - ▶ A further shuttle tanker chartered to Brazil through 2008/2009
 - ▶ First of three new long-term Brazil shuttle tanker contracts commenced in July
 - ▶ Remaining two shuttle tankers scheduled to deliver in early-2007
 - ▶ Shuttle tanker chartered to Gulf of Mexico oil producer 'just in case'
- ▶ Joint venture agreement with Petrojarl signed – venture now actively bidding for FPSO projects
- ▶ Teekay Offshore Partners IPO process on-track



Developments in Teekay's LNG Segment

- ▶ CFVO of \$13.9 million
- ▶ One LNG carrier off-hire during scheduled drydocking which was extended due to unforeseen repairs
- ▶ Three RasGas II newbuildings expected to deliver ahead of schedule
 - ▶ All vessels expected to be on charter by the end of 1q07



Developments in Teekay's Spot Tanker Segment

Crude Segment:

- ▶ Strong 2q06 Aframax earnings of \$29,200 / day
- ▶ Suezmax earnings affected by repositioning voyages and hedges
- ▶ Fleet changes during 2q06 / early 3q06:
 - ▶ 1 in-chartered Suezmax, 3 in-chartered Aframax joined fleet
 - ▶ 1 in-chartered Aframax left fleet
 - ▶ Net growth in spot crude fleet size for the first time since 3q04
- ▶ Declared options on two further Suezmax newbuildings for \$162 million
 - ▶ Expands optionality to pursue future offshore projects
 - ▶ Increases Suezmax orderbook to 8 units – largest in the world

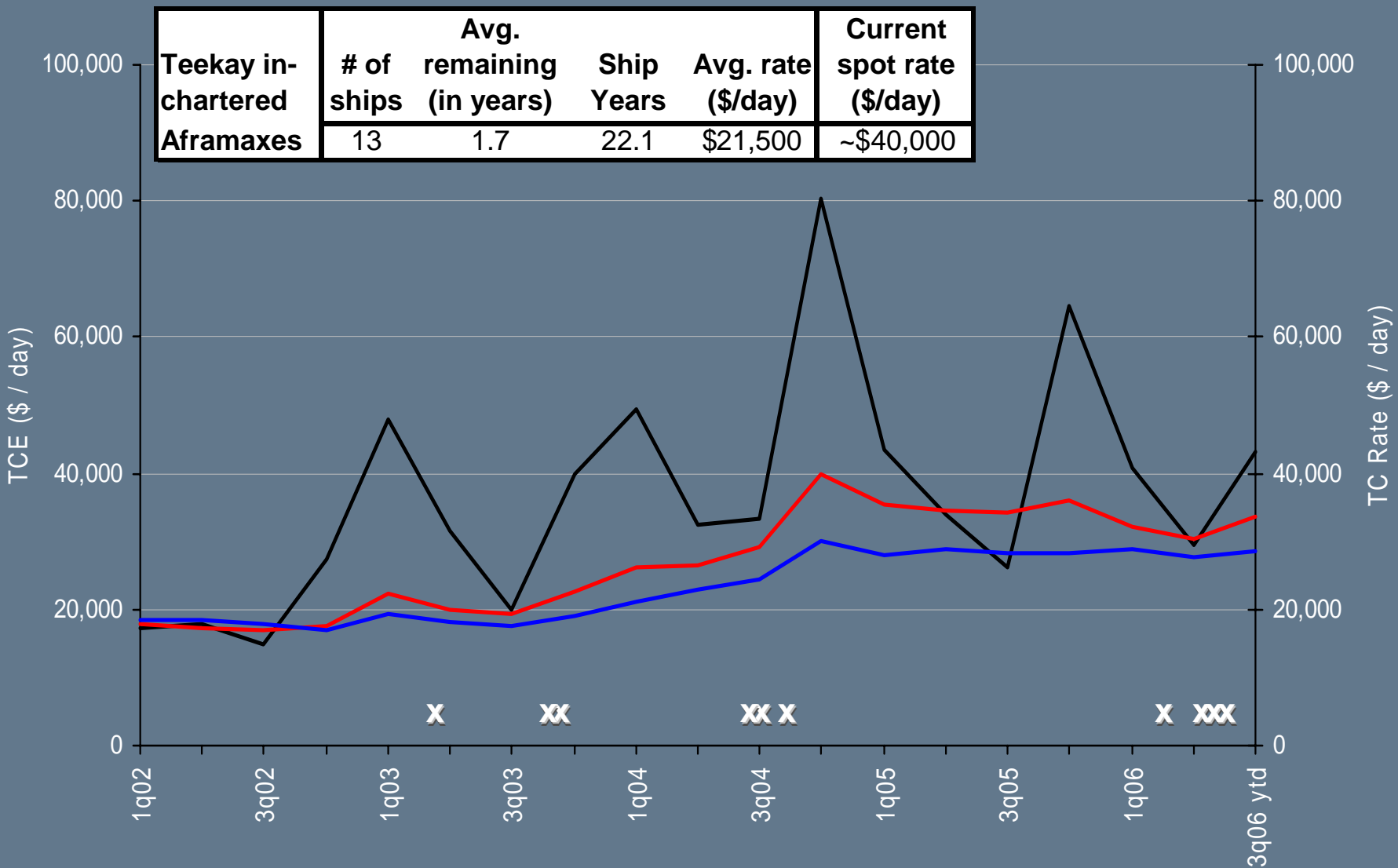
Clean Segment:

