

Teekay Shipping



Teekay's Second Quarter 2005 Earnings Presentation

July 28th, 2005





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 Company's share repurchase program; vessel delivery dates; offers of vessels to Teekay LNG; and the Tangguh LNG project. 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 impacting 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; the potential for early termination of long-term contracts and inability of the Company to renew or replace long-term contracts; shipyard production delays; the Company's future capital expenditure requirements; the potential inability to repurchase the Company's shares under its share repurchase program; 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, 2004. 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

- 2nd Quarter net income of \$104.6 million, or \$1.23 per share
(including specific items which increased net income by \$12.7 million or \$0.15 per share)
- Record high second quarter spot Aframax rates - \$34,500 per day
- Completed IPO of Teekay LNG Partners
- Awarded contracts by the Tangguh Project for 2 ships commencing under fixed-rate 20 year contracts in late 2008 and early 2009
- Continued to aggressively repurchase shares
- Announced a further increase of \$250 million to existing share repurchase program



Developments in Teekay's LNG Segment

- Completed IPO of Teekay LNG Partners L.P. (NYSE: TGP) in early May at \$22 per unit, representing a 7.5% yield
- Teekay LNG has since traded to a high of \$32.45 => Teekay's interest worth over \$780 million or over \$9.00 per Teekay share
- Teekay expects to receive approx. \$40 million per annum in cash distributions from Teekay LNG per year based on existing fleet
- Future LNG projects will increase cash distributions:
 - RasGas II: 3 vessels on 20 year charters to joint venture between Qatar and ExxonMobil
- All future LNG projects will be offered to Teekay LNG, e.g. Tangguh LNG



Developments in Teekay's Fixed Rate Tanker Segment

- Cash flow from vessel operations of \$75 million, up from \$70 million.
- Signed three-year shuttle tanker contract to service Australian oil field – first shuttle tanker operation in Australia
- Planning to drydock more shuttle tankers in Q3, resulting in lower utilization
- Continued enquiry for new shuttle tanker business given sustained high oil price => upward pricing trend on new contracts

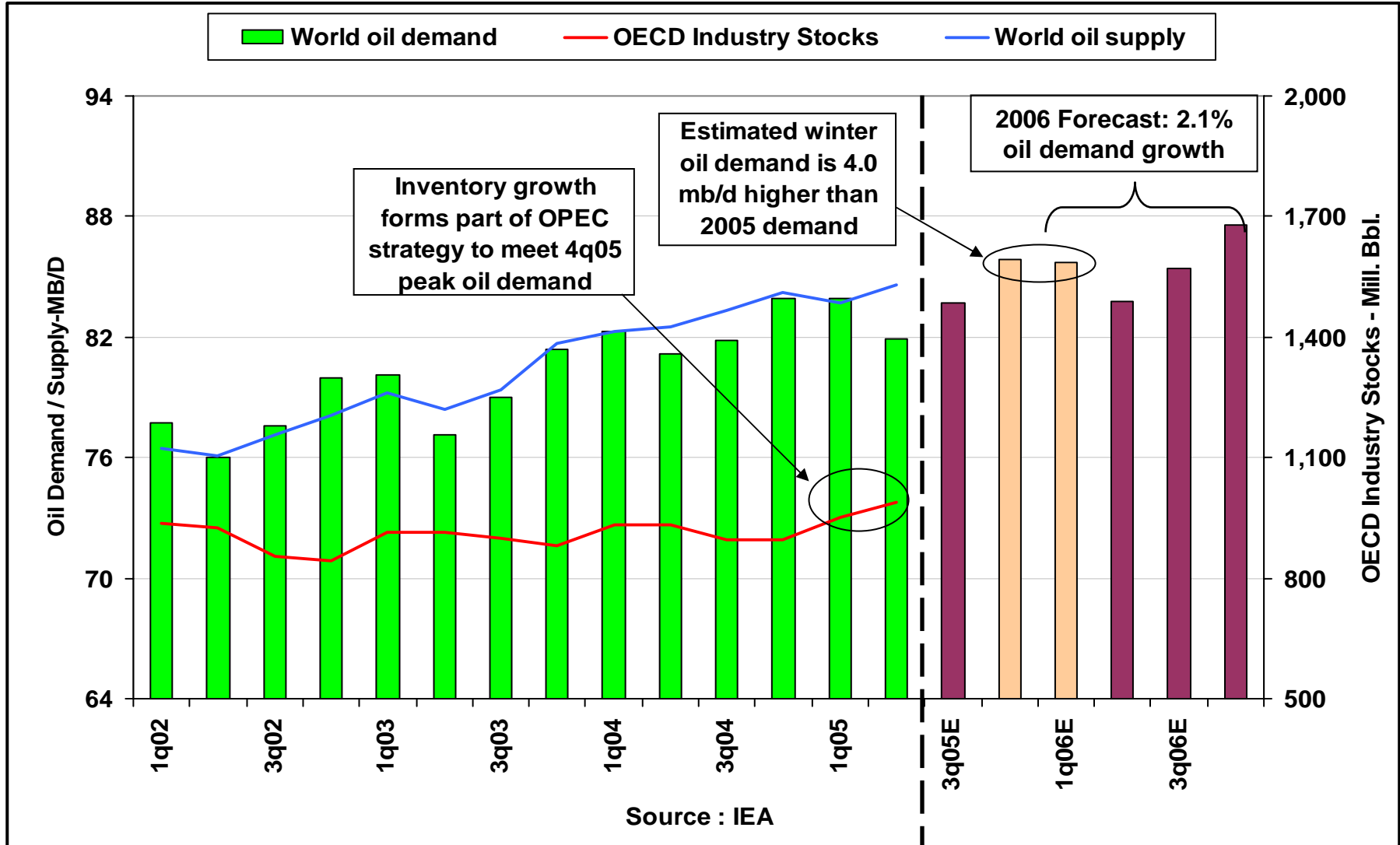


Teekay - Spot Segment Highlights

- 2q05 Aframax earnings of \$34,500 / day
- 2q05 Suezmax earnings of \$42,500 / day
- Teekay fleet almost entirely double hull
- Increased charterer discrimination against single hull vessels.
- Main fleet changes:
 - Q2: Delivered four single hulls to new owners
Redelivered two in-charter Aframaxes
Two Aframax and two MR product tankers joined fleet
 - Q3: Two Aframax newbuildings scheduled to join fleet
- Rule of thumb earnings guidance now reweighted to 50% Pacific (AG-East) and 50% Atlantic (Caribs.-USG)