- ▶ LR / MR fleet earnings averaged \$26,200 / day in 2q06
- ▶ Fleet changes during 2q06:
 - ▶ 2 in-chartered MRs and 1 small tanker joined the fleet
 - ▶ Redelivered 1 in-chartered MR tanker



Highly Profitable In Charter Portfolio

— Aframax Spot TCE — Aframax 1 Yr T/C — Aframax 3 Yr T/C (X indicates timing of Teekay Aframax in-charters)



Source : CRS



Second Half 2006 Dynamics

Fundamentals

- ▶ IMF estimates 4.9% global GDP growth for 2006
- ▶ Global oil demand growth expected to pick up pace in 2h06;
 - ▶ 4q06 global oil demand estimate is 3.0 mb/d higher than in 2q06
- ▶ OPEC maintaining high levels of production
- ▶ Surging oil imports in China, India
- ▶ Trade routes for crude and products are lengthening

Events

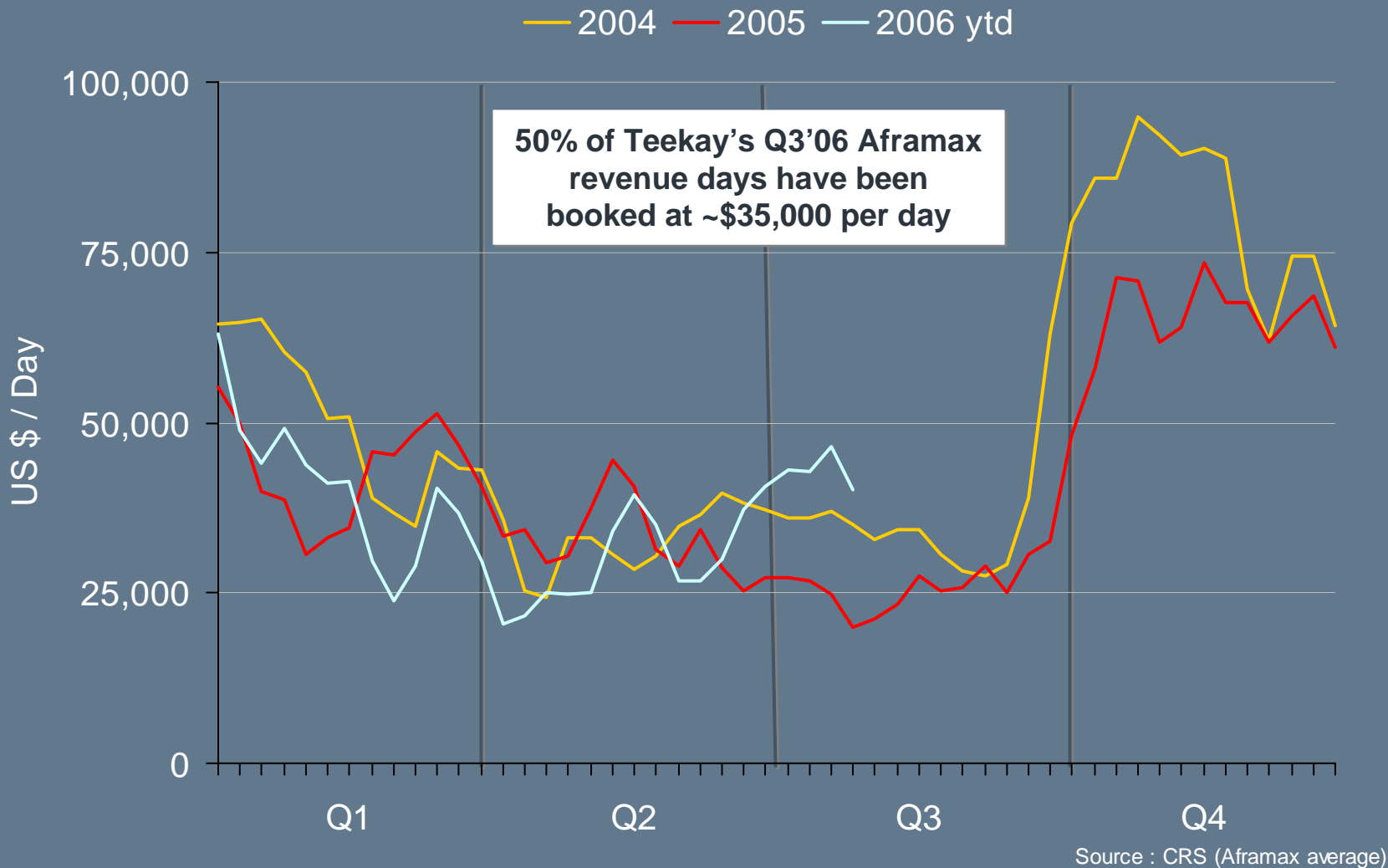
- ▶ Disruptions in West Africa, Venezuela
- ▶ Middle East situation adding to volatility in rates
- ▶ Despite growth, the tanker fleet still lacks capacity to absorb external shocks

Other Drivers

- ▶ Discrimination against single / non-double hull units



Aframax Tanker Rates – Unseasonably Strong



Effective fleet utilization is higher than theoretical utilization



Segment Operating Results