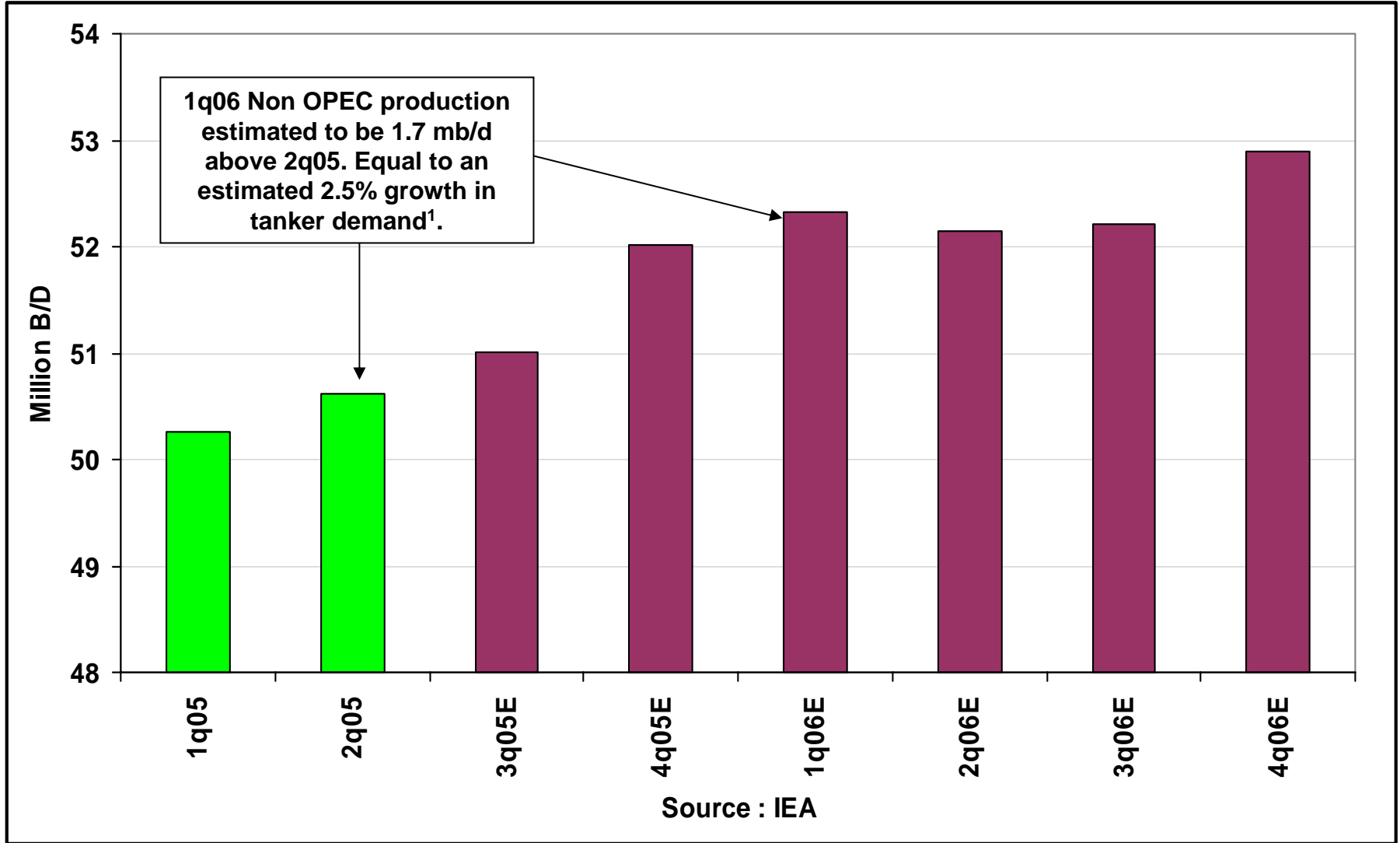


Continued Strong Oil Demand





Non OPEC Oil to Provide Incremental Tanker Demand Growth



¹ Assumes every 1 mb/d increase in Non OPEC production equals 5.0 mdwt increase in tanker demand (1:1.5).



Effect of Supply Growth Varies by Segment

	2q04 TCE (\$ / day)	L-T-M Fleet Growth (dwt)	2q05 TCE (\$ / day)	TCE Change
VLCC	65,000	7%	39,000	- 40%
Suezmax	50,000	8%	40,000	- 20%
Aframax	32,000	6%	32,000	0%

Clarkson Data



Market Outlook

- Typical short-term volatility in early 3q05:
 - VLCC rates up in response to increased Middle East sailings
 - Aframax Atlantic substantially weaker – North Sea oil field maintenance, Libya, hurricane disruptions
- Upcoming winter market viewed positively:
 - Utilization below its peak but still historically high
 - Further supply inflow, partially offset by scrapping and conversions.....
 -but, high OPEC production plus rising non-OPEC production to keep tanker demand high
 - Usual winter factors to affect rates positively



Teekay 'Sum of Parts' Valuation

Fixed-rate Tanker Segment

CFVO *	\$285m
Multiple	10x
Enterprise Value	\$2,850m
Less: net debt	\$649m
Segment Equity Value	\$2,201m
Equity Value / share	\$25.80

Teekay LNG Partners L.P.

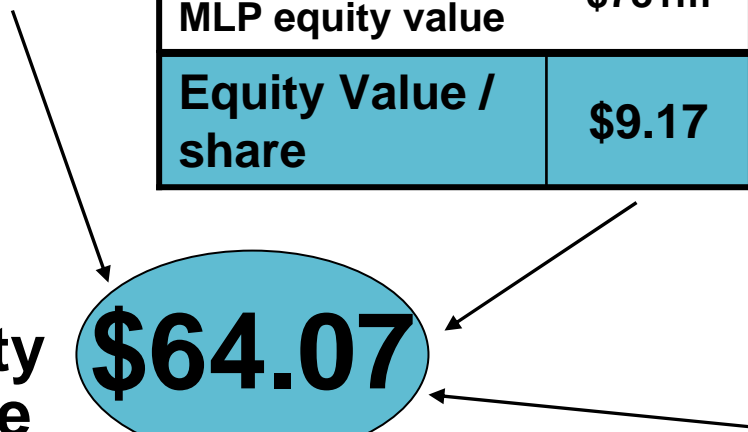
TGP Enterprise Value @ \$32.45	\$1,528m
Less: Actual net debt	\$523m
MLP Equity Value	\$1,006m
Teekay's share of MLP units	77.7%
Teekay's share of MLP equity value	\$781m
Equity Value / share	\$9.17

Spot Tanker Segment

Owned Fleet	
2004 CFVO *	\$457m
Multiple	5.6x
Owned Fleet Enterprise Value	\$2,561m
Less: net debt	\$289m
Owned Fleet Equity Value	\$2,272m
In-charter Fleet	
2004 est. CFVO @ 50%	\$105m
Multiple	2x
In-Charter Fleet Equity Value	\$210m
Segment Equity Value	\$2,482m
Equity Value / share	\$29.10

Combined Teekay Equity Value / Share

\$64.07



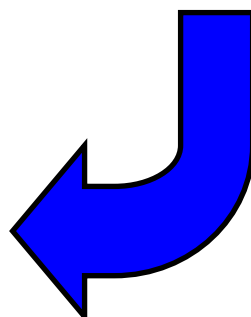
* CFVO = Cash Flow from Vessel Operations. See reconciliation in Appendix to this presentation



Share Repurchase Update

Repurchase Program	Program Size	Date Announced	\$ value repurchased	\$ value remaining	# shares repurchased	# shares remaining
#1	3 million shares	Nov. 24, '04	\$128.9m		3.0 million	
#2	\$225m	Apr. 20, '05	\$169.7m	\$55m	3.9 million	~ 1.2 million*
Increase to #2	\$250m	July 27, '05		\$250m		~5.55 million*
			\$298.6m	\$305m	6.9 million	~ 6.75 million
Total	\$604m		~ \$604m		~ 13.65 million	

Represents over 16% of the outstanding shares since Nov. '04



* Calculated assuming remaining repurchases completed at Teekay's closing price of \$45.01 on July 26, 2005



Segment Operating Results

(in thousands of U.S. dollars)	<u>Three Months Ended</u>				<u>Three Months Ended</u>			
	<u>30-Jun-05</u>				<u>30-Jun-04</u>			
	<u>(unaudited)</u>				<u>(unaudited)</u>			
	Spot Tanker Segment	Fixed-rate Tanker Segment	Fixed-rate LNG Segment	Total	Spot Tanker Segment	Fixed-rate Tanker Segment	Fixed-Rate LNG Segment	Total
Net voyage revenues	185,212	171,856	24,776	381,844	202,965	158,065	7,884	368,914
Vessel operating expenses	16,068	31,453	3,820	51,341	23,752	28,376	1,637	53,765
Time-charter hire expense	72,280	52,174	-	124,454	60,369	46,205	-	106,574
Depreciation & amortization	12,684	30,099	7,523	50,306	25,976	32,493	2,377	60,846
Cash flow from vessel operations*	73,554	74,622	17,694	165,870	106,523	70,490	5,506	182,519

Average Aframax TCE

\$34,496

\$28,135

* 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, 2005</u> <u>(unaudited)</u>	<u>June 30, 2004</u> <u>(unaudited)</u>
VOYAGE REVENUES	480,140	477,622
General and administrative expenses	(40,179)	(25,816)
Gain on sales of vessels, net of writedowns	15,894	450
Other operating expenses	(324,397)	(330,133)
Income from vessel operations	131,458	122,123
OTHER ITEMS		
Net interest expense	(24,893)	(25,789)
Income tax recovery (expense) *	555	(6,086)
Equity income from joint ventures	2,884	3,288
Foreign exchange gain (loss) net of minority interest share	16,601	(5,407)
Losses on bond repurchase, loan prepayments and interest rate swap settlements	(24,057)	-
Other items - net	2,021	10,414
Subtotal of other items	(26,889)	(23,580)
Net income	104,569	98,543
Earnings per common share - diluted **	\$1.23	\$1.13
Weighted-avg. # shares outstanding - diluted **	85,314,815	87,340,951

* includes \$4.3 million in Q2 2005 and \$0.8 million in Q2 2004 relating to deferred income tax recovery on unrealized foreign exchange losses