(in thousands of U.S. dollars)	Three Months Ended <u>30-Jun-06</u> (unaudited)				Three Months Ended <u>30-Jun-05</u> (unaudited)			
	Fixed-rate Tanker Segment	Fixed-rate LNG Segment	Spot Tanker Segment	Total	Fixed-rate Tanker Segment	Fixed-rate LNG Segment	Spot Tanker Segment	Total
Net voyage revenues	159,230	22,119	129,821	311,170	171,856	24,776	185,212	381,844
Vessel operating expenses	33,012	4,828	13,863	51,703	31,453	3,820	16,068	51,341
Time-charter hire expense	44,462	-	50,241	94,703	52,174	-	72,280	124,454
Depreciation & amortization	29,294	7,755	13,108	50,157	30,099	7,523	12,684	50,306
Cash flow from vessel operations*	65,878	13,917	40,934	120,729	74,622	17,694	73,554	165,870

Average Aframax TCE

\$29,191

\$34,496

* Cash flow from vessel operations represents income from vessel operations before depreciation and amortization expense and vessel write-downs/(gain) loss on sale of vessels. Cash flow from vessel operations is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies. See the Company's Web site at www.teekay.com for a reconciliation of this non-GAAP measure as used in this release to the most directly comparable GAAP financial measure.



Summary Income Statement

Three months ended '000s of USD (except per share data)	<u>June 30, 2006</u> <u>(unaudited)</u>	<u>June 30, 2005</u> <u>(unaudited)</u>
VOYAGE REVENUES	422,587	480,140
OPERATING EXPENSES		
General and administrative expenses	(41,456)	(40,179)
(Writedown)/gain on sale of vessels	(1,650)	15,894
Restructuring charge	(2,579)	-
Other operating expenses	(307,980)	(324,397)
Income from vessel operations	68,922	131,458
OTHER ITEMS		
Net interest expense	(23,144)	(24,893)
Income tax (expense) recovery	(7,040)	555
Equity (loss) income from joint ventures	(851)	2,884
Foreign exchange (loss) gain	(21,804)	21,665
Other items - net	4,310	(27,100)
Subtotal of other items	(48,529)	(26,889)
Net income	20,393	104,569
Earnings per common share - diluted *	\$0.27	\$1.23
Weighted-avg. # shares outstanding - diluted *	75,784,914	85,314,815

* Reflects the effect of outstanding stock options and the \$143.75 million mandatory convertible preferred PEPS units, computed using the treasury stock method




Summary Balance Sheet

In 000s of USD	<u>As at Jun 30,</u> <u>2006</u> <u>(unaudited)</u>	<u>As at Mar. 31,</u> <u>2006</u> <u>(unaudited)</u>
ASSETS		
Cash and cash equivalents	287,228	257,003
Other current assets	270,930	279,904
Total restricted cash	776,688	723,469
Other assets	530,517	447,647
Vessels and equipment	3,171,765	3,204,108
Advances on newbuilding contracts	287,190	224,283
Intangibles and Goodwill	413,799	419,487
Total Assets	5,738,117	5,555,901
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	167,800	147,722
Current portion of long-term debt *	189,126	168,839
Long-term debt *	2,461,625	2,389,093
Other long-term liabilities	225,366	178,877
Minority interest	281,630	284,350
Stockholders' equity	2,412,570	2,387,020
Total Liabilities and Stockholders' Equity	5,738,117	5,555,901