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



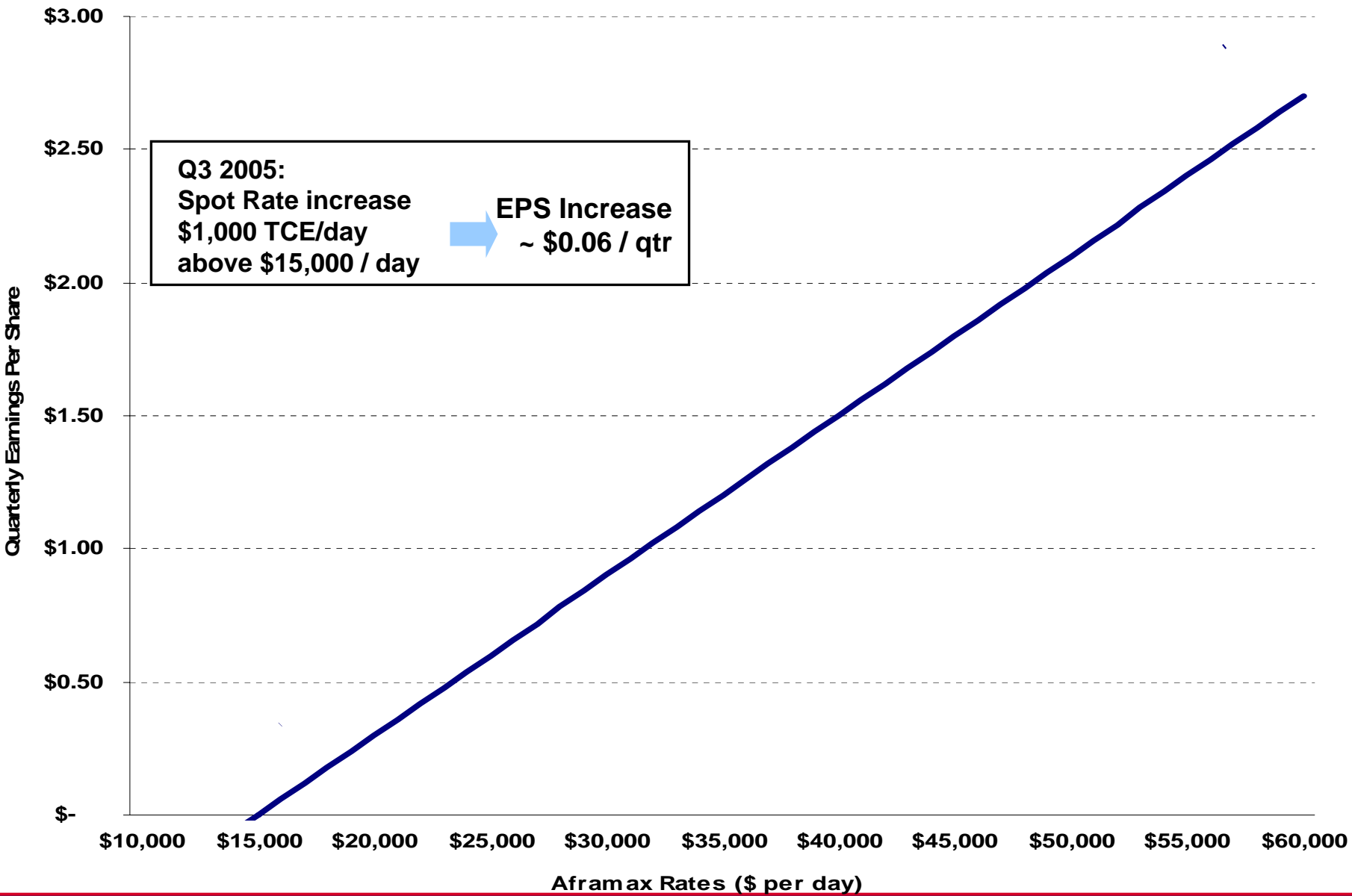
Summary Balance Sheet

In 000s of USD	<u>As at June</u> <u>30, 2005</u> <u>(unaudited)</u>	<u>As at Dec. 31,</u> <u>2004</u>
ASSETS		
Cash and cash equivalents	246,832	427,037
Other current assets	193,627	264,806
Total restricted cash	394,581	448,812
Vessels held for sale	-	129,952
Total vessels and equipment	3,431,271	3,531,287
Other assets	226,139	254,745
Intangibles and Goodwill	436,315	447,101
Total Assets	4,928,765	5,503,740
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued liabilities	161,136	206,022
Current portion of long-term debt *	265,528	208,387
Long-term debt *	1,835,990	2,536,158
Other long-term liabilities	201,374	301,091
Minority interest	161,018	14,724
Stockholders' equity	2,303,719	2,237,358
Total Liabilities and Stockholders' Equity	4,928,765	5,503,740

*includes capital lease obligations



Significant Operating Leverage





Teekay - The Marine Midstream Company





Appendix – Reconciliation of Cash Flow from Vessel Operations

- 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. Cash flow from operations is not required by accounting principles generally accepted in the United States and should not be considered as an alternative to net income or any other indicator of the Company's performance required by accounting principles generally accepted in the United States.
- The following table reconciles this non-GAAP measure as used in this presentation on slide 11 to the most directly comparable GAAP financial measure for the periods presented.

	<u>Year Ended</u> <u>December 31, 2005</u>
Projection for Fixed-Rate Tanker Segment	
Income from vessel operations	160,000
Depreciation and Amortization	125,000
<u>Cash flow from vessel operations</u>	<u>285,000</u>