*includes capital lease obligations



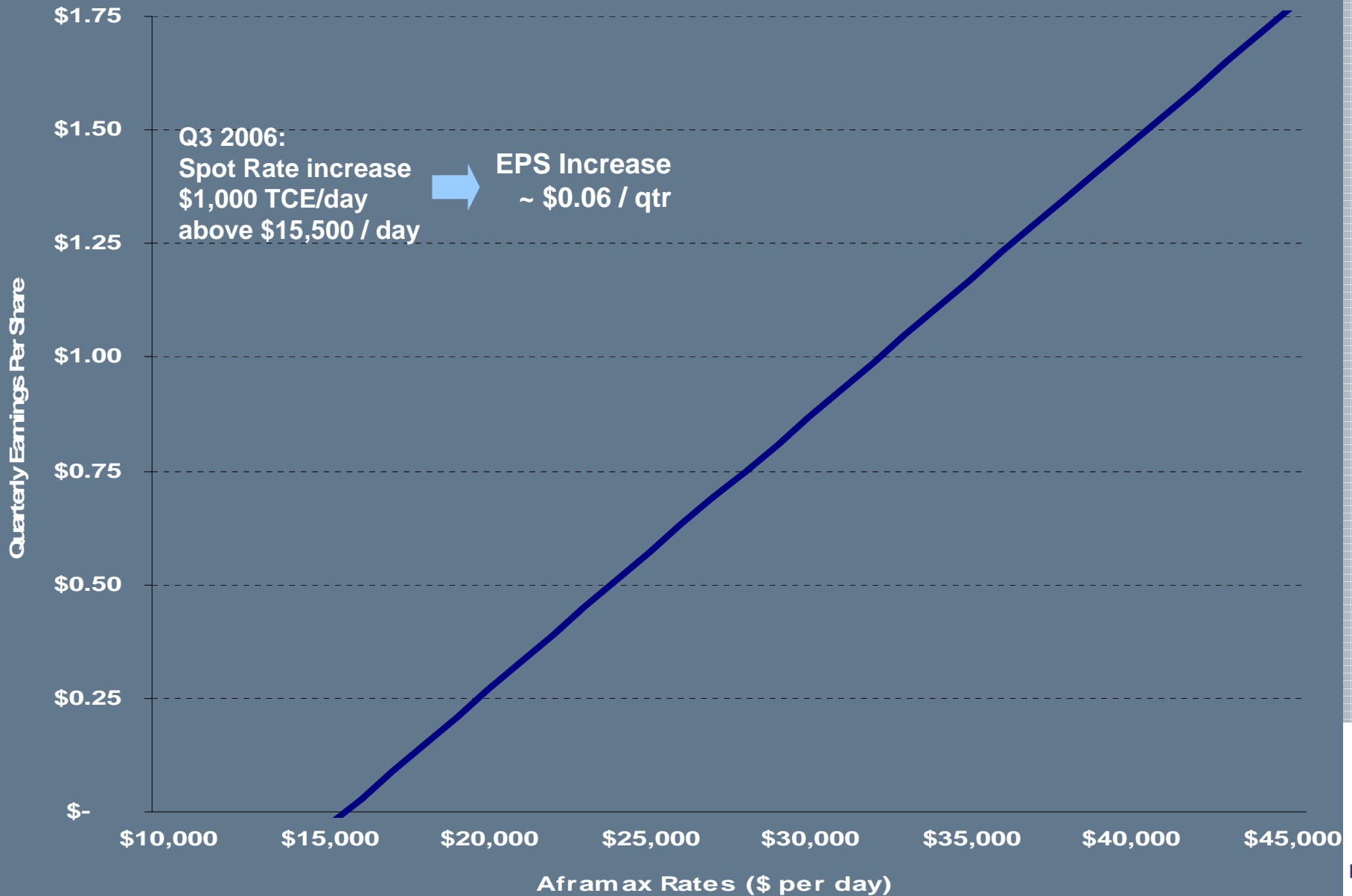
Summary of Share Transactions

Time period	Repurchased during period		Then Remaining \$ value
	\$ value	# of shares	
Nov. 2004 to Dec. 6, 2005	\$555 million	13 million	\$229 million
Dec. 6, 2005 to Feb. 21, 2006	\$165 million	4.2 million	\$64 million
Feb. 21, 2006 to June 12, 2006	\$27.5 million	0.7 million	\$36 million
June 12, 2006 to Aug. 1, 2006	\$54.3 million	1.3 million	\$132.1 million
Aug. 1, 2006 onwards	\$132.1 million	3.0 million *	
Total of all share repurchases	\$934 million	22.2 million 	~27% since Nov. '04

*Assuming remaining share repurchase authorization is completed at an average price of \$43.35 per share (Teekay's closing share price on Aug. 1, 2006)



Significant Operating Leverage



Highly Profitable In-charter Portfolio

	# of ships	Avg. remaining (in years)	Ship Years	Avg. rate (\$/day)	Spot Rates as of July 28, '06*
Suezmax	4	0.8	3.2	\$24,400	\$ 52,400
Aframax	13	1.7	22.1	\$21,500	\$ 40,000
LRII	1	6	6.0	\$19,000	\$ 32,900
MR	5	2	10.0	\$22,200	\$ 31,300
Small Product	14	2.2	30.8	\$12,000	\$ 19,000

*Source: CRS July 28, 2006. Small Product tanker rates are Company estimates

